

Public Joint-Stock Company LSR Group

APPROVED BY:

General Meeting of Shareholders

PJSC LSR Group

_____, 2017

Minutes No. _____ dated _____, 2017

PRELIMINARILY APPROVED BY:

The Board of Directors of PJSC LSR Group

_____, 2017

Minutes No. _____ dated _____, 2017

ANNUAL REPORT for 2016

Chief Executive Officer _____

A. Molchanov

Chief Accountant _____

Y. Reshetnikova

L.S.

Statement of the Chairman of the Board of Directors

Dear shareholders,

The year of 2016 proved to be successful for LSR Group. The Company entered a new round of growth after a difficult year 2015 and set an absolute record in terms of sales revenue, which increased by 13 % and exceeded RUB 98 billion. EBITDA increased by 4 % up to RUB 19.3 billion.

Today we can say that we have overcome another economic downturn, and we look ahead with confidence. The Russian economy is entering a recovery phase, and the Government expects GDP growth in 2017. The inflation rate was pulled down to 5–6 %. If this indicator is maintained in 2017, growth in real household disposable income is expectable.

Mortgage lending became the key factor driving up demand for residential real estate. According to Russia's Agency for Mortgage Lending (AIZhK), in 2016 the mortgage lending market increased by 27 % year-on-year in value terms. Almost 860,000 mortgage loans were issued in Russia within the reported period. By the end of the year, mortgage rates dropped back to their pre-crisis levels and amounted to 11.55 %. In early 2017, major players in the mortgage market continued reducing mortgage rates. Today, mortgage loans are already available at the interest rate of 10.25 %.

We observe a significant increase in the portion of mortgage transactions at the company level as well. Previously, one third of our pre-sales involved mortgage contracts. By the end of 2016 the share of mortgage sales exceeded 40 %. LSR Group has partnership agreements with 20 banks. A mortgage department exists in the Company to facilitate interaction between customers and banks, which not only saves our customers' time but also ensures a higher level of loan approval. Currently, we are implementing a unique program jointly with Raiffeisenbank, under which mortgage rate for the first year is fixed at the level of 8.5 %, and for subsequent years it is fixed at the level of 11.55 %.

Currently, reduction of mortgage rates to the historic low and stagnating real estate prices create the most favorable conditions for housing improvements. Customers generally choose in favor of large financially stable companies. The similar choice is made today by banks, landowners, and the government, which is evidenced by the amendments to the Federal Law No. 214-FZ in force since January 1, 2017.

The strategy of LSR Group remains intact. We continue operating in three largest and wealthiest regions of Russia: Saint Petersburg and Leningrad Region, Moscow and Moscow Region, and Yekaterinburg. However, our tasks in each of these markets are different. In Saint Petersburg, we strive for maintaining leadership positions in all market segments and for improving the project mix, focusing efforts on the most marginal projects. However, the potential for our growth in Saint Petersburg is limited, as defined by the current leadership position of the Company and the capabilities of the market. In this context, the main goal for the expansion of our business is Moscow, where we plan to increase the scope of our activities up to the level of Saint Petersburg. As of today, 40 % of our sales in monetary terms and 28 % of sales in square meters accrues to Moscow. We do not intend to enter new geographic markets or explore new business areas. We will do what we do the best, relying on a vertically integrated business model implemented in all three regions of presence. We are optimistic about the future and wish you fruitful work and success in 2017!

Chairman of the Board of Directors of PJSC LSR Group
A. Vakhmistrov

Statement of the Chief Executive Officer

Dear shareholders,

Looking back on the year 2016, LSR Group has demonstrated successful operating and financial results.

During the year, we entered into new contracts for the sale of 681 thousand square meters of real estate in all regions of our presence. The total value of the contracts increased by 29 % as compared to the previous year, up to RUB 70.6 billion. In 2016, we completed 788 thousand square meters. The recognitions amounted to 779 thousand square meters. Revenue from real estate development grew up by 12 % up to RUB 68.8 billion. EBITDA increased up to RUB 16 billion. The growth was primarily driven by our real estate development activities in Moscow, which contributed RUB 20.7 billion, i. e. more than 30 % of the total proceeds from real estate development. An important contribution was made by the early completion of our project Donskoy Olymp which added RUB 12.6bn of revenue. Our operations in

St. Petersburg accounted for 62% of real estate development revenue or RUB 42bn. A slight decrease was due to the projects schedule. At the same time, the mix of the recognized projects favorably affected EBITDA margin which grew from 29% to 34% thanks to the contribution of Sofia and Kalina-Park, which boast gross margins exceeding 40%.

Growth of our building materials business was primarily driven by the increased supplies of aggregates to the major road construction projects being implemented in Saint Petersburg and Leningrad Region, including the federal highway M-11, sections of the Western High-Speed Diameter, the Scandinavia highway. As a result, crushed granite revenue increased by 23 %, up to RUB 3.2 billion, EBITDA increased by 68 %, up to RUB 817 million. Sand revenue increased by 17 % and amounted to RUB 2.3 billion, EBITDA increased by 54 % and reached RUB 768 million.

As of the end of 2016, Company's total debt increased up to RUB 55.7 billion. Net debt amounted to RUB 30 billion. Net debt to EBITDA ratio was 1.56. The increase in the Company's debt was attributed to the necessity to finance large-scale development projects and a number of acquisitions we made during the year, including the land plots on Petrovsky Island in Saint Petersburg and a hotel project in Germany.

We've just completed valuation of our real estate portfolio undertaken by Knight Frank as an independent external appraiser. As of the end of 2016, the net sellable area of our projects was equal to 8,8 thousand sqm. The market value of our real estate portfolio was RUB 144bn. The assessed value per square meter has increased by 12% year-on-year. Just for comparison, as of the end of 2016 the Company's market cap was RUB 99bn, which in our view shows the stock as undervalued. In 2016, we added several new unique projects to our portfolio. In particular, we acquired several land plots for elite real estate development with a total area of 12.6 ha on Petrovsky Island in Saint Petersburg. While traditional locations for hi-end real estate are almost exhausted in the city, development of Petrovsky Island plays a huge role for the local market. Only 380 thousand square meters can be constructed there, including 200 thousand square meters to be built by LSR Group. Thus we have ensured a market share exceeding 50% in this location. The plots were purchased at the final stage of the permitting process, which allows us to start construction and pre-sales already in autumn this year. We continue monitoring land markets closely looking for the most attractive land plots in terms of price and the permitting stage.

As 2017 begins, we look forward with optimism and expect the increase of the demand for residential real estate backed by the recovering economy and growing availability of mortgages. For our part we plan to launch to the market 890 thousand square meters and pre-sell 770 thousand square meters of real estate this year. We sincerely hope that the year of 2017 will be successful for you!

CEO and Chairman of the Executive Committee of PJSC LSR Group
A. Molchanov

Brief History of the Company

Public Joint-Stock Company LSR Group (the "Company") was established on August 14, 2006 as a result of the reorganization of Limited Liability Company LSR Group in the form of conversion and is its lawful successor.

The Company's business started in 1993 with the acquisition of Stroydetal plants specializing in manufacturing of reinforced concrete items. Later, other companies engaged in real estate development, construction and production of building materials, were consecutively acquired and created. Expansion of investment activity, development of new sectors of existing products market, creation of new enterprises, manufacturing products and providing services for existing productions, led to the need to establish a unified structure of the Group, in which the Company is included.

Currently, LSR Group comprises companies engaged in production of building materials, extraction and processing of aggregates, provision of crane rental services, real estate development and construction of buildings from mass market neighborhoods to elite homes designed by the leading domestic and foreign architects.

PJSC LSR Group is a public Company. Its global depository receipts are traded on the London Stock Exchange, and its ordinary shares are traded on MICEX-RTS. In 2007, the Company carried out an initial public offering. The offering volume was 10,643,618 ordinary shares in the form of ordinary shares and global depository receipts. Following the IPO results, the Company raised USD 588 million (net of IPO costs). The IPO of the Company became one of the largest public offerings implemented by a construction sector company in Russia. On April 30, 2010, the Company carried out a secondary public

offering. A total of 9,366,383 ordinary shares in the form of global depositary receipts were placed under international offer. The net proceeds after deducting all the offering expenses were USD 385 million.

In recent years, the Company has moved from being a leader of the regional market of Saint Petersburg and Leningrad Region to become one of the largest diversified Russian business structures, extending its activity to different regions of Russia and nearby countries.

St. Petersburg and Leningrad region are our home market where the main part of our business is concentrated today. In St. Petersburg and Leningrad region we are engaged in real estate development and construction in all segments from mass market to elite real estate. We produce aggregates (sand, crushed granite) and building materials (bricks, reinforced concrete, ready-mix concrete, aerated concrete), provide tower crane rental services. Our business units maintain the leading positions in most of our key markets in St. Petersburg and the Leningrad region.

The Moscow real estate market is the largest in Russia. That is why it is considered a priority target for the Company's geographic expansion. We set up our real estate development business in Moscow in 2001. We also run a pre-fabricated factory in the region and produce bricks, as well as provide tower cranes rental services.

Yekaterinburg is the industrial, trade and cultural centre of the Urals region. It is the fourth largest city of Russia and one of the largest real estate markets in the country. LSR Group set up its business in Yekaterinburg at the end of 2007, and completed the acquisition of key assets in 2008. In Urals, the Company replicated the same vertically integrated business model, which the Company successfully utilized in St. Petersburg and Moscow, based on the synergies of the real estate development business unit and the prefabricated factory.

In Ukraine LSR Group strives to achieve a leading position in production and sales of aerated concrete. Two plants of our Group are operating in Kiev Region (in Berezan and Obukhov). Today LSR Group is one of the largest manufacturers and suppliers of aerated concrete in Ukraine.

European office of LSR Group has been operating in Munich since 2003 (LSR Europe), which carries out real estate development projects in Germany and administers contracts with foreign producers of machinery and equipment.

The Company gained a new impulse in 2010. It has developed and implemented new business approaches which resulted in the structural changes, integration and consolidation of business units engaged in manufacturing of building materials, contracting and real estate development. Unified standards of project management were introduced in new consolidated business units.

An important stage in LSR Group development was completed in 2013 with an ambitious program of modernization of pre-fabricated housing factories. The goal of the program was to increase production capacity and labor efficiency, reduce cost and energy consumption, improve product quality, and speed up the equipment reconfiguration for product range diversity. All reforms are based on the best foreign practices, cutting-edge Russian and European technologies.

In recent years in all regions of operations LSR Group has been actively engaged in expansion of its land bank. It entered into a number of investment projects on favorable terms. Besides, LSR Group implemented a large scale program aimed to improve efficiency of its land assets in Saint Petersburg. The program implies relocation of the existing manufacturing facilities from the land plots suitable for residential development to industrial zones. Today enterprises of LSR Group are concentrated in such a way that three modern, high-tech clusters were formed: Gatchina - production of reinforced concrete items, Nikolskoye and Kolpino - production of bricks and Parnas - pre-fabricated housing construction factory. The land plots relieved from manufacturing facilities are used for residential real estate development.

All areas of LSR Group business complement each other, providing a significant synergetic effect. Well-adjusted interaction mechanisms allow Group's subsidiaries to comprehensively satisfy client needs, simultaneously reducing their operating costs and allowing them to rapidly respond to the changing trends of construction industry.

Business Structure of the Company

Business units of LSR Group are formed according to the product principle, for example, LSR. Construction LSR. Real Estate LSR. Reinforced Concrete.

The management company performs administrative functions and combines the departments of HR, IT, finance, legal matters, investor and public relations, procurement and logistics. Accounting, legal and IT functions are centralized at the level of the management company.

Business Structure of LSR Group

Real Estate	Construction	Building materials
LSR. Real Estate – North-West	LSR. Construction – North-West	LSR. Aggregates
LSR. Real Estate – Moscow	LSR. Construction – Moscow	LSR. Ready-Mix Concrete
LSR. Real Estate – Urals	LSR. Construction – Urals	LSR. Bricks and Aerated Concrete
LSR. Europe	LSR. Project Management	LSR. Reinforced Concrete – North-West
		LSR. Tower Cranes

Company’s Position in the Industry and its Core Businesses.

LSR Group is a diversified vertically integrated holding company and one of the leading players in Russia’s construction industry.

The Company’s core businesses include real estate development, construction and production of building materials.

Subsidiaries and associated companies of PJSC LSR Group operate in the following key regions: Saint Petersburg and Leningrad Region, Moscow and Moscow Region, Yekaterinburg and Sverdlovsk Region, Ukraine, in the following areas:

- real estate development;
- construction of pre-fabricated housing;
- contracting, general contracting, and engineering services in industrial and civil construction;
- production of reinforced concrete items for residential, commercial, and industrial construction;
- production of aerated concrete;
- production and delivery of ready-mix concrete and concrete mixes;
- production and sale of high-quality ceramic brick of all types, mining of Cambrian clay;
- production of crushed granite, mining of sea sand, mining and delivery of quarry sand;
- provision of transportation and tower crane services, including mechanization of construction and installation activities, transportation of construction materials, handling operations.

Residential Real Estate Market

In 2016, construction sector in Russia was still affected by the economic recession. According to Rosstat, the volume of construction works decreased by 4.3% year-on-year. Housing completions amounted to 79.8 million square meters (1,157 apartments), which accounts for 93.5 % of the corresponding result for 2015.

Moscow Region is the leader by housing completions with 8.8 million square meters, which accounts for more than 11% of the national volume. A total of 3.4 million square meters of housing were built in Moscow, 3.1 million square meters in St. Petersburg, 2.2 million square meters in Leningrad Region.

Substantial support for the residential construction industry was provided by the state mortgage rates subsidizing program. In total, 620 thousand co-investment contracts with individuals were signed in Russia during the year, i. e. 5 % more than in 2015. Almost every second apartment under construction was sold on a mortgage basis.

As a result, mortgage market saw an increase of 27 % in monetary terms in 2016. More than 856 thousand mortgage loans worth RUB 1.47 trillion were issued. Average mortgage rate dropped down to 11.55 % by the year-end and continued declining in 2017, reaching a historic low.

Building Materials Market

In 2016, building materials market continued declining affected by low investment activity in the construction sector. The tendency towards substitution of imported materials was not in the position to compensate for the overall decline in construction companies' demand.

In 2016, cement production decreased by 11.4 % down to 55 million tons. Output of bricks decreased by 16.5 % down to 5.6 billion bricks. Production of reinforced concrete items decreased by 15.6 % down to 18.7 million cubic meters.

Assessment of the Company's Business Results within the Industry and in relation to the Industry Trends

Real Estate Development

In 2016, regional real estate markets, where LSR Group operates, reached more balanced state in terms of supply and demand. Mortgage rates have dropped back to the pre-crisis level and continue declining. Backed by the stagnating prices, this provides a favorable environment for the purchase of real estate. Large, financially stable companies have a significant advantage over smaller players. They are trusted not only by customers, but also by banks, land owners and the state. Reputation of LSR Group as one of the largest and most reliable construction companies in Russia, the launch of new unique projects in all regions of presence, successfully implemented marketing initiatives made it possible to achieve successful results in 2016.

During the year, in all regions of our presence, we entered into new contracts for sale of 681 thousand square meters (+ 11 %). The value of the signed contracts increased by 29 % and amounted to RUB 70.6 billion. Average price per square meter increased by 15 % and amounted to RUB 103.8 thousand, which was primarily driven by the increased share of Moscow in our project portfolio as well as differentiated pricing policies. In particular, the share of Moscow Region in the sales structure in monetary terms increased from 23 % up to 40 %. Mortgage lending became the key factor driving up demand for real estate. In 2015, the share of mortgage sales was 33 %. The same indicator for 2016 reached 38 %. In 4Q of 2016, the share of mortgage transactions across all regions reached 42 %.

During 2016, we launched 729 thousand square meters of real estate to the market, including new projects and new phases in the existing projects. About half of this volume accrued to our home market. In Saint Petersburg, pre-sales were launched in two large-scale projects: Civilization and Tsvetnoy Gorod. About 163 thousand square meters were launched in ZILART in Moscow.

In 2016, we commissioned 789 thousand square meters, including 515 thousand square meters in 4Q.

Building Materials

Production of building materials had been developing unevenly in 2016. Aggregates market was driven by large infrastructure projects being carried out in St. Petersburg and Leningrad Region. In particular, we supplied our aggregates for the construction of the federal highway M-11, Western High-Speed Diameter, the Scandinavia highway. In 2016, crushed granite sales increased by 17 % up to 6.3 million cubic meters. Sand sales increased by 7 % up to 8.7 million cubic meters.

Reinforced concrete and ready-mix concrete were under pressure due to the decreased construction activity in the market and lower number of new projects at the initial stages. During the year, we sold 879 thousand cubic meters of ready-mix concrete (-14 %) and 256 cubic meters of reinforced concrete items (-10 %).

Sales of aerated concrete continue to grow due to market consolidation and the popularity of Aeroc brand. During the year we sold almost 1.4 million cubic meters of aerated concrete. Volume of brick sales decreased in 2016 down to 317 million units.

Results of the Company by Segment

In 2016, LSR Group achieved the following operating results.

REAL ESTATE DEVELOPMENT

	2015	2016	Change, %
New contract sales, th m2	611	681	11 %
Completed, th m2	754	788	4%

<i>Real estate in Saint Petersburg</i>			
New contract sales, th m2	385	386	-
<i>Elite real estate</i>	37	43	14%
<i>Mass market real estate</i>	348	344	(1 %)
Completed, th m2	538	494	(8%)
<i>Elite real estate</i>	93	26	(72%)
<i>Mass market real estate</i>	445	469	5%
<i>Real estate in Moscow</i>			
New contract sales, th m2	125	193	54%
Completed, th m2	90	198	121%
<i>Real estate in Yekaterinburg</i>			
New contract sales, th m2	101	102	-
Completed, th m2	127	96	(25%)

Note: The operating results in this table are rounded to whole numbers, while all the calculations are based on the full figures.

In 2016, in all regions of our operations we entered into new contracts for the sale of 681 th m² (+11%). The total value of the contracts for the sale of real estate increased by 29% to RUB 70,6bn. In 2016, we completed 788 th m² of net sellable area (+4%). The recognitions for 2016 amounted to 779 th m² (+8%).

Real estate in Saint Petersburg

In 2016, in St. Petersburg, we entered into new contracts for the sale of 386 th m² of net sellable area. The total value of the contracts was RUB 36.6bn. In 2016, we completed 494 th m² of net sellable area (-8%). The recognitions for 2016 amounted to 493 th m² (-5%).

In the elite segment, we entered into new contracts for the sale of 43 th m² of net sellable area (+14%). The total value of the contracts was RUB 7.8bn. In 2016, we completed 26 th m² of net sellable area. The recognitions for 2016 amounted to 21 th m² (-77%).

In the mass market segment, we entered into new contracts for the sale of 344 th m². The total value of the contracts was RUB 28.8bn (+2%). In 2016, we completed 469 th m² of net sellable area (+5%). The recognitions for 2016 amounted to 473 th m² (+10%).

Real estate in Moscow

In 2016, we entered into new contracts for the sale of 193 th m² of net sellable area (+54%). The total value of the signed contracts was RUB 28.1bn (+124%). In 2016, we completed 198 th m² (+121%) of net sellable area. The recognitions for 2016 amounted to 189 th m² (+97%).

Real estate in Yekaterinburg

In 2016, we entered into new contracts for the sale of 102 th m² of net sellable area. The total value of the contracts was RUB 5.9bn. In 2016, we completed 96 th m² of net sellable area. The recognitions for 2016 amounted to 96 th m² (-12%).

CONSTRUCTION

	2015	2016	Change, %
Construction, th m2	881	925	5%
Saint Petersburg	562	560	-
Moscow*	179	211	18%
Yekaterinburg*	140	154	10%

Note: The operating results in this table are rounded to whole numbers, while all the calculations are based on the full figures.

* Sales figures in Yekaterinburg and Moscow include both transfer of completed prefab housing to the customers and sales of reinforced concrete for prefab construction.

In 2016, our subsidiaries in Saint Petersburg, Moscow and Yekaterinburg transferred to the customers 925 thousand square meters of prefab buildings (+5 %).

BUILDING MATERIALS

Product	2015	2016	Change, %
Crushed granite, th m3	5,374	6,312	17%
Sand, th m3	8,144	8,742	7%
Ready-mix concrete, th m3	1,027	879	(14%)
Reinforced concrete, th m3	283	256	(10%)
Bricks, million units	348	317	(9%)

Aerated concrete, th m3	1,304	1,385	6%
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Note: The operating results in this table are rounded to whole numbers, while all the calculations are based on the full figures.

Crushed granite

Crushed granite sales in 2016 were 6.3 million cubic meters (+17 %).

Sand

Sand sales in 2016 were 8.7 million cubic meters (+7 %).

Ready-mix concrete

Ready-mix concrete sales were 879 thousand cubic meters (-14 %).

Reinforced concrete

In 2016, we sold 256 thousand cubic meters of reinforced concrete items (-10 %). *Bricks*

Bricks sales in 2016 amounted to 317 million units (-9 %).

Aerated concrete

Aerated concrete sales in 2016 amounted to 1.4 million cubic meters (+6 %).

The Board of Directors considers business results of LSR Group for the year 2016 to be generally successful.

Financial Indicators of the Company

Indicator	as of 12/31/2015	as of 12/31/2016
Total debt to equity	0.69	0.82
Net profit margin, %	67%	62%
Asset turnover, times	0.22	0.15
Return on assets, %	14.7%	9.6%
Return on equity, %	24.9%	17.4%
Net working capital, th RUB	9,931,303	18,953,988
Current ratio	1.80	5.03
Quick ratio	1.80	5.02

Note: All indicators are calculated on the basis of unconsolidated 2016 RAS-based financial statements of PJSC LSR Group.

Total debt to equity is a measure of a Company's financial leverage. This indicator for 2016 increased from 0.69 to 0.82.

Net profit margin characterizes the profitability level and makes up 62 % in 2016 against 67 % in 2015. Reduction of net profit margin for PJSC LSR Group results from declining exchange gains and growing interest paid due to increased loan debt burden.

Asset turnover decreased and amounted to 0.15 times, i. e., each ruble of assets resulted in RUB 0.15 of revenues. Return on assets amounted to 9.6 % in 2016 against 14.7 % in 2015. Return on assets decreased due to net profit margin decline.

Return on equity shows efficient utilization of equity and amounts to 17.4 % compared to 24.9 % in 2015.

The optimum net working capital is determined in accordance with the needs of the company and depends on the scales and characteristics of its business, rate of turnover of inventories and receivables, on the terms of acquiring loans, on industry specifics and market conditions. Both surplus and shortage of net working capital negatively affect the financial position of the company. A shortage of net working capital is indicative of the incapacity of the company to pay off its current liabilities in timely fashion and can lead to bankruptcy. Net working capital at the year-end 2016 increased against 2015 and amounted to RUB 19 billion. The increase was mainly due to changed structure of liabilities with an increase of long-term liabilities.

The liquidity coefficients demonstrate the company's capacity to pay off current liabilities. Current ratio shows if the Company has sufficient means to pay off current liabilities (in particular, accounts payable). Quick ratio is the ratio of the most liquid assets of the Company and receivables to current liabilities. This coefficient reflects the Company's capacity to pay off liabilities in a timely fashion. These indicators show that LSR Group can pay off its liabilities with own funds.

Development of the Company in Future

The principal drivers of the Company's business growth in the coming years will include real estate development and residential construction in the mass market segment as well as the production of the key building materials.

We are also anticipating a substantial boost to business efficiency in the production of bricks and aerated concrete due to an expansion of the product range and lower operating expenses of the new brick plants.

We are planning to develop and consolidate the Company's positions in the target markets by means of:

- Using and advancing LSR Group's unique competitive advantage: system of vertically integrated companies providing conditions for reliable constant control over the key elements of the manufacturing chain, from production of building materials to construction and to the sales of completed real estate.
- Raising funds under more attractive terms compared to the key competitors within the industry due to the use of a wider range of financial instruments, its further expansion, maintaining a positive credit history, and large scale of business.
- Diversifying the commercial policy by targeting not only private customers, but also the growing and fairly stable public procurement sector.
- Achieving economy of scale due to a large market share and exploiting this advantage in the relationships with the suppliers and customers.
- Improving the quality of the products (work and services offered), and expanding their range within our portfolio strategy.
- Establishing and boosting the image of LSR Group as an integrated and stable company adhering to uniform business standards.

The plans of LSR Group's subsidiaries engaged in real estate development and construction:

We are planning a further increase in the vertical integration between real estate development and construction in order to reduce the production costs, shorten the project implementation time, and increase the end product margin. In construction, we are planning to utilize the advantages of our pre-fabricated housing factories by optimizing and standardizing the processes of design, production and construction, bringing the implementation of real estate development projects to the level of pre-fabricated construction.

In the real estate development sector, we shall utilize our competitive advantage based on the integration with the construction sector and optimal sizing of our land bank, which, among others, will include the plots made available by the planned optimization (relocation and modernization) of our industrial facilities.

All of the above will allow us to market residential housing of the right quality, in the required volume, and within the specified time frames, as well as provide a more flexible and quicker response to possible changes in the demand.

The plans of LSR Group's companies operating in the building materials sector:

Our further development in the building materials sector will be based on bringing the new facilities to their design production capacity, improving production efficiency, and reducing the costs by using state-of-the-art technologies and equipment, implementing the best practices in process control, expanding the volume of mineral deposits that we will exploit, and developing new markets for our products.

We are also envisioning a further synergistic effect from the consolidation of the business units and optimization of the management system conducted in 2012–2015.

The growth of our building materials business will primarily be provided by the reduction of operating and administrative expenses along with improving the quality and expanding the range of some product lines and increasing or maintaining the market share of other products.

The stability in the building materials sector will be maintained, among other factors, by the intra-group consumption of a number of primary products such as sand, and crushed granite, as well as by the

economy of scale due to our simultaneous presence on multiple associated product markets, allowing us to develop an integrated product sales program for further development of the construction industry.

Information on the Company's Use of Energy Resources in the Reporting Year

Type of energy resource	Consumption, (in physical terms)	Consumption, (in monetary terms)
Electric power	~ 267 million kWh	~ RUB 909 million
Automotive gasoline	~ 1.4 million liters	~ RUB 41 million
Diesel fuel	~ 32 million liters	~ RUB 867 million

Consolidated data for all subsidiaries of LSR Group.
Other forms of energy resources were not used in 2016.

Corporate Governance

In our practices of corporate governance we adhere to the laws of the Russian Federation relating to corporate governance as well as international standards applicable to public companies listed on the London Stock Exchange.

Corporate Governance Structure

The system of corporate governance of PJSC LSR Group includes:

- > General Meeting of Shareholders;
- > Board of Directors;
- > Executive Committee;
- > CEO.

This report presents the composition of the management bodies of the Company as of 12/31/2016.

General Meeting of Shareholders;

The General Meeting of Shareholders (the "Meeting") is the supreme corporate body of PJSC LSR Group.

The annual Meeting is held once a year, not earlier than 2 months and not later than 6 months after the end of the fiscal year. Meetings, held in addition to the annual one, are extraordinary and are held based on the decision of the Board of Directors on the basis of its own initiative, request of the Audit Commission, the Company auditor, and also shareholders who are owners of not less than 10 % of voting shares on the date of the presentation of the request.

The shareholders (shareholder), who are (is) in totality owners of not less than 2 % of voting shares of the Company have the right to introduce items into the agenda of the annual Meeting, and also to advance candidates for election to the Board of Directors and Audit Commission of the Company, the number of which cannot exceed the quantitative composition of the relevant body. Such proposals must be submitted to the Company not later than 60 days after the end of the fiscal year.

The procedure for conducting the Meeting is established by the Regulation on General Meeting of Company's Shareholders.

Information about holding the Meeting is posted on the Company's website www.lsrgroup.ru in the Internet information and communications network not later than 30 days prior to the date of holding the Meeting.

A Meeting is competent (it has a quorum), if the shareholders, who hold in totality more than half of the votes of the placed voting shares of the Company, participated in it.

Voting at the Meeting is performed in accordance with the "one share - one vote" principle unless otherwise provided by the Federal Law. The elections of the members of the Board of Directors of the Company are made by cumulative voting, during which the number of votes, which belong to each shareholder, is multiplied by the number of people, who must be elected into the Board of Directors, and a shareholder has the right to give the votes thus obtained completely for one candidate or to distribute them between two and more candidates.

Information about holding the Meetings in 2016.

One General Meeting of Shareholders was held in 2016.

The Annual Meeting of PJSC LSR Group following the results of 2015 was held on April 5, 2016 in Saint-Petersburg (Minutes No. 1/2016 of 4/5/2016). Shareholders who hold 85.4 % of the placed voting shares of the Company participated in it.

During the Annual Meeting, the Company's Annual Report, the annual accounting (financial) statements, and distribution of profit following the results of 2015 were approved, dividends were declared, members of the Board of Directors and the Audit Commission were elected, auditors of RAS-based and IFRS-based financial statements of the Company were approved.

Board of Directors

The Board of Directors is the administrative body of the Company responsible for general management of the Company's business, except for the issues assigned by the Federal Law and the Company's Charter to the competence of the General Meeting of Shareholders.

The meetings of the Board of Directors are held as necessary, but at least once a quarter. Meetings may be convened by the Chairman of the Board of Directors at his initiative, as well as upon the request of any member of the Board of Directors, Audit Commission, auditor, the Executive Committee, Chief Executive Officer, and also any shareholder with at least 10 % of the Company's ordinary shares, the Board of Directors committee, submitted in written form indicating the reasons for convening the meeting.

The order of convening and holding meetings of the Board of Directors is determined by the internal document of the Company, i. e. the Regulation on the Board of Directors.

The members of the Board of Directors are elected by the Annual or Extraordinary Meeting in the order established by the Federal Law for the period until the Annual Meeting. The Board of Directors of the Company is comprised of 9 members.

The meeting of the Board of Directors is considered competent (it has a quorum), if not less than 50 % of the elected members of the Board of Directors participate in it. Herewith the participation of at least one independent director is necessary. Decisions at the meeting of the Board of Directors are made by the majority of the votes of the members of the Board of Directors participating in the session. For certain issues, the Charter require a larger quorum and also a larger number of votes necessary for making a decision.

Composition of the Board of Directors

In the reporting year, the composition of the Board of Directors was changed once: following the results of the Annual Meeting that was held on April 5, 2016.

Membership roster of the Company's Board of Directors from 1/1/2016 through 4/5/2016:

Name	Position in the Board of Directors	Independent	Audit Committee	Human Resources and Compensations Committee	Strategy and Investment Committee
Aleksandr Vakhmistrov	Member of the Board of Directors	No			
Dmitri Gontcharov	Chairman of the Board of Directors	No			Member of the committee
Oleg Goncharov	Member of the Board of Directors	Yes	Member of the committee	Chairman of the committee	Member of the committee
Aleksey Makhnev	Member of the Board of Directors	Yes	Chairman of the committee	Member of the committee	Member of the committee
Andrey Molchanov	Member of the Board of Directors	No			Chairman of the committee
Saidam Salakheddin	Member of the Board of Directors	Yes	Member of the committee	Member of the committee	Member of the committee
Leonid Sorokko	Member of the Board of Directors	No			
Elena Tumanova	Member of the Board of Directors	No			
Olga Sheikina	Member of the Board of Directors	No			

Membership roster of the Company's Board of Directors from 4/5/2016 through 12/31/2016:

Name	Position in the Board of Directors	Independent	Audit Committee	Human Resources and Compensations Committee	Strategy and Investment Committee
Aleksandr Vakhmistrov	Chairman of the Board of Directors	No			
Dmitri Gontcharov	Member of the Board of Directors	No			Member of the committee

Vasiliy Kostritsa	Member of the Board of Directors	No			Member of the committee
Aleksey Makhnev	Member of the Board of Directors	Yes	Chairman of the committee	Member of the committee	Member of the committee
Andrey Molchanov	Member of the Board of Directors	No			Chairman of the committee
Vitaliy Podolsky	Member of the Board of Directors	Yes	Member of the committee	Chairman of the committee	Member of the committee
Alexander Prysyzhnyuk	Member of the Board of Directors	Yes	Member of the committee	Member of the committee	Member of the committee
Olga Sheikina	Member of the Board of Directors	No			
Eugeny Yatsyshin	Member of the Board of Directors	No			

Membership of Board members in the committees of the Board is indicated as of the ending date of the period under review.

Biographic summaries of the members of the Board of Directors

Aleksandr Vakhmistrov

Chairman of the Board of Directors,

Member of the Board of Directors since June 2014.

From 1975 through 1994, he worked in different enterprises in the construction industry, holding positions from that of a specialist to CEO. Occupied the posts of Chief of Construction Office No. 339 at Glavzapstroy construction association in Leningrad, Director of Operations at Lentek, a Soviet-Finnish engineering contractor joint venture, CEO at Filko, a Soviet-Finnish construction joint venture. From 1994 through 1996, CEO, Investment Directorate of the Construction Committee of Saint Petersburg. From 1996 through 2000, CEO, Center for Bank Credit Management. From 2000 through 2003, Chairman, Construction Committee of Saint Petersburg, Vice-Governor of Saint Petersburg. From 2003 through 2009, member of the Government of Saint Petersburg, Vice-Governor of Saint Petersburg in charge of construction and reconstruction of real estate, road building, architecture, urban planning and municipal land allotment policies for capital construction projects. From 2009 through June 2010, Vice-Governor of Saint Petersburg and Head of Administrative Office of the Governor of Saint Petersburg. From 2010 through 2013, CEO, LLC LSR-Stroy (LSR Group enterprise). From 2010 through 2015, CEO and Chairman of the Executive Committee of PJSC LSR Group. During the same period, he was CEO at LLC LSR. From 2015 to the present day, First Deputy CEO of PJSC LSR Group. Since July 2015, he has been elected as the President of the “Association of Builders of Saint Petersburg”. From 2016 to the present day, CEO at LLC Oblastnye Proekty.

Graduated from Obraztsov Leningrad Institute of Railway Transport Engineers in 1981 with a degree in industrial and civil construction. In 2000, graduated from Saint Petersburg University of the Ministry of the Internal Affairs of Russia with a degree in law. Ph.D in economics, Professor, Saint Petersburg State University of Architecture and Civil Engineering and Saint Petersburg State Polytechnic University. Honored Builder of Russia. Merited Builder of the Russian Federation. Received two official commendations by the President of the Russian Federation and a science and engineering award from the Government of the Russian Federation. Bearer of Fourth Class, Order for Merit to the Fatherland; awarded the Order of Friendship, Order of Honor and Order of Alexander Nevsky.

Born in 1954.

On 4/13/2016, his shareholding in the Company changed from 0.0116% to 0.0194% based on securities contract within the scope of long-term incentive program for management.

Dmitri Gontcharov

Member of the Board of Directors,

Member of the Board of Directors since June 2007.

From 1997 through 2003, worked as Commercial Director, Department of CIS and Eastern Europe Sales, Information and Communication Networks Division of Siemens AG. From 1996 through 1997, worked in the field of audit and tax consulting at BBMS Treuhand GmbH. From 2009 through 2010, member of the Management Board, Aeroc International AS, Estonia.

From 2003 to the present time, Managing Director, LSR Europe GmbH (Munich). Since April 2016, Deputy Chairman of the Board of Directors.

Graduated from the Faculty of Economics of Ludwig-Maximilians-Universität (Munich) in 1996.

Born in 1970.

On 4/13/2016, his shareholding in the Company changed from 0.0070 % to 0.0116 % based on securities contract within the scope of long-term incentive program for management.

Vasily Kostritsa

Member of the Board of Directors,

Member of the Board of Directors since April 2016.

Member of the Executive Committee,

Since 1992, he held various positions at North-West River Shipping consistently occupying the positions of Control Engineer, Chief Dispatcher, Deputy Head of Cargo and Commercial Work Service. From 1997, he was CEO of LLC StroyGranit SPb. In 1999 he was appointed CEO of LLC Baltnerud.

In 1997, he was elected as a member of the Board of Directors of OJSC Granit-Kuznechnoye, then, in 2002, was appointed CEO, in 2005, he obtained a position of Managing Director. From January 2011, Managing Director of LSR. Aggregates and Ready-mix Concrete – North-West. In July 2013, he was appointed Deputy CEO, Managing Director of LSR. Aggregates and Ready-mix Concrete – North-West. From January 2016, Deputy CEO for Constructional Materials of LSR Group.

He was awarded the Honorary Certificate of the Ministry of Regional Development of the Russian Federation and the Certificates of Merit of the Governor and Legislative Assembly of Leningrad Region. Also, Mr. Kostritsa was awarded the Badge of Merit for the Priozersky District. Honored citizen of Kuznechnoye, Leningrad region. Mr. Kostritsa was awarded the Medal of Saint Seraphim of Sarov, 2nd degree and badge of honor of the Order of Honor and Glory of the Moscow Patriarchate. Member of the 4th and 5th Legislative Assembly of Leningrad Region. Deputy Chairman of the Permanent Commission for Natural Resources and Environmental Protection, member of the Permanent Commission for Construction, Transport, Communication and Road Facilities. He was awarded the badge Contribution into Leningrad Region Development.

In 1986, he graduated from Leningrad Institute of Marine Transport, a degree in Economics and Management of Marine Transport. PhD in Economics, honored Builder of Russia.

Born in 1964.

On 4/12/2016, his shareholding in the Company changed from 0.211% to 0.226% based on securities contract within the scope of long-term incentive program for management.

Aleksey Makhnev

Member of the Board of Directors,

Independent Director

Member of the Board of Directors since April 2015.

From 2000 through 2009, he worked in large companies of the banking industry, starting from a senior manager to CEO.

From 2009 through 2013, Managing Director, Head of Directorate of Consumer Sector and Retail of Global Investment Banking Department of CJSC VTB Capital.

From 2009 through 2015, Member of the Board of Directors of PJSC Magnit.

From 2013 to the present day, Head of Department of consumer sector, retail and real estate, corporate and investment department of JSC VTB Capital.

From 2013 to the present day, Head of Directorate of Trade, HSC, Consumer Goods, and Pharmaceuticals of Market-Oriented Customer Contact Department, Senior Vice President of VTB Bank (PJSC).

In 1998, he graduated from Saint Petersburg State University of Economics.

Ph.D. in Economics.

Born in 1976.

During the reporting period, he held no shares in the Company.

Andrey Molchanov

Member of the Board of Directors,

Member of the Board of Directors since April 2013.

Since May 2015, Chief Executive Officer and Chairman of the Executive Committee of PJSC LSR Group.

Founded OJSC LSR Group in 1993 and chaired it until 2007. In 2007, he was appointed as the Assistant Minister of Healthcare and Social Development of the Russian Federation. In 2008, he was elected into the Federation Council of the Federal Assembly of the Russian Federation representing Leningrad Region. From April 2013 through April 2015, Chairman of the Board of Directors of LSR Group. Since

2015, Member of the Board of Directors of LLC RAZVITIE. Member of the Civic Chamber of the Russian Federation representing Leningrad Region. Vice President and Member of the Executive Committee of the Russian Union of Builders. Honored Builder of Russia. Mr. Molchanov was awarded Medal Second Class of the Order For Merit to the Fatherland in 2012.

In 1993, he graduated from the Department of Economics of Saint Petersburg State University and from the Russian Academy of Public Administration (with a degree in State and Municipal Administration) in 1998. Ph.D in Economics.

Born in 1971.

On 12/23/2016, his share in the Company changed from 60.62 % to 60.23 % based on securities contract.

Vitaly Podolsky

Member of the Board of Directors,
Independent Director

Member of the Board of Directors since April 2016.

From 2011 through 2012, Chairman of the Board of Directors of Kronverk Cinema Group of Companies (OJSC Epos), Member of the Board of Directors, Chairman of the Finance and Audit Committee at OJSC RG Brands (Kazakhstan).

From 2012 through 2013, Vice President of OJSC Cesar Satellite Group of Companies, Member of the Board of Directors of OJSC Cesar Satellite Group of Companies.

From 2012, Member of the Board of Directors, Chairman of the HR and Compensations Committee at PJSC Cherkizovo Group.

From 2013 through 2015, Member of the Board of Directors, Chairman of the Finance and Audit Committee at Kazakhstan Kagazy PLC.

From 2013 through 2013, Member of the Board of Directors, Chairman of the Finance and Audit Committee at OJSC Uytterra.

From 2013, Member of the Board of Directors, Chairman of the Finance and Audit Committee at Maria's Kitchen LTD.

From 2013 through 2015, Member of Audit Committee of the Fiduciary Board at Skolkovo Institute of Science and Technology (Skoltech).

From 2014 through 2016, CEO at PJSC ARMADA.

Since 2015, Member of the Board of Directors of PJSC ARMADA.

Since 2015, Executive Partner at FMF Capital.

In 1991, Mr. Podolsky graduated from M.V. Lomonosov Moscow State University. In 1995, he graduated from the University of Chicago Graduate School of Business.

Born in 1968.

During the reporting period, he held no shares in the Company.

Alexander Prysyzhnyuk

Member of the Board of Directors,
Independent Director

Member of the Board of Directors since April 2016.

Since 2011, Independent Member of the Board of Directors of PJSC DIXY Group.

Since 2011, Independent Member of the Board of Directors, Chairman of the Audit Committee at PJSC M.Video.

In 1995, he graduated from Kuban State University.

Born in 1972.

During the reporting period, he held no shares in the Company.

Olga Sheikina

Member of the Board of Directors,

Member of the Board of Directors since June 2010.

Employed at LSR Group and its subsidiary enterprises since its foundation in 1993.

From 2002 to 2008, Head of Administrative Office. From 2008 through 2015, Head of Moscow Representative Office of LSR Group; from 2008 through 2014, Head of Administrative Office of the Board of Directors of LSR Group; from 2011 to the present days, Head of Moscow Representative Office of LLC LSR. From 2011 through 2016, CEO, OJSC MTO ARKHPROEKT (LSR Group subsidiary).

Since October 2015 through 2016, Deputy Chief Executive Officer for HR Policy at LSR Group. Since 2016, LSR Group Advisor.

Graduated from G.V. Plekhanov Saint Petersburg State Mining Institute in 1983 and from the Interdisciplinary Institution of Advanced Training (Co-operative Management Program) and Retraining of Senior Executives of Saint Petersburg State University of Economics and UNIVERSITE PIERRE MENDES (Grenoble, France) in 2000, Management Program.

Born in 1960.

On 4/12/2016, his shareholding in the Company changed from 0.138 % to 0.143% based on securities contract within the scope of long-term incentive program for management.

Eugeny Yatsyshin

Member of the Board of Directors,

Member of the Board of Directors since April 2016.

Before 1995, Deputy Head, further Head of Real Estate Division at OJSC CCR SP (LSR Group subsidiary). From 1995 through 1997, First Deputy CEO, further CEO at OJSC GRST-6. In 1997, he was appointed to the position of the First Deputy CEO of OJSC Lenstroyrekonstruktsiya (LSR Group subsidiary). In 1999, he was appointed as CEO of the company. Since 2000, CEO at OJSC CCR SP. Since 2002, Vice President of LSR Group. From November 2003 through January 2005, Chairman of the Construction Committee of Saint Petersburg, further he was back to the position of Vice President of LSR Group. Since August 2006, Managing Director of LSR Group. Since 2012, private investor in real estate market. Since 2016, First Deputy CEO of LSR Group. Honored Builder of Russia.

Graduated from the Faculty of Economics of Saint Petersburg State University in 1993, graduated from Saint Petersburg International Management Institute (IMISP), Management Competence, in 2001.

Born in 1970.

During the reporting period, he held no shares in the Company.

Oleg Goncharov, Saidam Salakheddin, Leonid Sorokko, Elena Tumanova joined the Board of Directors during the reporting year, but by the end of the reporting year they were not members of the Board of Directors.

Activity of the Board of Directors in 2016

In 2016, 11 meetings of the Board of Directors were held:

- 6 meetings of the Board of Directors in in-person form at a specific place to discuss agenda items and make decisions on them or simultaneously discuss agenda items and decisions on them using webinar access meeting the requirement of protection against unauthorized access and identification reliability of the meeting attendees (the “physical meeting”);

- 5 meetings in the form of examining agenda items and making decisions on them without simultaneous, joint discussion via filling out written ballots (absentee vote) (the “absentee meeting”).

2 physical and 1 absentee meetings of the Board of Directors were held before the annual General Meeting of Shareholders on April 5, 2016.

4 physical and 4 absentee meetings of the Board of Directors were held after the annual General Meeting of Shareholders on April 5, 2016 and before December 31, 2016.

Company Directors’ participation in meetings of the Board of Directors in 2016

Director	Participation in physical meetings	Participation in absentee meetings
Aleksandr Vakhmistrov Was a member of the Board of Directors from 1/1/2016 to 12/31/2016	6	4
Dmitri Gontcharov Was a member of the Board of Directors from 1/1/2016 to 12/31/2016	6	5
Oleg Goncharov Was a member of the Board of Directors from 1/1/2016 to 4/5/2016	2	1
Vasily Kostritsa Was a member of the Board of Directors from 4/5/2016 to 12/31/2016	4	4
Aleksey Makhnev Was a member of the Board of Directors from 1/1/2016 to 12/31/2016	6	5
Andrey Molchanov Was a member of the Board of Directors from 1/1/2016 to 12/31/2016	6	5

Vitaly Podolsky Was a member of the Board of Directors from 4/5/2016 to 12/31/2016	4	4
Alexander Prysyzhnyuk Was a member of the Board of Directors from 4/5/2016 to 12/31/2016	4	4
Saidam Salakheddin Was a member of the Board of Directors from 1/1/2016 to 4/5/2016	2	1
Leonid Sorokko Was a member of the Board of Directors from 1/1/2016 to 4/5/2016	2	1
Elena Tumanova Was a member of the Board of Directors from 1/1/2016 to 4/5/2016	2	1
Olga Sheikina Was a member of the Board of Directors from 1/1/2016 to 12/31/2016	6	5
Eugeny Yatsyshin. Was a member of the Board of Directors from 4/5/2016 to 12/31/2016	4	4

The following decisions were the most important ones which significantly impacted on the Company's performance in the reporting year:

1. Decisions relating to the preparation and holding of the annual General Meeting of Shareholders;
2. Decisions relating to the operation of executive and supervisory bodies of the Company (including regular hearings of executive management reports on corporate business results and internal audit reports).
3. Decisions defining the financial and economic policy of the Company (approval of budget benchmarks, business plans, Company policy on current asset financing (credit policy), investment program, and corporate development plans).

The Federal Law "On Joint-Stock Companies" grants the Board of Directors the most important role in safeguarding shareholders' rights, in formulating and implementing the Company's development strategy, and ensuring its financial and operational success.

All activities of the Board of Directors throughout the reporting year remain transparent for the shareholders, as all the minutes of the Board meetings are available to any shareholder on request.

The operation of the Board of Directors has been organized in accordance with the approved operating plans and the implementation of its decisions has been monitored on a regular basis. No decisions over the reporting period remain unimplemented.

Members of the Board of Directors do not have conflicts of interest. Members of the Board of Directors are not participants, do not hold positions in executive bodies and/or are not employees of legal entities competing with the Company.

In future years, the Board of Directors will pay utmost attention to the matters of increasing LSR Group's profitability, as well as pursuing a stable, robust, and competitive policy on the principal markets for its products, work, and services.

Committees of the Board of Directors

The Committees of the Board of Directors are consulting and advising bodies and are designed to resolve tasks in especially vital business aspects of the company.

Their activity is governed by Regulations on Committees of the Company's Board of Directors. Committee meetings are held separately from the meetings of the Board of Directors. Committee members are elected by the Board of Directors. According to the Listing Rules, the Chairmen of the Audit Committee and the Human Resources and Compensations Committee are independent directors. The CEO and members of the Executive Committee are not members of the Audit Committee or the Human Resources and Compensations Committee. Decisions are made by majority vote of the committee members participating in the meeting. Each committee member has one vote. Information is provided below regarding the functions and composition of the Board of Directors' committees as of December 31, 2016.

Audit Committee

The functions of the Audit Committee include preparation of recommendations for the Board of Directors on controlling the company's financial and economic performance. The Audit Committee analyses and evaluates implementation of the risk management and internal control policies, analyses auditor's certificates, checks performance of the internal control procedures and prepares proposals on

improvement thereof. The Audit Committee ensures control over the preparation of financial statements, completeness and fairness of the tax accounting and managerial reporting.

There were 5 meetings of the Audit Committee of the Board of Directors in 2016. Some of the primary issues reviewed by the Audit Committee of the Board of Directors and recommended for approval by the Board of Directors were:

- Review of the financial report of PJSC LSR Group for 2016.
- Recommendations to the Board of Directors on approval of auditors of the IFRS and RAS of the Company's 2016 reporting.
- Preliminary evaluation of PJSC LSR Group corporate governance quality.

Composition of the Audit Committee:

1. Akeksey Petrovich Makhnev, Committee Chairman.
2. Vitaly Grigoryevich Podolsky.
3. Alexander Mikhailovich Prsyazhnyuk.

Human Resources and Compensations Committee

The Human Resources and Compensations Committee makes recommendations to the Board of Directors on the matters connected with staff planning (succession planning) by the occupational composition and working efficiency of the Company Board of Directors as well as on determination of significant terms and conditions of agreements with members of the Board of Directors, Executive Committee, CEO and higher management, as well as remuneration for members of the Executive Committee, CEO and higher management, and develops remuneration criteria for Board of Directors' members. Additional tasks of the Human Resources and Compensations Committee are formation of an HR policy and management of issues of wages and incentives for the company's employees.

6 meetings of the Human Resources and Compensations Committee of the Board of Directors were held in 2016. Some of the primary issues reviewed by the Human Resources and Compensations Committee of the Board of Directors and recommended for approval by the Board of Directors were:

- Review of basic incentive principles for LSR Group managers for 2017.
- Performance evaluation of the Board of Directors of the Company, its members, executive bodies of the Company and key managers.
- Review of revised Regulation on the Human Resource and Compensations Committee of the Board of Directors of PJSC LSR Group.

Composition of the Human Resources and Compensations Committee:

1. Aleksey Petrovich Makhnev.
2. Vitaly Grigoryevich Podolsky, Committee Chairman.
3. Alexander Mikhailovich Prsyazhnyuk.

Strategy and Investment Committee

The Strategy and Investment Committee assists the Board of Directors in performing its functions regarding development and implementation of the Company strategy and related processes: affiliation, acquisition of companies and/or assets, disposition of companies and/or assets, review, approval and control of implementation of Company's major investment projects.

3 meetings of the Strategy and Investment Committee of the Board of Directors were held in 2016. Some of the primary issues reviewed by the Strategy and Investment Committee of the Board of Directors and recommended for approval by the Board of Directors were:

- Review of LSR Group 2016–2025 long-term financial plan.
- Review of expectations for implementation of LSR Group 2016 financial plan following the results of six months.
- Review of PJSC LSR Group 2017 financial plan.

The composition of the Strategy and Investment Committee:

1. Dmitri Valeryevich Gontcharov
2. Vasily Maksimovich Kostritsa
3. Aleksey Petrovich Makhnev.
4. Andrey Yurievich Molchanov, Committee Chairman
5. Vitaly Grigoryevich Podolsky.
6. Alexander Mikhailovich Prsyazhnyuk.

Company's Executive Bodies

The current business of the Company is managed by the sole executive body, the CEO and collective executive body, the Executive Committee.

Rights and obligations of the CEO and members of the Executive Committee to manage the current business of the Company are defined by Federal Law, other legal acts of the Russian Federation, Company's Charter, internal documents and agreements between the CEO and members of the Executive Committee and the Company.

The terms of office of the CEO and the Executive Committee are determined by the Board of Directors.

CEO

The CEO acts as the Chairman of the Executive Committee.

The CEO's competence includes all management issues of the Company's current business, with the exception of issues relating to the competence of the Company's General Meeting of Shareholders, Board of Directors and Executive Committee.

The CEO acts on behalf of the Company, including as follows:

- represents interests of the Company, both in the Russian Federation and abroad;
- ensures fulfillment of business plans of the Company requisite for resolution of its tasks;
- approves internal Company documents, with the exception of internal documents regulating the activity of the Company bodies to be approved by a General Meeting of Shareholders decision, as well as other internal Company documents, the approval of which is classified by the Company's Charter to the competence of the Board of Directors;
- solves other issues of the Company's current business, with the exception of issues relating to the competence of the General Meeting of Shareholders, Board of Directors or Executive Committee.

Executive Committee

The Executive Committee supervises the business of the Company within its competence as defined by the Company's Charter, and ensures fulfillment of the decisions of the Meeting and Board of Directors.

The competence of the Executive Committee includes the following issues:

- development and submission to the Board of Directors of long-term plans for the main Company business areas;
- implementation of current control over execution of measures aimed at implementation of the Company's long-term and financial plans;
- review of quarterly, semi-annual, and annual financial plans of the Company;
- review of annual, semi-annual, and quarterly execution reports of the Company's financial plans;
- preliminary examination of the Company's draft documents, the approval of which is categorized by the Company's Charter under the competence of the General Meeting of Shareholders and the Board of Directors, as well as draft amendments and supplements to these documents;
- decision on participation, change in the level of participation and termination of participation of the Company in other legal entities (with the exception of participation in financial and manufacturing groups and other associations of commercial organizations), as well as decision on participation, change in the level of participation and termination of participation of subsidiaries, dependent companies and companies in which the Company indirectly holds through subsidiaries the interest in the authorized capitals over 50 %;
- other issues stipulated by the Company's Charter.

Activity of the Executive Committee in 2016

The Executive Committee held 26 meetings in 2016:

Some of the primary issues reviewed by the Executive Committee and recommended for approval by the Board of Directors were:

- Review of LSR Group 2016–2025 long-term financial plan.
- Review of LSR Group 2016–2019 financial plan.
- Consideration of introduction of a shell and core quality system at LSR Group construction sites.

The members of the Executive Committee do not have conflicts of interest. The Executive Committee members are not participants, do not hold positions in the executive bodies and/or are not employees of legal entities competing with the Company.

The composition of the Executive Committee was elected 4 times in 2016. The reasons for changes in composition of the Executive Committee were: optimization of quantitative composition of the collective executive body; expel of members who left LSR Group from the composition of the Executive Committee, as well as introduction of new key personnel into the Executive Committee.

Executive Staff of the Company

The CEO and Chairman of the Executive Committee of PJSC LSR Group is Andrey Molchanov.

Andrey Molchanov

Since May 2015, Chief Executive Officer and Chairman of the Executive Committee of PJSC LSR Group. Member of the Board of Directors since April 2013.

Founded OJSC LSR Group in 1993 and chaired it until 2007. In 2007, he was appointed as the Assistant Minister of Healthcare and Social Development of the Russian Federation. In 2008, he was elected into the Federation Council of the Federal Assembly of the Russian Federation representing Leningrad Region. From April 2013 through April 2015, Chairman of the Board of Directors of LSR Group. Since 2015, Member of the Board of Directors of LLC RAZVITIE. Member of the Civic Chamber of the Russian Federation representing Leningrad Region. Vice President and Member of the Executive Committee of the Russian Union of Builders. Honored Builder of Russia. Mr. Molchanov was awarded Medal Second Class of the Order For Merit to the Fatherland in 2012.

In 1993, he graduated from the Department of Economics of Saint Petersburg State University and from the Russian Academy of Public Administration (with a degree in State and Municipal Administration) in 1998. Ph.D in Economics.

Born in 1971.

On 12/23/2016, his share in the Company changed from 60.62 % to 60.23 % based on securities contract.

As of 12/31/2016 the Executive Committee, the collective executive body, included the following members:

Galina Volchetskaya

Member of the Executive Committee,

Has been Executive Committee member since 2013.

In 1989–1991, Galina Volchetskaya was a Legal Counsel at USSR State Logistics Committee (Leningrad territorial directorate). In 1992–1994, worked for a private law firm. From 1994 through April 2011, worked in the system of state registration of property rights and deals. In 2000–2002, she gave civil right lectures at Saint Petersburg State University of Engineering and Economics. Galina Volchetskaya joined LSR Group in April 2011. She was appointed as Deputy Chief Legal Officer. In 2013, she became Deputy Chief Operating Officer. Since July 2013, Deputy Chairperson of the Executive Committee, Executive Director. She was awarded the Certificate of Merit of the President of the Russian Federation.

Graduated from the Faculty of Law of A.A. Zhdanov Leningrad State University in 1989. PhD in Law.

Born in 1967.

On 4/14/2016, his shareholding in the Company changed from 0.007 % to 0.013% based on securities contract within the scope of long-term incentive program for management.

Vasily Kostritsa

Member of the Executive Committee,

Has been Executive Committee member since 2011.

Member of the Board of Directors,

Since 1992, he held various positions at North-West River Shipping consistently occupying the positions of Control Engineer, Chief Dispatcher, Deputy Head of Cargo and Commercial Work Service. From 1997, he was CEO of LLC StroyGranit SPb. In 1999, he was appointed CEO of LLC Baltnerud.

In 1997, he was elected as a member of the Board of Directors of OJSC Granit-Kuznechnoye, then, in 2002, was appointed CEO, in 2005, he obtained a position of Managing Director. From January 2011, Managing Director of LSR. Aggregates and Ready-mix Concrete – North-West. In July 2013, he was appointed as Deputy CEO of LLC LSR, Managing Director of LSR. Aggregates & Ready-mix Concrete – North-West. From January 2016, Deputy CEO for Constructional Materials of LSR Group.

He was awarded the Honorary Certificate of the Ministry of Regional Development of the Russian Federation and the Certificates of Merit of the Governor and Legislative Assembly of Leningrad Region.

Also, Mr. Kostritsa was awarded the Badge of Merit for the Priozersky District. Honored citizen of Kuznechnoye, Leningrad region. Mr. Kostritsa was awarded the Medal of Saint Seraphim of Sarov, 2nd degree and badge of honor of the Order of Honor and Glory of the Moscow Patriarchate. Member of the 4th and 5th Legislative Assembly of Leningrad Region. Deputy Chairman of the Permanent Commission for Natural Resources and Environmental Protection, member of the Permanent Commission for Construction, Transport, Communication and Road Facilities. He was awarded the badge Contribution into Leningrad Region Development.

In 1986, he graduated from Leningrad Institute of Marine Transport, a degree in Economics and Management of Marine Transport. PhD in Economics, honored Builder of Russia.

Born in 1964.

On 4/12/2016, his shareholding in the Company changed from 0.211% to 0.226% based on securities contract within the scope of long-term incentive program for management.

Dmitry Kutuzov

Member of the Executive Committee,

Has been Executive Committee member since 2012.

From 1999 through 2004, he worked in the banking sector.

From 2004 through 2008, Head of Economic Planning Department, LSR Group.

From October 2008 through 2011, Deputy Chief Financial Officer, Head of Treasury Department, LSR Group.

Since May 2011, Chief Financial Officer of LSR Group.

From December 2015, First Deputy Chief Financial Officer of LSR Group.

Since November 2016, Chief Financial Officer of LSR Group.

Awarded the Honorary Certificate of the Vice Governor of Saint Petersburg for high professional achievements, impeccable and conscientious work in the construction industry in 2011.

In 1999, he graduated from Saint Petersburg State University of Economics, a degree in Economics. In 2005, he graduated from Saint Petersburg International Management Institute (IMISP), Business Finance program.

Born in 1976.

On 4/13/2016, his shareholding in the Company changed from 0.007 % to 0.015% based on securities contract within the scope of long-term incentive program for management.

Leonid Sorokko

Member of the Board of Directors,

Member of the Board of Directors since April 2015.

Started his career in 1976. He worked for various construction companies holding positions ranging from specialist to CEO. In 2007–2009, Head of Department for Construction of Ministry of Defense of the Russian Federation and Advisor to the Minister of Defense of the Russian Federation. Since November 2013, Deputy CEO of LSR Group. Since January 2016, Deputy CEO for Construction of LSR Group. In 2008, he was awarded the Order of Honor.

In 1976 graduated from Leningrad Institute of Civil Engineering with a degree in Industrial and Civil Construction.

Born in 1954.

On 4/13/2016, his shareholding in the Company changed from 0 % to 0.005% based on securities contract within the scope of long-term incentive program for management.

Eugeny Yatsyshin

Member of the Executive Committee,

Has been the Executive Committee Member since December 2016.

Member of the Board of Directors,

Before 1995, Deputy Head, further Head of Real Estate Division at OJSC CCR SP (LSR Group subsidiary). From 1995 through 1997, First Deputy CEO, further CEO at OJSC GRST-6. In 1997, he was appointed to the position of the First Deputy CEO of OJSC Lenstroyrekonstruktsiya (LSR Group subsidiary). In 1999, he was appointed as CEO of the company. Since 2000, CEO at OJSC CCR SP. Since 2002, Vice President of LSR Group. From November 2003 through January 2005, Chairman of the Construction Committee of Saint Petersburg, further he was back to the position of Vice President of

LSR Group. Since August 2006, Managing Director of LSR Group. Since 2012, private investor in real estate market. Since 2016, First Deputy CEO of LSR Group. Honored Builder of Russia. Graduated from the Faculty of Economics of Saint Petersburg State University in 1993, graduated from Saint Petersburg International Management Institute (IMISP), Management Competence, in 2001. Born in 1970. During the reporting period, he held no shares in the Company.

During the reporting year, the membership in the Company's Executive Committee included D. Babakov, S. Begoulev, A. Vakhmistrov, V. Zabelin, Y. Ilyin, V. Kritskiy, B. Murashov, A. Nikitin, I. Romanov, D. Hodkevich, T. Chernysheva, who were not the Executive Committee members by the end of the reporting year.

Primary results of assessment of the Board of Directors and management bodies of the Company

In order to comply with best global practices in corporate governance, PJSC LSR Group assessed operation of the Board of Directors and Board committees with the involvement of an independent entity, i. e. JSC VTB Registrar.

Assessment methodology included assessment of the Board of Directors in general, assessment of each committee, assessment of individual performance of each member of the Board of Directors and each committee, and assessment of activities of the Chairman of the Board of Directors and Corporate Secretary. The assessment was carried out by questioning members of the Board of Directors and its committees, LSR Group Executive Committee members, and interviewing some members of the Board of Director, committees, and Corporate Secretary of the Company.

Upon review of internal documents published by the Company, experts revealed no failure to comply with the laws of the Russian Federation; the Company complies with corporate governance laws of the Russian Federation and key recommendations as per the Corporate Governance Code approved by the Board of Directors of the Bank of Russia (letter of the Bank of Russia No. 06-52/2463 of 4/10/2014).

Quantitative performance assessment of the Board of Directors amounts to 4.55 in the range from 2 to 5 (i. e. better than "good"; closer to "fine" than to "good"). [For information: range from 2 to 5: 5 (fine); 4 (good); 3 (satisfactory); 2 (unsatisfactory).]

The Board of Directors of the Company considered assessment results in relation to the compliance by the Company with corporate governance principles described in details in the report on compliance with the principles and recommendations as per the Corporate Governance Code.

Based on the assessment results, the Board of Directors acknowledged operation of Company's executive bodies and key managers of the Company as efficient in terms of criteria specified in the remuneration policy, and appreciated the achievement of set objectives by the aforesaid persons within the scope of the long-term incentive program.

The members of the Board of Directors noted the possibility for further improvement of the corporate governance practice taking into account recommendations of the Code of Corporate Governance.

The basic provisions of the Company's policy regarding remuneration and/or expense compensation

The policy of LSR Group in the sphere of remuneration of employees is oriented to implementation of the principle of job performance interconnection with remuneration amount and schedule. The motivational part of remuneration of labor for each category of employees is implemented in a different way, but it is based on functional responsibilities and tasks for a specific position and profession for all categories. For example, piece-work payment is provided for the employees of blue-collar occupations; monthly variable remuneration, paid for performance of job responsibilities in the correct manner and in full measure is provided for employees of specialist level (including engineering-technical specialties). The motivational part of remuneration for middle management is primarily oriented to increase workforce productivity.

In 2016, LSR Group revised principles as per the short-term managers' incentive program. The main goal of the program was to involve in attaining company's strategic goals as many employees as possible. Key performance indicator as per the incentive program is the compliance with LSR Group expected Net Profit in general and per each area in particular. Number of key employees covered by the incentive

program has been increased. Upon annual incentive program results, persons involved were paid a fixed remuneration amount of which depended both on the attainment of general LSR Group goals and the achievement of individual performance indicators. This program became a transitional one, and it has been expanded to the 2017 managers' incentive program.

The long-term program is implemented as share-based.

Participants of the incentive program are:

1. managers of legal entities, which are subsidiaries and/or dependent companies of PJSC LSR Group,
2. managers of LSR Group business units,
3. members of the Executive Committee,
4. members of the Board of Directors who at the same time are employees of LSR Group.

The bonus specified by the program is paid not later than June 30 of the year following the reporting period, on the condition that the audited financial statements of PJSC LSR Group (under the IFRS standards) have been approved.

A bonus is only paid to program participants who are employees of LSR Group at the time of tallying of the results (approval of the reporting by the Board of Directors of PJSC LSR Group).

The program participants who have not worked a full calendar year in the position indicated in the program are paid remuneration proportional to the worked time.

Severance pay is given in accordance with the Labor Law of the Russian Federation.

Description with indication of the amount of all types of remuneration for the Company's management bodies which were paid by the Company during the reporting period:

Board of Directors

Unit: '000 RUB

Indicator	2016
Remuneration for participating in work of management body	42,661
Wages	244
Bonuses	0
Commissions	0
Other types of remuneration	0
TOTAL	42,905

Executive Committee

Unit: '000 RUB

Indicator	2016
Remuneration for participating in work of management body	621
Wages	343,408
Bonuses	0
Commissions	0
Benefits	0
Other types of remuneration	0
TOTAL	344,029

Compensations

Unit: '000 RUB

Name of management body	2016
Board of Directors	1,138
Executive Committee	0

Information about total remuneration for year:

a) for a group of no less than five of the most highly paid members of the management bodies and

other key company managers with breakdown for each type of remuneration (18 participants)

Unit: '000 RUB

Indicator	2016
Remuneration for participating in work of management body	621
Wages	343,616
Bonuses	0
Commissions	0
Benefits	0
Expense reimbursements	0
Other types of remuneration	0
TOTAL	344,237

b) for all members of management bodies and other key company managers who are covered by the Company's remuneration policy, with breakdown for each type of remuneration (18 participants).

Unit: '000 RUB

Indicator	2016
Remuneration for participating in work of management body	621
Wages	343,616
Bonuses	0
Commissions	0
Benefits	0
Expense reimbursements	0
Other types of remuneration	0
TOTAL	344,237

Information regarding loans issued by the Company (a legal entity from the group of organizations of which the Company is a member), to the members of the Company's management bodies; information regarding compliance of the terms of the issued loans with the market conditions: The aforesaid loans were not granted in 2016.

Company Corporate Secretary

Elena Chistyakova

Corporate Secretary

Has been the Corporate Secretary since December 2014.

Hired in 2002 as a specialist to the Corporate Capital Department in LLC PSG LSR (subsidiary of LSR Group), appointed in 2004 as lead specialist of the Corporate Capital Department, in 2005 became the head of the Corporate Property Division of Corporate Capital Department.

From 2011, was Deputy Director of Corporate Capital Directorate of LLC LSR (subsidiary of LSR). In March 2011, she was appointed to the position of Head of Department for Corporate Capital Management. From 2013 to 2014, she was the secretary of PJSC LSR Group.

Awarded the Gold Medal "Best in LSR", rating Diploma recipient "TOP-1000 Russian Managers" of the Association of Managers, Honorary Certificate of the President of the NP Saint Petersburg Association of Builders.

Graduated in 2001 from Saint Petersburg State University, Faculty of Law.

Born in 1973.

During the reporting year, she held no shares of the Company.

In accordance with the Regulation on the Corporate Secretary approved by the Board of Directors on 12/18/2014 (Minutes No. 17/2014), the corporate secretary of the Company is functionally subordinated and accountable to the Board of Directors, and administratively subordinated and accountable to the Company CEO.

Internal Audit Commission

In accordance with the existing legislation and the Charter of LSR Group, the supervision of financial and business operations of LSR Group is exercised by the Internal Audit Commission composed of three persons elected by the General Meeting of Shareholders for the period of one year. Members of the Internal Audit Commission may not be members of the Board of Directors or hold other positions in the company's management bodies.

Financial and business results of the Company are reviewed annually on a mandatory basis, and additionally at the initiative of the Internal Audit Commission, by decision of the General Meeting of Shareholders, Board of Directors, or upon request of shareholders with at least 10 % of voting shares in the aggregate in PJSC LSR Group. The competence of the Internal Audit Commission on matters not provided for in the Charter shall be determined by the Regulations on the Internal Audit Commission.

Internal Audit Service

In order to assist the Board of Directors and Management of the Company in achievement of the objects in view, in assurance of efficiency and productivity of the activity, the Internal Audit Service was established in 2007. The Internal Audit Service should evaluate the adequacy and efficiency of Internal Control System, Risk Management System and Corporate Governance of LSR Group, its business units, subsidiaries and associated companies.

Independent Auditor

In accordance with the existing legislation, the General Meeting of Shareholders approves an independent auditor to audit the Company's financial statements on an annual basis.

LLC Audit-Service SPb was approved to audit RAS-based financial statements of LSR Group for the year 2016.

JSC KPMG was approved to audit IFRS-based financial statements of LSR Group for the year 2016.

The auditor selection process is consistent with the requirements established by the Regulation on Tenders applied in LSR Group.

The cost of auditor services in PJSC LSR Group is fixed and does not pose a threat to the independence of external auditors. Total cost of audit services amounts to RUB 17.1 million (exclusive of VAT)

To observe the principle of objectivity, the auditor rotates its audit teams from time to time.

Shareholder Capital

The authorized capital of the Company amounts to twenty-five million seven hundred and fifty-seven thousand five hundred and fifty-three (RUB 25,757,553) rubles 75 kopecks and is divided into one hundred and three million thirty thousand two hundred and fifteen (103,030,215) ordinary registered shares with a nominal value of twenty-five (RUB 0.25) kopecks.

Information regarding ordinary shares and GDRs

The shares of LSR Group are traded on the Russian and international stock markets. The Company's ordinary shares and bonds are traded on the Russian stock market and the company's global depositary receipts (GDRs) are traded on the London Stock Exchange.

Shares/ GDRs of PJSC LSR Group on stock exchanges.

Shares of PJSC LSR Group:

State registration issue number: 1-01-55234-E

Date of state registration of issue: 9/28/2006

Stock Exchange: Moscow Exchange

Ticker: LSRG

ISIN for ordinary shares: RU000A0JFPF0

GDRs of PJSC LSR Group

Stock Exchange: London Stock Exchange

Ticker: LSRG

Regulation S GDR CUSIP: 50218G206 ISIN: US50218G2066 Common Code: 032415202

Rule 144A GDR CUSIP: 50218G107 ISIN: US50218G1076 Common Code: 032415334

Public placement of shares.

In November 2007, PJSC LSR Group carried out an initial public offering. IPO volume amounted to 10,643,618 ordinary shares in the form of Russian ordinary shares and global depositary receipts (GDR). On April 30, 2010, OJSC LSR Group carried out secondary public offering (SPO). A total of 9,366,383 ordinary shares in the form of global depositary receipts were placed under international offer.

As of December 31, 2016, the company's ordinary shares were included in the MOEX first level quotation list under the ticker LSRG.

Outside of the Russian Federation, shares of PJSC LSR Group are traded in the form of global depositary receipts on the London Stock Exchange. One depositary receipt certifies the rights over 0.2 of LSR Group ordinary share (the ratio is 5 GDRs = 1 ordinary share).

The GDR program is implemented and supported under Regulation S and Rule 144A. Deutsche Bank Trust Company Americas acts as depositary bank and local depositary functions are performed by VTB Bank (PJSC).

All issued ordinary shares are fully paid-up. The company did not place any preference stock.

During the reporting period, the Company did not place additional shares. During the reporting period, there were changes in the composition of the people who have the right to deal, directly or indirectly, with not less than 5 % of the votes due to the company's voting shares: On October 27, 2016, Norges Bank obtained the right to directly dispose of 5.005 % of Company shares. The major shareholder of PJSC LSR Group is A. Molchanov owning 60.23 % of the share capital of the Company.

The Company does not hold its own shares. As of 12/31/2016, subordinate legal entity LLC LSR owned 2.003 % of the Company's capital.

Depositary contact details

Deutsche Bank Trust Company Americas Depositary Receipts

London +44 207 547 6500

New York +1 212 250 9100

Moscow +7 495 797 52 09

Correspondence address: Deutsche Bank Trust Company Americas Depositary Receipts
60 Wall Street New York NY 10005-2836

Address in Russia: 82, Ul. Sadovnicheskaya, bldg 2, Moscow 115035, Depositary Receipts

Contact details of Russian registrar

Joint Stock Company VTB Registrar (license No. 045-13970-000001)

Address: 23, Ul. Pravdy, Moscow 127015

Telephone: +7 495 787 44 83

Dividend Policy

The dividend policy of PJSC LSR Group was developed in accordance with the existing laws of the Russian Federation, recommendations of the Code of Corporate Governance, the Charter, and the internal documents of PJSC LSR Group. In December 2014, the Board of Directors approved a new version of the dividend policy. It is available at the company's website.

The recommended amount of dividend payments is determined by the Board of Directors based on the Company's annual financial results and, as a rule, constitutes at least 20 % of the consolidated net profit as per IFRS. During the reporting period, declaration and payment of dividend were in full compliance with the company's dividend policy.

Report of declared/accrued dividends paid on Company shares

During the reporting period, the Company paid dividends for the following periods:

Dividend period	Stock class (type)	Dividend per share, RUB	Total accrued / total paid, RUB
2015	Ordinary	78	8,036,356,770 / 8,036,149,378

The meeting was held on April 5, 2016. The decision regarding the payment of dividends for the year 2015 was adopted by the annual General Meeting of Shareholders upon reviewing the results of the year 2015. The dividend payment period ended on 4/20/2016.

Income on the Company's issuer securities was not fully paid: value of unpaid dividends on Company shares in the nominee book of records: RUB 207,392

Reasons for incomplete dividend pay-out are:

in the nominee book of records: impossibility to transfer monetary funds to the nominee shareholder LLC Unicom Partner due to revocation of its license of a professional participant of the securities market to carry out custody business, and repayment by nominee shareholders JSC FINAM and LLC Renaissance Broker of amounts unpaid for reasons beyond the nominee's control.

– in the registrar book of records: repayment of monetary funds upon expiration of the mail payment period of custody.

Description of the principal risk factors in the business of the Company.

Industry-specific risks

The markets of real estate, building materials and services, similarly to any other commodity market, are exposed to fluctuations in business activity. The above markets are likely to suffer from adverse changes in the market situation, which may result in lower revenues from the sales of products and services. The company is exposed to the risks typical of the real estate development and construction businesses in Russia. This business is labor-intensive, requires significant investments, depends on the obtaining of different licenses, permits and approvals from relevant authorities. Problems with obtaining all the necessary licenses, permits and approvals may result in an increase in the project timeline, including the impossibility of completing such projects, and increased costs. Apart from that, delayed completions may adversely affect our reputation, which may result in financial loss.

Changes in the permitting process and the process of obtaining rights to land plots, as well as changes in the town-planning legislation, may result in the increased timeline of projects and additional costs. In its turn, the increased timeline of projects may result in the cancellation of leasehold agreements. The success of real estate development businesses depends, to a great extent, on the ability to locate and acquire land suitable for construction on attractive terms.

Higher operating costs, growing value of insurance coverage, potentially stricter requirements of the tax and environmental laws may have an adverse effect on the business profitability of LSR Group. Growing prices for raw materials, services and energy used by the company's subsidiaries in their business, an increase in land prices and rental fees, fees for utilities, and also in wages may reduce the profitability of the company's business. An increase in the prices of the company's products and/or services due to the above factors may result in lower sales volumes which would entail reduced revenues from such operations due to a decline in effective demand (in the event that the growth of prices for products and/or services outstrips demand).

Most of our operations are located in Saint Petersburg, Leningrad Region, Moscow, Moscow Region and Yekaterinburg; this results in the risk of geographical concentration.

Acquisitions of existing businesses have always been one of the priorities of company's development. However, they may result in the risk of circumstances arising from the acquisition of new legal entities. In addition, problems may emerge with the integration of newly acquired businesses into the Group.

Our growth in the past was largely due to the possibility of attracting highly skilled and experienced personnel to the company. The labor market in Russia is changing, and it is impossible to guarantee that in the future it will be as easy for us to find the human resources required.

Country and region risks

The country and region specific risks include risks of macroeconomic instability in Russia due to fluctuations of the global economy and a decline in the prices for raw materials, risks relating to unsatisfactory infrastructure condition, political and social instability, and also possible natural and man-caused disasters. All of the above may have an adverse effect on the ability of LSR Group to efficiently carry out business, and also on the value of shares and global depository receipts.

Financial Risks

Risks of Interest Rate Change

An increase in the interest rate of bank loans or other borrowings may result in higher debt servicing costs, and also limit the availability of external financing to the company.

Credit Risks

The default on accounts receivable is one of the financial risks the company may be exposed to. Management of the financial risks is carried out by the business units of LSR Group based on the unified corporate principles and in accordance with the Policies on management of credit risks within LSR Group. Business units have local regulations governing the procedures to monitor and collect

receivables: contractors are rated in accordance with their financial position and the history of interaction with LSR Group, the delivery terms are adjusted in accordance with the rating, we carry out analyses of new contractors and suspend delivery in the case of contract terms violation and refusal of the contractor to settle the indebtedness. If necessary our legal department starts legal action to collect debts. The company establishes an allowance reserves to write off bad debts if needed.

Currency Risks

A significant growth in the exchange rate of the US dollar or Euro may result in higher payments on loans and leasing liabilities, and also have an effect on the key parameters of investment plans providing for the procurement of imported equipment. The company minimizes as much as possible any disproportion between the currency units in which its basic revenues and expenditures are denominated, and between the company's assets and liabilities. The company receives most of its revenues in rubles, and its costs are also denominated mainly in rubles.

Liquidity Risk

The liquidity risk means that a company may be unable to meet its financial obligations within the established time, which may result in fines, penalties and damage to business reputation. LSR Group manages the liquidity risk by planning cash flows from operational, investment and financial activities to ensure as much as possible – both under normal and extraordinary circumstances – sufficient liquidity to meet its obligations using if necessary short-term credit facilities and making efforts to refinance debt.

Legal Risks

The legal risks are determined, among other things, by the flaws of the Russian legal system and Russian legislation, which results in an atmosphere of uncertainty regarding investment and commercial activities. The legal risks of LSR Group, including those due to changes in the currency exchange regulation, tax legislation, and licensing may have a considerable effect on LSR Group.

Risks of Tax Legislation Change

Change in the tax system of the Russian Federation may result in significant uncertainty and risks that will complicate the decision-making procedure in the area of tax planning and business in Russia and may have a substantial negative effect on the business of LSR Group. Changes in legislations and the case law on taxation are not properly elaborated and allow for different approaches and interpretations. The vague legislation exposes LSR Group to the risk of substantial fines and penalties in spite of its keenness to comply with the legislation, and may result in increased tax burden for the company. The tax collection system is relatively inefficient, and the Government of the Russian Federation is forced to increase the tax burden to collect more revenues. The aforesaid factors increase the risk of imposing unexpected and arbitrary taxes as well as cancelling tax allowances. There is a risk of imposing new taxes, fines and penalties that may have a negative effect on taxation of LSR Group.

License Risks

Changes in the licensing requirements may have a substantial effect on the business results of the subsidiaries and associated companies of PJSC LSR Group. The impossibility to extend the validity of licenses, or their withdrawal, may result in the suspension of the respective company's activities. If regulators identify breaches of license conditions made by the company's subsidiaries, it may result in the suspension, change, and cancellation of, or refusal to extend licenses and permits issued to the subsidiaries of PJSC LSR Group, or in the demand to give up certain types of activity, each of the above factors may have an adverse effect on the company's business, financial standing and operational results.

Other Legal Risks

Changes in the securities market legislation, including the adoption of the legislation on suspending illegal use of insider information and market manipulation, as well as its shortcomings such as the uncertainty and lack of enforcement actions may have negative consequences for the activities of PJSC LSR Group.

Changes in, or adoption of new corporate regulations and procedures established by laws and other enactments, may entail unfavorable consequences for PJSC LSR Group in the form of additional expenses incurred to abide by the above procedures. Uncertainty in the regulatory control and insufficiencies of the case law or law enforcement practice may cause PJSC LSR Group being brought to liability, and have a negative effect on its business. Invalidation of organization state registration, including due to major violations of the law committed during its establishment if these violations are irremovable as well as violations committed during the activities of organizations may result in their compulsory liquidation, including after such organizations are acquired by PJSC LSR Group. Such compulsory liquidation of PJSC LSR Group's subsidiaries may have a substantial negative effect on its business.

The requirements of the environmental legislation of the Russian Federation may impose various additional obligations on the company's subsidiaries' compliance with which may affect operational results. In addition, claims may be lodged against the company's subsidiaries on environmental issues.

All these weaknesses may affect the company's abilities to exercise its rights under contracts, as well as its ability to defend itself against third party claims. Moreover, the company is unable to guarantee that regulatory and judicial authorities as well as third parties will not challenge the compliance by the company and its subsidiaries with the provisions of laws, decrees and regulatory instructions.

The System of Risk Management and Internal Control of LSR Group

LSR Group has a multi-level system of risk management and internal control, which is assessed by the Board of Directors as efficient to a sufficient extent and satisfying Company's demands in general. The Executive Committee generates key decisions on risk management and internal control. Operational risk management is carried out by subsidiaries of LSR Group based on general corporate principles as set out in the various regulations of the Company. The corresponding local acts regulating the core business processes of their activities are adopted in the subsidiaries of the Company. In LSR Group accounting, legal, PR, information technology support and economic security functions are centralized. The Board of Directors is responsible for general policy guidance in relation to risk management and internal control. The Audit Committee of the Board of Directors oversees that the management correctly evaluates compliance with policies on risk management and internal control of decision-making practice, as well as assesses the adequacy of risk management to the risks faced by the Company. The Internal Audit Service assesses adequacy and efficiency of risk management, internal and corporate control systems at the level of structural subdivisions of the companies of LSR Group, and reports to the Audit Committee and senior management of the company. External auditors conduct an annual audit of the financial statements of PJSC LSR Group, prepared in accordance with RAS (LLC Audit-Service SPb) and in accordance with IFRS (JSC KPMG). The Audit Committee has found the process of external and internal audit in the company to be effective. The Internal Audit Commission of PJSC LSR Group also monitors financial and economic activities. In order to improve the effectiveness of risk management and internal control systems, LSR Group has organized a secure, confidential and easy way to inform officers of the Company about the facts of violations by company's employees of the law, the Code of Ethics or other internal procedures (The "Trust" Line).

Human resources and social policy of the Company, the social development, health protection of employees, their professional training, provision of safety at work

General Provisions (HR Policy)

The main principle of LSR Group HR policy is that our people are the strategic resource of the company.

Our task is to create opportunities for our employees to unlock their potential and fulfill their professional ambitions as part of LSR Group development strategy.

LSR Group corporate HR policy is based on the unified principles of recruitment, training, social support, motivation and remuneration of our employees in order to implement the company's business goals more efficiently.

By creating favorable working conditions, maintaining decent salaries and improving professional skills of our people we ensure high efficiency and supreme quality of our products and services which are the drivers of our future achievements.

General information on employees

LSR Group is one of Russia's largest employers. The number of employees in LSR Group companies at year-end 2016 was about 15,000 people. Most of them are working in our business units in the North-Western Federal District, 25 % of our employees are working in other regions of presence, i. e. Moscow Region, Ural and Ukraine. Blue-collar workers account for 70 % of LSR Group personnel. Average employment period in LSR Group companies is 5.5 years. Average age of LSR Group employees is 39 years.

Staff Motivation

LSR Group uses contemporary motivation techniques aimed to improve personnel efficiency and encourage personal involvement in the company's goals. The incentive programs for top managers answering the company's annual and medium-term goals are being successfully implemented.

LSR Group guarantees our employees stable income and timely payment of competitive salaries. In 2016, Company's payroll expenses excluding allocations for social needs exceeded RUB 10.5 billion. Average salary amounted to RUB 47,294, i. e. 5 % more than the 2015 average salary.

LSR Group also uses non-financial motivation techniques, including Corporate Rewards of LSR Group. In 2016, 268 employees of LSR Group were given corporate awards including 2 employees awarded with the highest corporate reward, the Golden Medal "Best in LSR".

The achievements of LSR Group employees have been acknowledged with various governmental, city, and public rewards for their achievements in construction, industry, building materials, and contribution to the development of the construction sector. In 2016, 216 employees of LSR Group were awarded.

Social Security

LSR Group social policy is based on the efficient labor management and social security of personnel. LSR Group companies comply with the existing labor regulations including those related to social benefits and social security for all categories of employees. Great attention is paid to the employees' welfare: catering, provision of work clothing, emergency medical aid, in-house medical stations and health care arrangements with local medical institutions, annual employee vaccination, transfers to outlying work locations. LSR Group employees are also provided with health resort treatment benefits.

In 2016, we introduced a number of programs aimed to increase availability of housing for LSR Group employees. The programs provide discounts on apartments constructed by our business units. In 2016, 195 employees of LSR Group used this opportunity to improve their living conditions

In total, RUB 213 million were allocated for social programs in 2016. In particular, financial aid to the employees amounted to RUB 42.5 million, which was 2 times more as compared to 2015.

In 2016, 482 children were born to corporate employees, amongst whom 193 children were the second child and 52 were the third child in their families. Thus, LSR Group employees' confidence in the future is credible.

"Growing together with LSR"

In 2016, program "Growing together with LSR" was continued. It is aimed at increasing awareness of LSR Group brand, the popularization of the builder, the strengthening of corporate traditions and family values, the increase of employee engagement in loyalty to LSR Group. The target audience of the program is employees of LSR Group and their children, members of charitable projects and students in public and private educational institutions of higher and secondary vocational education.

The program is implemented in all regions of LSR Group presence. 26 events were carried out for employees' children in 2016: cultural and educational creative competitions, master classes. A special priority is given to sightseeing and entertainment programs at enterprises and construction sites of LSR Group that can be visited by partners and customers of the Company. More than RUB 6 million were allocated for the program "Growing together with LSR".

Elements of the brand "Growing together with LSR" are used for the construction of kindergartens and schools.

In 2016, "Growing together with LSR" Program was also associated with a number of goodwill children projects of the company. In particular, with the operation of Arteriya Drawing School, where children with disabilities and vulnerable children study. During the year, within the program LSR Group carried out creativity competitions for children of the employees and students of the school. As the result, four issues of children's magazine were jointly published. The work was aimed at socialization of children-students of the school and general social development and education of tolerance culture among children of the company's employees.

Work with specialized educational institutions takes a special place in the project. To date, systematic trips to LSR Group businesses are arranged together with industrial placements of pupils and students at Company's subsidiaries with the opportunity of subsequent employment.

Development

In 2016, our centralized Personnel Evaluation and Development Center continued implementing programs for company's managers and specialists training. 60 employees have also completed courses within the scope of corporate managers training and development system such as "Tools for Efficient Work" and "Competent Manager". In addition, LSR Group internal experts implemented Business Erudite program which included 3 courses - Corporate Finance and Economics, Marketing Management and Data Analysis and Modeling in EXCEL. New long-term program "Coaching as a Development Tool" was successfully implemented in 2016. Besides, in 2016, strategic sessions and internal trainings for

managers of production, commercial and financial divisions and HR department were in demand. This approach helped to update plans and methods of work. Successful cooperation with Peter the Great Saint Petersburg Polytechnic University continued with respect to the “Fundamentals of Construction” program for employees of the LSR Group.

Furthermore, LSR Group subsidiaries continue having their own training centers aimed to satisfy the company’s demand for qualified professionals. In 2016, more than 1,500 employees were trained in such centers. The total number of employees trained during 2016 exceeded 3,600 employees. Total costs for the implementation of all training centers in 2016 amounted to RUB 13.5 million.

In order to promote development and implementation of business ideas and innovations, annual “Development” award continued in 2016. In 2016 95 applications were submitted including 46 applications that were approved for further detailed analysis and implementation. The final shortlist included 394 projects. Financial effect of the innovation projects implemented in 2015–2016 amounted to over RUB 73 million.

Information on the Company’s Policy in the Field of Environmental Protection and the Company’s Environmental Policy.

Being one of the largest corporations in North-Western Russia, LSR Group is fully aware of its environmental responsibilities that include rational use of natural resources and preservation of the environment. LSR Group carries out environmental activities intended to: prevent environmental pollution and rehabilitate damaged ecosystems.

Implementation of Programs to Protect the Environment

During 2016, our subsidiaries were carrying out the pre-scheduled environmental activities. Development of new technologies, introduction of environment-friendly solutions, reduction of fuel consumption and pollutant emissions are an integral part of our environmental policy.

Environmental Policy of LSR Group

In our environmental protection activities we assume broad responsibilities to society for maintaining clean environment.

The company’s environmental policy is based upon strict compliance with the environmental legislation of the Russian Federation. Our enterprises undergo environmental audit on a regular basis to review their compliance with the existing environmental regulations.

All LSR Group companies have up-to-date permits required to make their business. Appropriate licenses were obtained for licensed types of business.

List of transactions effected by the stock company in the reporting year to be recognized as large transactions under the Federal Law “On Joint Stock Companies” and other transactions subject to the large transactions approval regime under the company’s Charter

In the year 2016, PJSC LSR Group effected no transactions to be recognized as large transactions under the Federal Law “On Joint Stock Companies”.

The Charter of PJSC LSR Group contains no criteria defining other transactions subject to the large transactions approval regime under the Company’s Charter.

List of transactions effected by the stock company in the reporting year to be recognized as non-arm’s length transactions under the Federal Law “On Joint Stock Companies”

List of transactions effected by PJSC LSR Group in the year 2016 to be recognized as interested party transactions under the Federal Law “On Joint Stock Companies”, which were effected in the usual course of business of the Company and approved by the resolution of the general meeting of shareholders:				
Item No.	Date of transaction	Parties to the transaction	Subject of the transaction	Value
1.	2/12/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Real Estate - NW (beneficiary)	The guarantor assumes the liability to the bank for debtor’s fulfillment of the obligations under the bank guarantee contract	RUB 198,459,180.00
2.	2/15/2016	OJSC LSR. Tower Cranes - NW (lender)	The lender has transferred the funds to the Borrower, and the Borrower has undertaken to repay the loan to the Lender within the specified timeframe.	RUB 250,000,000.00
3.	2/15/2016	CJSC Industrial Leasing (lender)	The lender has transferred the funds to the Borrower, and the Borrower has undertaken to repay the loan to the Lender within the specified timeframe.	RUB 346,500,000.00

4.	2/16/2016	CJSC LSR. Real Estate - Urals (licensee)	The lender has transferred the funds to the Borrower, and the Borrower has undertaken to repay the loan to the Lender within the specified timeframe.	RUB 500,000,000.00
5.	3/1/2016	PJSC LSR Group (assignor) LLC Vertical (assignee) CJSC Petrostroykomplekt (debtor)	The Assignor shall transfer to the Assignee, and the Assignee shall accept the right to claim for repayment of debts by the Debtor under Power Supply Contract No. 02739 of 11/8/2013 existing as of the Contract effective date. The Assignee shall pay for the acquired right to the Assignor RUB 1,930,175.00.	RUB 1,930,175.00
6.	3/17/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Object-M (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.00
7.	3/29/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Object-M (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.00
8.	3/29/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Object-M (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.00
9.	3/29/2016	JSC A Plus Estate (borrower)	The lender has transferred the funds to the Borrower, and the Borrower has undertaken to repay the loan to the Lender within the specified timeframe.	RUB 391,200,000.00
10.	4/4/2016	LLC LSR. Object-M (borrower)	The lender has transferred the funds to the Borrower, and the Borrower has undertaken to repay the loan to the Lender within the specified timeframe.	RUB 5,000,000,000.00

Substantiation of transactions as interested party transactions:

Stakeholder: A. Molchanov – CEO, Chairman of the Executive Committee, Member of the Board of Directors and shareholder of the Company who holds over 20 % of the voting shares in the Company.

Substantiation of interest in transactions: A. Molchanov's affiliates were parties to / beneficiaries in such transactions.

Stakeholder's share in the Company's capital as of the transaction date: 60.62%

Portion of shares in the Company owned by the stakeholder as of the transaction date: 57.56 %

Stakeholder's share in the capital of the entity being party to / beneficiary in transactions 1,5–8,10 as of the transaction date: 0%

Stakeholder's share in the capital of the entity being party to / beneficiary in transactions 2-4,9 as of the transaction date: 0%

Portion of shares in entity being party to / beneficiary in transactions 2-4,9 owned by the stakeholder as of the transaction date: 0%

List of transactions effected by PJSC LSR Group in the year 2016 to be recognized as interested party transactions under the Federal Law "On Joint Stock Companies", which were effected in the usual course of business of the Company and approved by a resolution of the general meeting of shareholders:				
Item No.	Date of transaction	Parties to the transaction	Subject of the transaction	Value
1.	4/15/2016	JSC Russian Agricultural Bank (bank) JSC LSR. Real Estate-M (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 10,000,000,000.00
2.	9/22/2016	LLC LSR. Basic-M (borrower)	The lender has transferred the funds to the Borrower, and the Borrower has undertaken to repay the loan to the Lender within the specified timeframe.	RUB 26,500,000.00
3.	10/3/2016	PJSC Sberbank of Russia (bank), LLC LSR-Stroy (beneficiary)	the guarantor assumes the liability to the bank for debtor's fulfillment of the obligations under the bank guarantee agreement	RUB 3,283,026,824.36
4.	10/20/2016	JSC Raiffeisenbank (bank), CJSC LSR-Basic (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 1,485,000,000.00
5.	10/24/2016	Absolut Bank (PJSC) (bank), LLC LSR. Real Estate - NW (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 2,000,000,000.00
6.	10/26/2016	CJSC LSR-Basic (lender)	The lender has transferred the funds to the Borrower, and the Borrower has undertaken to repay the loan to the Lender within the specified timeframe.	RUB 1,485,000,000.00
7.	10/31/2016	VTB Bank (PJSC) (bank), LLC LSR. Construction - NW (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 3,000,000,000.00
8.	11/10/2016	LSR Europe GmbH (borrower)	The lender has transferred the funds to the Borrower, and the Borrower has undertaken to repay the loan to the Lender within the specified timeframe.	EUR 25,000,000.00
9.	11/17/2016	LLC LSR. Construction - NW (lender)	The lender has transferred the funds to the Borrower, and the Borrower has undertaken to repay the loan to the Lender within the specified timeframe.	RUB 6,800,000,000.00
10.	12/19/2016	LLC LSR. Real Estate - NW (borrower)	The lender has transferred the funds to the Borrower, and the Borrower has undertaken to repay the loan to the Lender within the specified timeframe.	RUB 6,000,000,000.00
11.	12/20/2016	OJSC CCR SP (borrower)	The lender has transferred the funds to the Borrower, and the Borrower has undertaken to repay the loan to the Lender within the specified timeframe.	RUB 3,500,000,000.00
12.	12/22/2016	LLC LSR. Object-M (borrower)	The lender has transferred the funds to the Borrower, and the Borrower has undertaken to repay the loan to the Lender within the specified timeframe.	RUB 4,600,000,000.00
13.	12/22/2016	JSC Russian Agricultural Bank (bank)	the pledger shall be liable to the bank for the debtor's	RUB 400,000,000.00

		LLC LSR. Object-M (beneficiary)	fulfillment of the obligations under the credit agreement	
14.	12/22/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Object-M (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 400,000,000.00
15.	12/22/2016	JSC LSR. Real Estate-M (borrower)	The lender has transferred the funds to the Borrower, and the Borrower has undertaken to repay the loan to the Lender within the specified timeframe.	RUB 9,100,000,000.00
16.	12/28/2016	LLC LSR. Real Estate - NW (borrower)	The lender has transferred the funds to the Borrower, and the Borrower has undertaken to repay the loan to the Lender within the specified timeframe.	RUB 1,000,000,000.00

Substantiation of transactions as interested party transactions:

Stakeholder: A. Molchanov – CEO, Chairman of the Executive Committee, Member of the Board of Directors and shareholder of the Company who holds over 20 % of the voting shares in the Company.

Substantiation of interest in transactions: A. Molchanov's affiliates were parties to / beneficiaries in such transactions.

Stakeholder's share in the Company's capital as of the transaction date: 60.62%

Portion of shares in the Company owned by the stakeholder as of the transaction date: 57.56 %

Stakeholder's share in the capital of the entity being party to / beneficiary in transactions 2-3,5,7-10,12-14,16 as of the transaction date: 0%

Stakeholder's share in the capital of the entity being party to / beneficiary in transactions 1,4,6,11,15 as of the transaction date: 0%

Portion of shares in entity being party to / beneficiary in transactions 1,4,6,11,15 owned by the stakeholder as of the transaction date: 0%

List of transactions effected by PJSC LSR Group in the year 2016 to be recognized as interested party transactions under the Federal Law "On Joint Stock Companies", which were approved by resolutions of the Board of Directors:				
Item No.	Date of transaction	Parties to the transaction	Subject of the transaction	Value
1.	4/12/2016	JSC ICA ARKHPROJECT (borrower)	The lender has transferred the funds to the Borrower, and the Borrower has undertaken to repay the loan to the Lender within the specified timeframe.	RUB 30,000,000.00
2.	4/13/2016	LLC Oktyabrskaya 42 (lender)	The lender has transferred the funds to the Borrower, and the Borrower has undertaken to repay the loan to the Lender within the specified timeframe.	RUB 25,000,000.00
3.	4/15/2016	JSC Russian Agricultural Bank (bank) JSC LSR. Real Estate-M (beneficiary)	the guarantor assumes the liability to the bank for debtor's fulfillment of the obligations under the agreement for opening credit line	RUB 36,983,122.00
4.	4/15/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Real Estate - NW (beneficiary), CJSC Industrial Leasing (beneficiary)	the guarantor assumes the liability to the bank for debtors' fulfillment of the obligations under the agreements for opening credit lines	RUB 36,983,122.00
5.	4/19/2016	LLC LSR. Concrete (licensee)	the licensor grants the licensee a non-exclusive trademark usage license against a fee payable by the licensee in 2016	RUB 27,258,000.00
6.	4/21/2016	LLC LSR. Real Estate - NW (seller)	the seller transfers to the purchaser a share in the amount of 0.01 % of the authorized capital in LLC Oktyabrskaya 42, and the purchaser accepts and pays for such share	RUB 10,000.00
7.	4/22/2016	JSC LSR. Reinforced Concrete - NW (lender)	The lender has transferred the funds to the Borrower, and the Borrower has undertaken to repay the loan to the Lender within the specified timeframe.	RUB 400,000,000.00
8.	4/26/2016	LLC LSR. Construction - Urals (borrower)	The lender has transferred the funds to the Borrower, and the Borrower has undertaken to repay the loan to the Lender within the specified timeframe.	RUB 370,000,000.00
9.	4/27/2016	PJSC CB UBRD (bank), LLC LSR. Construction-M (beneficiary)	the guarantor assumes the liability to the bank for debtor's fulfillment of the obligations under the bank guarantee agreement	RUB 653,512,299.00
10.	4/28/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Object-M (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.00
11.	5/5/2016	JSC A Plus Estate (issuer)	the issue undertakes to transfer 34,400 shares to be placed and the transferee undertakes to accept and pay for them.	RUB 860,000,000.00
12.	5/10/2016	LLC LSR. Wall (lender)	The lender has transferred the funds to the Borrower, and the Borrower has undertaken to repay the loan to the Lender within the specified timeframe.	RUB 500,000,000.00
13.	5/25/2016	JSC LSR. Real Estate-M (lender)	The lender has transferred the funds to the Borrower, and the Borrower has undertaken to repay the loan to the Lender within the specified timeframe.	RUB 1,000,000,000.00
14.	6/14/2016	LLC LSR. Object-M (purchaser)	the seller transfers a work of art and the purchaser accepts and pays for it.	RUB 20,500,000.00
15.	6/16/2016	LLC LSR. Basic-M (company)	in consideration for actual cost of the share in the capital, the company transfers, and the shareholder accepts the property	RUB 655,646,945.49
16.	6/27/2016	JSC LSR. Reinforced Concrete - NW (lender)	The lender has transferred the funds to the Borrower, and the Borrower has undertaken to repay the loan to the Lender within the specified timeframe.	RUB 500,000,000.00
17.	6/29/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Object-M (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.00
18.	7/25/2016	PJSC CB UBRD (bank),	the guarantor assumes the liability to the bank for	RUB 168,199,403.9

		LLC LSR-Stroy (beneficiary)	debtor's fulfillment of the obligations under the bank guarantee agreement	4
19.	7/25/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Real Estate - NW (beneficiary)	the guarantor assumes the liability to the bank for debtor's fulfillment of the obligations under the bank guarantee agreement	RUB 165,098,395.00
20.	7/26/2016	PJSC CB UBRD (bank), LLC LSR. Construction-Urals (beneficiary)	the guarantor assumes the liability to the bank for debtor's fulfillment of the obligations under the bank guarantee agreement	RUB 85,135,116.34
21.	7/26/2016	PJSC CB UBRD (bank), LLC LSR. Construction-Urals (beneficiary)	the guarantor assumes the liability to the bank for debtor's fulfillment of the obligations under the bank guarantee agreement	RUB 1,370,675.37
22.	7/29/2016	PJSC CB UBRD (bank), LLC LSR-Stroy (beneficiary)	the guarantor assumes the liability to the bank for debtor's fulfillment of the obligations under the bank guarantee agreement	RUB 203,180,663.10
23.	7/29/2016	PJSC CB UBRD (bank), LLC LSR-Stroy (beneficiary)	the guarantor assumes the liability to the bank for debtor's fulfillment of the obligations under the bank guarantee agreement	RUB 266,266,978.35
24.	8/9/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Object-M (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.00
25.	8/12/2016	CJSC LSR. Real Estate - Urals (borrower)	The lender has transferred the funds to the Borrower, and the Borrower has undertaken to repay the loan to the Lender within the specified timeframe.	RUB 100,000,000.00
26.	8/30/2016	LLC Oktyabrskaya 42 (lender)	The lender has transferred the funds to the Borrower, and the Borrower has undertaken to repay the loan to the Lender within the specified timeframe.	RUB 15,000,000.00
27.	9/1/2016	PJSC CB UBRD (bank), LLC LSR. Construction-Urals (beneficiary)	the guarantor assumes the liability to the bank for debtor's fulfillment of the obligations under the bank guarantee agreement	RUB 85,135.11
28.	9/27/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Object-M (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 600,000,000.00
29.	10/3/2016	PJSC CB UBRD (bank), LLC LSR-Stroy (beneficiary)	the guarantor assumes the liability to the bank for debtor's fulfillment of the obligations under the bank guarantee agreement	RUB 57,131,814.17
30.	10/3/2016	PJSC CB UBRD (bank), CJSC LSR. Real Estate - Urals (beneficiary)	the guarantor assumes the liability to the bank for debtor's fulfillment of the obligations under the bank guarantee agreement	RUB 17,344,000.00
31.	10/11/2016	CJSC NPO Rekonstruktsiya (borrower)	The lender has transferred the funds to the Borrower, and the Borrower has undertaken to repay the loan to the Lender within the specified timeframe.	RUB 40,000,000.00
32.	10/14/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Real Estate - NW (beneficiary)	the guarantor assumes the liability to the bank for debtor's fulfillment of the obligations under the bank guarantee agreement	RUB 36,756,600.00
33.	10/21/2016	JSC Severstal Distribution (creditor) LLC LSR (beneficiary)	the pledger shall be liable to the creditor for the debtor's fulfillment of the obligations under the supply agreement	RUB 50,000,000.00
34.	11/1/2016	OJSC EVRAZ Metall Inprom (creditor), LLC LSR (beneficiary)	the pledger shall be liable to the creditor for the debtor's fulfillment of the obligations under the supply agreement	RUB 90,000,000.00
35.	11/1/2016	OJSC Ariel Metall (creditor), LLC LSR (beneficiary)	the pledger shall be liable to the creditor for the debtor's fulfillment of the obligations under the supply agreement	RUB 30,000,000.00
36.	11/17/2016	LLC Mechel Service (creditor), LLC LSR (beneficiary)	the pledger shall be liable to the creditor for the debtor's fulfillment of the obligations under the metal products supply agreements	RUB 90,000,000.00
37.	12/9/2016	PJSC CB UBRD (bank), LLC LSR. Construction-Urals (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 255,000.00
38.	12/15/2016	LLC LSR. Wall (borrower)	The lender has transferred the funds to the Borrower, and the Borrower has undertaken to repay the loan to the Lender within the specified timeframe.	RUB 800,000,000.00
39.	12/20/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Real Estate - NW (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.00
40.	12/20/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Real Estate - NW (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.00
41.	12/20/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Real Estate - NW (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.00
42.	12/20/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Real Estate - NW (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.00
43.	12/20/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Real Estate - NW (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.00
44.	12/20/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Real Estate - NW	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.00

		(beneficiary)		
45.	12/20/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Real Estate - NW (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.0 0
46.	12/20/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Real Estate - NW (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.0 0
47.	12/22/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Real Estate - NW (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.0 0
48.	12/22/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Real Estate - NW (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.0 0
49.	12/22/2016	JSC Russian Agricultural Bank (bank) OJSC CCR SP (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.0 0
50.	12/22/2016	JSC Russian Agricultural Bank (bank) OJSC CCR SP (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.0 0
51.	12/22/2016	JSC Russian Agricultural Bank (bank) OJSC CCR SP (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.0 0
52.	12/22/2016	JSC Russian Agricultural Bank (bank) OJSC CCR SP (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.0 0
53.	12/22/2016	JSC Russian Agricultural Bank (bank) OJSC CCR SP (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.0 0
54.	12/22/2016	JSC Russian Agricultural Bank (bank) OJSC CCR SP (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.0 0
55.	12/22/2016	JSC Russian Agricultural Bank (bank) OJSC CCR SP (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.0 0
56.	12/26/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Object-M (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.0 0
57.	12/26/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Object-M (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.0 0
58.	12/26/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Object-M (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.0 0
59.	12/26/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Object-M (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.0 0
60.	12/26/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Object-M (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.0 0
61.	12/26/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Object-M (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.0 0
62.	12/26/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Object-M (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.0 0
63.	12/26/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Object-M (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 500,000,000.0 0
64.	12/28/2016	LLC LSR. Construction-M (licensee)	the parties have agreed to change the trademark usage license fee amount for 2017	RUB 63,720,000.00
65.	12/28/2016	CJSC LSR-Basic (licensee)	the parties have agreed to change the trademark usage license fee amount for 2017	RUB 133,812,000.00
66.	12/28/2016	JSC LSR. Real Estate-M (licensee)	the parties have agreed to change the trademark usage license fee amount for 2017	RUB 334,176,000.0 0
67.	12/28/2016	CJSC LSR. Real Estate - Urals (licensee)	the parties have agreed to change the trademark usage license fee amount for 2017	RUB 86,376,000.00
68.	12/28/2016	LLC LSR. Construction - Urals (licensee)	the parties have agreed to change the trademark usage license fee amount for 2017	RUB 21,240,000.00
69.	12/28/2016	OJSC LSR. Tower Cranes - NW (licensee)	the parties have agreed to change the trademark usage license fee amount for 2017	RUB 17,700,000.00
70.	12/28/2016	JSC LSR. Reinforced Concrete - NW (licensee)	the parties have agreed to change the trademark usage license fee amount for 2017	RUB 59,472,000.00
71.	12/28/2016	LLC LSR. Real Estate - NW (licensee)	the parties have agreed to change the trademark usage license fee amount for 2017	RUB 124,608,000.0 0
72.	12/28/2016	LLC LSR. Wall (licensee)	the parties have agreed to change the trademark usage license fee amount for 2017	RUB 70,800,000.00
73.	12/28/2016	LLC LSR. Construction - NW (licensee)	the parties have agreed to change the trademark usage license fee amount for 2017	RUB 14,160,000.00
74.	12/28/2016	OJSC CCR SP (licensee)	the parties have agreed to change the trademark usage license fee amount for 2017	RUB 14,160,000.00
75.	12/28/2016	LLC LSR. Object-M (licensee)	the parties have agreed to change the trademark usage license fee amount for 2017	RUB 1,440,000.00
76.	12/28/2016	LLC LSR-Stroy (licensee)	the parties have agreed to change the trademark usage license fee amount for 2017	RUB 94,872,000.00
77.	12/28/2016	LLC LSR. Concrete (licensee)	the parties have agreed to change the trademark usage license fee amount for 2017	RUB 46,020,000.00
78.	12/28/2016	JSC Russian Agricultural Bank (bank) LLC LSR. Object-M (beneficiary)	the pledger shall be liable to the bank for the debtor's fulfillment of the obligations under the credit agreement	RUB 600,000,000.0 0

Substantiation of transactions as interested party transactions:

Stakeholder: A. Molchanov – CEO, Chairman of the Executive Committee, Member of the Board of Directors and shareholder of the Company who holds over 20 % of the voting shares in the Company.

Substantiation of interest in transactions: A. Molchanov's affiliates were parties to / beneficiaries in such transactions.

A brief overview of the most significant transactions made by the Company and legal entities controlled by it (including related transactions made by the Company, by one and/or several legal entities controlled by it) in the last year

Land plots for the construction of about 310 thousand square meters were purchased in Yekaterinburg. The first plot of about 6 ha in Yekaterinburg is located within the boundaries of Blyuchera and Danily Zvereva Streets. Until 2022, it is planned to build more than 100 thousand square meters of comfort-class residential real estate here. Another land plot with a total area of 13 ha is located on the border of the districts Akademichesky and Shirokaya Rechka (Verkhneufaleyskaya-Landau-Tenistaya Streets). The project is scheduled for completion before 2022 jointly with the partner. The share of housing of LSR Group on this plot will be more than 200 thousand square meters.

LSR Group entered into transactions for the acquisition of the land plots with a total area of 12.6 ha on Petrovsky Island in Saint Petersburg where more than 200 thousand square meters of elite real estate will be constructed. The acquired land plots are located at 9 and 11, Petrovsky Prospekt and 17, Remeslennaya Street. The project will be constructed in several stages. Pre-sales of the first stage are to be started in autumn 2017. The whole project is scheduled for completion in 2022.

Report on compliance with the principles and recommendations as per the Corporate Governance Code

Statement of the Board of Directors

This Report on Compliance with the Principles and Recommendations as per the Corporate Governance Code (the “Code”) was reviewed by the Board of Directors of PJSC LSR Group during the meeting on 5/5/2017, Minutes No. 3/2017.

The Board of Directors confirms that the data contained in this report represent complete and reliable information on the company’s compliance with the principles and recommendations as per the Corporate Governance Code during 2016.

PJSC LSR Group strives to follow the principles and recommendations laid down in the Code.

The Company’s management bodies carry out their functions, following the principles recommended in the Code, the main one of which is the protection of shareholders’ and investors’ rights. The Board of Directors of PJSC LSR Group pays special attention to the observance and protection of shareholders’ rights.

Shareholders have the right to participate in the management of the Company by taking decisions on the most important issues of the Company’s business at general meetings of shareholders.

Shareholders are provided with the right to participate in the distribution of profits by taking decisions on the distribution of profits at annual general meetings of shareholders.

PJSC LSR Group provides shareholders with an opportunity to get familiarized with information on the company’s business in accordance with the Federal Law “On Joint Stock Companies”, the Federal Law “On the Securities Market” and regulations of the Bank of Russia.

The main Company’s principle for building relationships with shareholders and investors is a reasonable balance of Company’s interests as a business entity and as a joint-stock company interested in protecting rights and legitimate interests of its shareholders.

In 2016, the Company for the first time conducted a performance evaluation in relation to the Board of Directors with the involvement of the independent entity, i. e. JSC VTB Registrar.

Information on Compliance with Corporate Governance Principles

Item	Corporate Governance Principles	Assessment criteria for the compliance with corporate governance principle	Status of adherence to the corporate governance principle	Explanation for the deviation from the corporate governance principle
1.1	The Company shall ensure equal and fair attitude towards all shareholders, when they exercise their right to take part in the company management.			
1.1.1	The Company creates as favorable conditions as possible for the shareholders to attend general meetings, for development of substantiated attitude with respect to the items on the agenda of a general meeting, coordination of shareholder's actions, and the opportunity to express shareholder's opinion on items under consideration.	<p>1. In the public domain there is an internal document of the company approved by the general meeting of shareholders and regulating the procedure for holding a general meeting.</p> <p>2. The Company provides an accessible way of communicating with the company, such as a hotline, e-mail or Internet forum, allowing shareholders to express their opinions and forward questions regarding the agenda in preparation for the general meeting. Such actions were undertaken by the company on the eve of each general meeting held in the reporting period.</p>	adhered	
1.1.2	The procedure for announcing of holding a general meeting and providing materials concerning the general meeting gives shareholders the opportunity to properly prepare for participation in it.	<p>1. The announcement of the general meeting of shareholders is posted (published) on the website in the Internet at least 30 days before the date of the general meeting.</p> <p>2. The message on holding the meeting specifies meeting venue and documents required for admission to the premises.</p> <p>3. Shareholders were provided with access to the information on those who proposed the items on the agenda and who nominated candidates for the Board of Directors and the Internal Audit Commission of the company.</p>	adhered	
1.1.3	During the preparation for and holding of the general meeting, shareholders had the opportunity to receive information about the meeting and materials for it without hindrance and in time, to ask questions to the executive bodies and members of the Board of Directors of the company, to communicate with each other.	<p>1. During the reporting period, shareholders were given the opportunity to ask questions to members of the executive bodies and members of the Board of Directors of the company on the eve of and during the annual general meeting.</p> <p>2. The attitude of the Board of Directors (including dissenting opinions set forth in the minutes) on each item of the agenda of general meetings held during the reporting period was included in the materials for the general meeting of shareholders.</p> <p>3. The Company granted shareholders having appropriate right the access to the list of persons entitled to participate in the general meeting, starting from the date of its receipt by the company, in all</p>	adhered	

		cases of holding general meetings in the reporting period.		
1.1.4	The exercise of the shareholder's right to demand for the convocation of a general meeting, nominate candidates for the management bodies and make proposals for inclusion in the agenda of the general meeting was not fraught with unjustified difficulties.	<p>1. In the reporting period, the shareholders had the opportunity, within at least 60 days after the end of corresponding calendar year, to submit proposals for inclusion in the agenda of the annual general meeting.</p> <p>2. In the reporting period, the company did not refuse to accept proposals to the agenda or nominees for the company's bodies due to misprints or any other negligible shortcomings in shareholders' proposals.</p>	adhered	
1.1.5	Each shareholder had the opportunity to freely exercise the right to vote in the simplest and most convenient way.	1. The internal document (internal policy) of the company contains provisions according to which each attendee of the general meeting may request a copy of the ballot filled in by him/her and certified by the counting board before the completion of the relevant meeting.	adhered	
1.1.6	The procedure established by the company for holding a general meeting provides an equal opportunity for all persons attending the meeting to express their opinion and ask their questions of interest.	<p>1. When holding general meetings of shareholders in the form of a meeting (joint attendance of shareholders) during the reporting period, sufficient time was provided for reports on items on the agenda and time for discussion thereof.</p> <p>2. Candidates for the management and control bodies of the company were available to answer shareholders' questions at any meeting where their nominees were put to the vote.</p> <p>3. The Board of Directors, when taking decisions related to the preparation for and holding of general meetings of shareholders, considered the use of telecommunications to provide shareholders with remote access to general meetings in the reporting period.</p>	partially adhered	Candidates for the Company's management and control bodies were not available to answer shareholders' questions at the general meeting of shareholders, as the Company does not have the opportunity to ensure attendance of all such persons at the meeting. The Company submitted to the general meeting of shareholders for approval the Charter and internal documents providing for the use of telecommunications to provide shareholders with remote access to general meetings.
1.2	Shareholders are given an equal and fair opportunity to participate in the company's profits through the receipt of dividends.			
1.2.1	The Company has developed and implemented a transparent and understandable mechanism to determine the amount of dividends and pay them.	<p>1. The company has developed, approved by the Board of Directors and disclosed the dividend policy.</p> <p>2. If the company's dividend policy uses the company's reported indicators to determine the amount of dividends, relevant provisions of</p>	adhered	

		the dividend policy relies on consolidated financial statements.		
1.2.2	The Company does not take a decision on the payment of dividends if such decision, formally not violating the restrictions established by the laws, is economically unjustified and can lead to the formation of false impression of the company's business.	1. The company's dividend policy contains clear indications to financial / economic circumstances in which the company should not pay dividends.	adhered	
1.2.3	The Company does not allow deterioration of dividend rights of existing shareholders.	1. In the reporting period, the Company did not take any actions leading to a deterioration of existing shareholders' dividend rights.	adhered	
1.2.4	The Company seeks to exclude application by shareholders of any other methods to earn profit (income) at the expense of the Company in addition to dividends and disposal value.	1. In order to prevent shareholders from applying any other methods to earn profit (income) at the expense of the Company in addition to dividends and disposal value, the internal documents of the Company establish monitoring mechanisms that ensure timely identification of and procedure for approval of transactions with persons affiliated (associated) with substantial shareholders (persons entitled to dispose of votes granted by voting shares) where the law does not formally recognize such transactions as interested party transactions.	adhered	
1.3	The corporate governance system and practice ensure equality of conditions for all shareholders holding shares of one category (type), including minority (small) shareholders and foreign shareholders, and equal treatment of them by the Company.			
1.3.1	The Company has created conditions for fair treatment of each shareholder by management bodies and controlling persons of the Company, including conditions ensuring that major shareholders may not abuse against minority shareholders.	1. During the reporting period, the procedures for managing potential conflicts of interest between substantial shareholders are efficient, and the Board of Directors paid due attention to such conflicts between shareholders, if any.	adhered	
1.3.2	The Company does not take any actions that lead or can lead to an artificial redistribution of corporate control.	1. Quasi-treasury shares do not exist or did not participate in voting during the reporting period.	partially adhered	The subsidiary company participated in voting at the annual meeting of shareholders in 2016 on all items on the agenda other than approval of interested party transactions. The subsidiary owned less than 1 % of the votes and was not in the position to

				influence the redistribution of corporate control.
1.4	Shareholders are provided with reliable and effective methods to record titles to shares, as well as the possibility of free and easy alienation of their shares.			
1.4	Shareholders are provided with reliable and effective methods to record titles to shares, as well as the possibility of free and easy alienation of their shares.	1. The quality and reliability of the activities carried out by the registrar with respect to maintaining the register of securities fit the needs of the company and its shareholders.	adhered	
2.1	The Board of Directors carries out strategic management of the company, determines main principles and approaches to the organization of risk management system and internal control in the company, controls the executive bodies of the company, and performs other key functions.			
2.1.1	The Board of Directors is responsible for taking decisions related to the appointment to and dismissal from positions in the executive bodies, in particular due to improper performance of their duties. The Board of Directors also supervises that the executive bodies of the Company act in accordance with the approved development strategy and Company's main business lines.	1. The Board of Directors has the authority to appoint, dismiss from the office and determine contractual terms and conditions for members of the executive bodies. 2. The Board of Directors reviewed the sole executive body's and collective executive body members' report(s) on the implementation of the Company's strategy.	adhered	
2.1.2	The Board of Directors sets long-term guiding principles for the company's business, evaluates and approves key performance indicators and the main business goals of the Company, evaluates and approves the strategy and business plans for main areas of the company's business.	1. During the reporting period, the Board of Directors examined issues related to the implementation and update of the strategy, approval of the company's financial and economic plan (budget), and review of criteria and indicators (including interim ones) for the implementation of the company's strategy and business plans.	adhered	
2.1.3	The Board of Directors identifies principles of and approaches to the organization of the risk management and internal control system in the company.	1. The Board of Directors identified principles and approaches to the organization of the risk management and internal control system in the company. 2. The Board of Directors assessed the risk management and internal control system of the company during the reporting period.	adhered	
2.1.4	The Board of Directors establishes the company's remuneration and/or expense compensation policy applicable to members of the Board	1. The company developed and implemented the remuneration and expense compensation policy approved by the Board of Directors applicable to members of the Board of Directors, executive bodies of the company and other key management staff of the company.	adhered	

	of Directors, executive bodies and other key executives of the company.	2. During the reporting period, issues related to this policy (policies) were considered at the meetings of the Board of Directors.		
2.1.5	The Board of Directors plays a key role in preventing, identifying and resolving internal conflicts between the Company's bodies, shareholders and employees.	1. The Board of Directors plays a key role in preventing, identifying and resolving internal conflicts. 2. The Company created a system for identification of transactions associated with conflict of interests and a system of measures aimed at resolving such conflicts.	adhered	
2.1.6	The Board of Directors plays a key role in ensuring the transparency of the Company, promptness and completeness of disclosure of information by the Company, and easy access for shareholders to the documents of the Company.	1. The Board of Directors approved an information policy regulation. 2. The Company is responsible for the implementation of the information policy.	adhered	
2.1.7	The Board of Directors controls corporate governance practice in the Company and plays a key role in significant corporate events.	1. During the reporting period, the Board of Directors considered the issue of corporate governance practices in the Company.	adhered	
2.2	The Board of Directors reports to the shareholders of the Company.			
2.2.1	Information on the operation of the Board of Directors is disclosed and provided to the shareholders.	1. The Company annual report for the reporting period includes information on individual directors' attendance at meetings of the Board of Directors and committees. 2. The annual report contains information on the main results of the performance evaluation of the Board of Directors carried out in the reporting period.	adhered	
2.2.2	The Chairman of the Board of Directors is available to communicate with the shareholders of the Company.	1. There is a transparent procedure in the Company that provides shareholders with the opportunity to send questions to the chairman of the Board of Directors and their opinion on them.	adhered	
2.3	The Board of Directors is an efficient and professional management body of the Company capable of making objective independent judgments and taking decisions serving the interests of the Company and its shareholders.			
2.3.1	Only persons having an impeccable business and personal reputation and possessing knowledge, skills and experience necessary to take decisions within the competence of	1. The procedure for the performance evaluation of the Board of Directors includes, without limitation, assessment of professional qualifications of members of the Board of Directors. 2. In the reporting period, the Board of Directors (or its nominations	adhered	

	the Board of Directors and required for the effective performance of the Board functions may be elected to the Board of Directors.	committee) evaluated candidates for the Board of Directors in terms of necessary experience, knowledge, business reputation, conflict of interests, etc.		
2.3.2	Members of the Board of Directors of the Company are elected based on a transparent procedure that enables shareholders to obtain information about candidates sufficient to form an idea of their personal and professional qualities.	1. Any time when a general meeting of shareholders was held in the reporting period, the agenda of which included election of the Board of Directors, the Company provided the shareholders with biographical data of all candidates for the Board of Directors, results of evaluation of such candidates carried out by the Board of Directors (or its nominations committee), as well as information on the candidate's conformity to independence criteria in accordance with recommendations 102 to 107 as per the Code and candidates' written consent to be elected to the Board of Directors.	adhered	
2.3.3	The composition of the Board of Directors is balanced, in particular in terms of its members' qualifications, experience, knowledge and business competence, and enjoys the trust of shareholders.	1. As part of the procedure for the performance evaluation of the Board of Directors during the reporting period, the Board of Directors analyzed its own demands in the field of professional qualifications, experience and business skills.	adhered	
2.3.4	The quantitative composition of the company's Board of Directors enables to organize operation of the Board of Directors in the most efficient manner, including the possibility to form committees of the Board of Directors, as well as provides substantial minority shareholders of the company with the opportunity to elect a candidate they vote for.	1. As part of the procedure for the performance evaluation of the Board of Directors carried out during the reporting period, the Board of Directors checked if quantitative composition of the Board of Directors fitted the needs of the company and interests of shareholders.	adhered	
2.4	The Board of Directors includes a sufficient number of independent directors.			
2.4.1	An independent director is a person who has sufficient professionalism, experience and independence to form his own attitude, is able to make objective and conscientious judgments that are independent of the influence of the executive bodies of the company, certain groups of	1. During the reporting period, all independent members of the Board of Directors met all independence criteria specified in recommendations 102 to 107 s per the Code, or were recognized as independent by a decision of the Board of Directors.	partially adhered	The criteria was adhered to by the Company from 4/5/2016 — the date of the annual meeting of shareholders of the Company and election of a sufficient number of independent directors

	shareholders or any other stakeholders. It should be borne in mind, however, that in ordinary circumstances no candidate (elected member of the Board of Directors) may be deemed to be independent if he/she is connected with the company, its substantial shareholder, substantial counterpart or competitor of the company or is associated with the state.			during it.
2.4.2	Independence criteria adherence evaluation is carried out in relation to candidates for the Board of Directors, and regular analysis of the adherence of independent members of the Board of Directors to independence criteria is carried out. When carrying out such evaluation, the content shall prevail over the form.	<p>1. In the reporting period, the Board of Directors (or the nominations committee of the Board of Directors) formed an opinion on the independence of each candidate for the Board of Directors and presented relevant report to the shareholders.</p> <p>2. During the reporting period, the Board of Directors (or the nominations committee of the Board of Directors) at least once examined the independence of current members of the Board of Directors, whom the Company indicates in its annual report as independent directors.</p> <p>3. The Company has developed procedures that establishes necessary actions to be taken by any member of the Board of Directors if he/she ceases to be independent, including the obligation to promptly inform the Board of Directors thereof.</p>	adhered	
2.4.3	Independent directors constitute at least one third of the elected Board of Directors.	1. Independent directors constitute at least one third of the Board of Directors.	partially adhered	The criteria was adhered to by the Company from 4/5/2016 — the date of the annual meeting of shareholders of the Company and election of a sufficient number of independent directors during it.
2.4.4	Independent directors play a key role in preventing internal conflicts in the Company and in performing by the Company of substantial corporate actions.	1. Independent directors (who have no conflict of interest) preliminarily assess significant corporate actions associated with possible conflict of interests, and results of such assessment are presented to the Board of Directors.	adhered	

2.5	The Chairman of the Board of Directors promotes the most effective performance of functions assigned to the Board of Directors.			
2.5.1	An independent director was elected as a chairman of the Board of Directors, or a senior independent director was appointed from among the elected independent directors, coordinating the work of independent directors and interacting with the chairman of the Board of Directors.	<p>1. The chairman of the Board of Directors is an independent director, or a senior independent director is selected among independent directors.</p> <p>2. The role, rights and duties of the chairman of the Board of Directors (and, if applicable, the senior independent director) are duly defined in internal documents of the Company.</p>	partially adhered	The chairman of the Board of Directors is a non-executive director.
2.5.2	The Chairman of the Board of Directors ensures constructive atmosphere for holding meetings, free discussion of items on the agenda of the meeting, follow-up of decisions taken by the Board of Directors.	The efficiency of the chairman of the Board of Directors was evaluated within the framework of the performance evaluation of the Board of Directors in the reporting period.	adhered	
2.5.3	The Chairman of the Board of Directors takes necessary measures for timely provision to the members of the Board of Directors of any information necessary to take decisions on the agenda.	1. The duty of the chairman of the Board of Directors to take measures to ensure timely provision of materials to the members of the Board of Directors on the agenda of the meeting of the Board of Directors is documented in internal documents of the Company.	adhered	
2.6.	Members of the Board of Directors act in good faith and reasonably in the interests of the Company and its shareholders on the basis of sufficient information, with due diligence and prudence.			
2.6.1	Members of the Board of Directors take decisions with due consideration of all available information, if there is no conflict of interests, taking into account equal treatment of shareholders of the Company, within the framework of normal business risk.	<p>1. Internal documents of the Company establish that any member of the Board of Directors is obliged to notify the Board of Directors if he/she has a conflict of interests with respect to any item on the agenda of the meeting of the Board of Directors or a committee of the Board of Directors before the discussion of the relevant item on the agenda.</p> <p>2. Internal documents of the Company stipulate that any member of the Board of Directors should refrain from voting on any item in which he has a conflict of interest.</p> <p>3. The Company has established a procedure that enables the Board of Directors to receive professional advice on items within its competence at the expense of the Company.</p>	adhered	
2.6.2	The rights and duties of members of the Board of Directors are clearly	1. The Company adopted and published an internal document that clearly defines the rights and duties of members of the Board of	adhered	

	worded and documented in internal documents of the Company.	Directors.		
2.6.3	Members of the Board of Directors have enough time to fulfill their duties.	<p>1. Individual attendance of meetings of the Board and committees, as well as time devoted to prepare for the meetings were taken into account in the procedure for the performance evaluation of the Board of Directors in the reporting period.</p> <p>2. In accordance with Company's internal documents, members of the Board of Directors are required to notify the Board of Directors of their intention to join management bodies of any other entities (other than the Company's controlled and related entities), as well as of the fact of such appointment.</p>	adhered	
2.6.4	All members of the Board of Directors have equal access to documents and information of the Company. Sufficient information about the Company and the operation of the Board of Directors is provided to newly elected members of the Board of Directors as soon as possible.	<p>1. In accordance with Company's internal documents, members of the Board of Directors may access documents and make inquiries concerning the Company and entities under its control, and the executive bodies of the Company shall provide relevant information and documents.</p> <p>2. The Company has a formalized program of familiarization measures for newly elected members of the Board of Directors.</p>	adhered	
2.7	Meetings of the Board of Directors, preparation for them and participation in them by the members of the Board of Directors ensure efficient functioning of the Board of Directors.			
2.7.1	Meetings of the Board of Directors are held as necessary, taking into account scope of activities and the tasks faced by the Company in a certain period of time.	1. The Board of Directors held at least six meetings during the reporting year.	adhered	
2.7.2	Internal documents of the Company stipulate the procedure for preparation for and holding of meetings of the Board of Directors that ensures that members of the Board of Directors can properly prepare for it.	1. The Company approved an internal document that defines the procedure for preparation for and holding of meetings of the Board of Directors that, in particular, stipulates that notification of the meeting shall be generally sent at least 5 days before the date of the meeting.	partially adhered	In accordance with Clause 8.7 of the Regulations on the Company's Board of Directors, notification of the meeting shall be sent to members of the Board of Directors at least 3 days before the date of the meeting for the purpose of promptness.

2.7.3	The form of the meeting of the Board of Directors is determined with due regard to the importance of items on the agenda. The most important items are resolved at meetings held by personal attendance.	1. The Charter or an internal document of the Company stipulates that the most important items (according to the list given in Recommendation 168 as per the Code) shall be considered at the Board meetings.	partially adhered	Not all items falling under the competence of the Board of Directors recommended by the Code to be resolved by personal attendance were considered in this form. This is due to the Company's desire to create comfortable conditions for all members of the Board of Directors to fulfill their duties.
2.7.4	Decisions on the most important items related to the Company's business are taken at a meeting of the Board of Directors by a qualified majority or by a majority vote of all elected members of the Board of Directors.	1. The Company's Charter provides that decisions on the most important items specified in Recommendation 170 as per the Code shall be taken at a meeting of the Board of Directors by a qualified majority of at least three quarters of the votes or by a majority vote of all elected members of the Board of Directors.	adhered	
2.8	The Board of Directors establishes committees for preliminary examination of critical issues related to the Company's activities.			
2.8.1	For the preliminary examination of issues related to control of financial and business activities of the Company, the audit committee has been established consisting of independent directors.	<p>1. The Board of Directors established the audit committee consisting entirely of independent directors.</p> <p>2. Internal documents of the Company specify tasks of the audit committee, including, without limitation, the tasks contained in Recommendation 172 as per the Code.</p> <p>3. At least one member of the audit committee being an independent director has experience and knowledge in the preparation for, analysis, evaluation and audit of accounts (financial statements).</p> <p>4. The meetings of the audit committee were held at least once a quarter during the reporting period.</p>	partially adhered	<p>Criteria 1 were adhered to by the Company from 4/5/2016 — the date of the annual meeting of shareholders of the Company and election of a sufficient number of independent directors during it.</p> <p>Criteria 2, 3 and 4 were adhered to by the Company throughout the whole reporting period.</p>
2.8.2	For preliminary examination of issues related to the establishment of an efficient and transparent remuneration practice, the remuneration committee has been established consisting of independent	<p>1. The Board of Directors established a remuneration committee consisting only of independent directors.</p> <p>2. The chairman of the remuneration committee is an independent director who is not the chairman of the Board of Directors.</p>	partially adhered	Criteria 1 and 2 were adhered to by the Company from 4/5/2016 — the date of the annual meeting of shareholders of the Company and election of a

	directors and headed by an independent director who is not the chairman of the Board of Directors.	3. Internal documents of the Company specify tasks of the remuneration committee, including, without limitation, the tasks contained in Recommendation 180 as per the Code.		sufficient number of independent directors during it.
2.8.3	For the preliminary examination of issues related to the implementation of HR planning (succession planning), professional composition and efficiency of the Board of Directors, a nominations (appointments, HR) committee has been established the most of members in which are independent directors.	1. The Board of Directors established a nominations committee (or any other committee fulfills its tasks specified in Recommendation 186 as per the Code) the most of members in which are independent directors. 2. Internal documents of the Company specify tasks of the nominations committee (or an appropriate dual function committee), including, without limitation, the tasks contained in Recommendation 186 as per the Code.	adhered	
2.8.4	Taking into account the scale of activities and the level of risk, the Board of Directors of the Company made sure that the composition of its committees fully met the objectives of the Company's activities. The additional committees either were established or were not deemed necessary (Strategy Committee, Corporate Governance Committee, Ethics Committee, Risk Management Committee, Budget Committee, HSE Committee, etc.).	1. In the reporting period, the Board of Directors of the Company examined the adherence of its committees to the tasks of the Board of Directors and the objectives of the Company's activities. The additional committees either were established, or were not deemed necessary.	adhered	
2.8.5	The composition of the committees is determined in such a way that it enables to conduct comprehensive discussion of pre-considered issues, taking into account different opinions.	1. The committees of the Board of Directors are headed by independent directors. 2. Internal documents (policies) of the Company contain provisions pursuant to which persons who are not members of the audit committee, the nominations committee or the remuneration committee, may attend committee meetings only if invited by the chairman of relevant committee.	partially adhered	Criterion 1 is partially adhered to: the Audit Committee is headed by an independent director; the Human Resources and Compensations Committee is headed by an independent director since 4/5/2016; the Strategy and Investment Committee is headed by the Executive Director. Criterion 2 is adhered to.

2.8.6	The chairmen of the committees regularly inform the Board of Directors and its chairman of the work of their committees.	1. During the reporting period, the chairmen of the committees regularly reported on the work of the committees to the Board of Directors.	adhered	
2.9	The Board of Directors ensures performance evaluation of the Board of Directors, its committees and members of the Board of Directors.			
2.9.1	The performance evaluation of the Board of Directors is aimed at defining the efficiency level of the Board of Directors, committees and members of the Board of Directors, their correspondence to the needs of the Company's development, revitalization of the Board of Directors, and identification of areas where their activities can be improved.	1. The self-evaluation or external evaluation of the Board of Directors carried out during the reporting period included evaluation of the committees, individual members of the Board of Directors and the entire Board of Directors. 2. Results of such self-evaluation or external evaluation of the Board of Directors conducted during the reporting period were considered at the meeting of the Board of Directors held by personal attendance.	adhered	
2.9.2	Performance evaluation of the Board of Directors, committees and members of the Board of Directors is carried out on a regular basis at least once a year. To conduct an independent performance evaluation of the Board of Directors, an external entity (consultant) is engaged at least once every three years.	1. To conduct an independent performance evaluation of the Board of Directors, an external entity (consultant) was engaged by the Company at least once during the last three reporting periods.	adhered	
3.1	The Corporate Secretary of the Company performs efficient current interaction with shareholders, coordinates actions of the Company to protect shareholders' rights and interests, supports efficient operation of the Board of Directors.			
3.1.1	The Corporate Secretary has the knowledge, experience and qualifications that are sufficient to fulfill the duties assigned to him/her, an impeccable reputation and enjoys the trust of the shareholders.	1. The Company has adopted and disclosed an internal document — the corporate secretary regulation. 2. The Company's website and the annual report contain biographical information on the Corporate Secretary, with the same level of detail as for members of the Board of Directors and executive management of the Company.	adhered	
3.1.2	The Corporate Secretary has sufficient independence from the executive bodies of the Company and has necessary powers and resources to perform the tasks assigned to	1. The Board of Directors approves the appointment, dismissal of and additional remuneration for the Corporate Secretary.	adhered	

	him/her.			
4.1	The level of remuneration paid by the Company is sufficient to attract, motivate and retain individuals who have competence and skills required by the Company. Remuneration to members of the Board of Directors, executive bodies and other key executives of the Company is paid in accordance with the Company's remuneration policy			
4.1.1	The level of remuneration paid by the Company to members of the Board of Directors, executive bodies and other key executives constitutes sufficient motivation for their effective work, enabling the Company to attract and retain competent and qualified specialists. At the same time, the company avoids an excessive level of remuneration as well as unreasonably large gap between the levels of remuneration of the aforesaid individuals and employees of the company.	1. The company has adopted an internal document(s) — the policy (policies) for remuneration to members of the Board of Directors, executive bodies and other key management personnel, which clearly defines approaches to remuneration payable to these individuals.	adhered	
4.1.2	Company's remuneration policy was developed by the remuneration committee and approved by the Board of Directors of the Company. The Board of Directors, upon assistance of the remuneration committee, follows up introduction and implementation of the remuneration policy in the Company, and, if necessary, revises and introduces amendments thereto.	1. During the reporting period, the remuneration committee reviewed the remuneration policy (policies) and practices for its (their) implementation and, if necessary, submitted appropriate recommendations to the Board of Directors.	adhered	
4.1.3	The Company's remuneration policy contains transparent mechanisms for determination of remuneration to members of the Board of Directors, executive bodies and other key management personnel of the Company, and regulates all types of payments, benefits and privileges granted to these individuals.	1. The Company's remuneration policies (policy) contain(s) transparent mechanisms for determination of remuneration to members of the Board of Directors, executive bodies and other key management personnel of the Company, and regulate(s) all types of payments, benefits and privileges granted to these individuals.	adhered	
4.1.4	The Company determines the	1. Remuneration policy (policies) or any other internal documents of	adhered	

	expenses compensations policy, which specifies the list of expenses subject to compensation and the level of service for which members of the Board of Directors, executive bodies and other key management personnel of the Company may apply. Such policy can be an integral part of the remuneration policy of the Company.	the Company establish(es) rules of compensation for expenses to members of the Board of Directors, executive bodies and other key management personnel of the Company.		
4.2	The system of remuneration for members of the Board of Directors ensures convergence of the directors' financial interests with the long-term financial interests of shareholders.			
4.2.1	The Company pays a fixed annual remuneration to the members of the Board of Directors. The Company does not pay remuneration for participation in separate Board meetings or meetings of committees of the Board of Directors. The Company does not apply any forms of short-term motivation and additional financial incentives to members of the Board of Directors.	1. Fixed annual remuneration was the only monetary form of remuneration for members of the Board of Directors for their work in the Board of Directors during the reporting period.	adhered	
4.2.2	Long-term ownership of the Company's shares is the best way to converge financial interests of members of the Board of Directors closer with the long-term interests of shareholders. At the same time, the Company does not make any rights to sell shares dependent on achieving certain performance indicators, and members of the Board of Directors do not participate in optional programs.	1. If any internal document(s) — Company's remuneration policy (policies) provide(s) for the provision of Company shares to members of the Board of Directors, clear rules of ownership of shares by members of the Board of Directors aimed at encouraging long-term ownership of such shares shall be stipulated and disclosed.	adhered	
4.2.3	The company does not provide for any additional payments or compensation in the event of early termination of powers of members of	1. The company does not provide for any additional payments or compensation in the event of early termination of powers of members of the Board of Directors due to the transfer of control of the company or any other circumstances.	adhered	

	the Board of Directors due to the transfer of control of the company or any other circumstances.			
4.3	The system of remuneration for members of executive bodies and other key management personnel of the company provides for dependence of remuneration on result of the work of the company and their personal contribution to achieving this result.			
4.3.1	Remuneration for members of executive bodies and other key management personnel of the company is determined so as to ensure reasonable and justified ratio of fixed part of the remuneration and variable part of the remuneration that depends on results of the company's work and employee's personal (individual) contribution to the final result.	<p>1. During the reporting period, annual performance indicators approved by the Board of Directors were used to determine the amount of variable remuneration for members of the executive bodies and other key management personnel of the company.</p> <p>2. During the last evaluation of the remuneration system for members of the executive bodies and other key management personnel of the company, the Board of Directors (remuneration committee) verified that the effective ratio of the fixed part of the remuneration and the variable part of the remuneration is applied in the company.</p> <p>3. The company has a procedure that ensures return to the company of bonuses improperly paid to members of the executive bodies and other key management personnel of the company.</p>	adhered	
4.3.2	The Company introduced a long-term incentive program for members of the executive bodies and other key executives of the company using shares in the company (options or any other derivatives with underlying asset being shares in the company).	<p>1. The Company introduced a long-term incentive program for members of the executive bodies and other key executives of the company using shares in the company (derivatives based on shares in the company).</p> <p>2. The long-term incentive program for members of the executive bodies and other key management personnel of the company provides that the right to sell shares and other financial instruments used under such program occurs earliest three years upon provision thereof. At the same time, the right to dispose of them depends on the achievement of certain company performance indicators.</p>	partially adhered	<p>The long-term incentive program using shares in the company was developed, approved by the Board of Directors of the Company and implemented before the entry into force of recommendations of the Bank of Russia on the application of the Corporate Governance Code by joint-stock companies.</p> <p>In accordance with the incentive program using shares in the Company, the right to sell shares occurs earliest one year upon provision thereof.</p>
4.3.3	The amount of compensation (golden parachute) paid by the company in	1. The amount of compensation (golden parachute) paid by the company in case of early termination of powers to members of	adhered	

	case of early termination of powers to members of executive bodies or key executives upon company's initiative and in the absence of unfair acts by them does not exceed double fixed portion of annual remuneration.	executive bodies or key executives upon company's initiative and in the absence of unfair acts by them in the reporting period did not exceed double fixed portion of annual remuneration.		
5.1	The company has established an effectively functioning risk management and internal control system aimed at providing reasonable confidence in achieving goals set for the company.			
5.1.1	The Board of Directors of the company defines principles and approaches to the organization of the risk management and internal control system in the company.	1. Functions of various management bodies and divisions of the company in the risk management and internal control system are clearly defined in internal documents / relevant policies of the company approved by the Board of Directors.	adhered	
5.1.2	The executive bodies of the company ensure establishment and maintenance of the effective risk management and internal control system in the company.	1. The executive bodies of the company ensured distribution of functions and powers with regard to risk management and internal control among managers (heads) of business units and divisions accountable to them.	adhered	
5.1.3	The risk management and internal control system in the company provides an objective, fair and clear picture of the current state and prospects of the company, integrity and transparency of the company's accounts, reasonableness and acceptability of risks accepted by the company.	1. The company has adopted an anti-corruption policy. 2. An accessible way to inform the Board of Directors or the audit committee of the Board of Directors of any facts of violation of laws, internal procedures, and the code of ethics of the company is organized in the company.	adhered	
5.1.4	The Board of Directors of the Company takes necessary measures to verify that the existing company's risk management and internal control system adheres to the organization principles and approaches defined by the Board of Directors and functions effectively.	1. During the reporting period, the Board of Directors or the audit committee of the Board of Directors assessed the effectiveness of the company's risk management and internal control system. Information on the main results of such assessment is included in the annual report of the company.	adhered	
5.2	For a systematic independent evaluation of reliability and effectiveness of the risk management and internal control system and the corporate governance practice, the company arranges internal audit.			
5.2.1	To conduct internal audit, a separate business unit was established in the	1. To conduct internal audit, a separate internal audit unit was established in the company that is functionally accountable to the	adhered	

	company or an independent external entity was involved. Functional and administrative accountability of the internal audit unit are delineated. Functionally, the internal audit unit is subordinated to the Board of Directors.	Board of Directors or the audit committee, or an independent external entity with the same accountability principle was engaged.		
5.2.2	The internal audit unit evaluates effectiveness of the internal control system, evaluates effectiveness of the risk management system, and the corporate governance system. The Company applies generally accepted standards in the field of internal audit.	1. During the reporting period, within the scope of the internal audit, the effectiveness of the internal control and risk management system was assessed. 2. The company uses common approaches to internal control and risk management.	adhered	
6.1	The Company and its business are transparent for shareholders, investors and other stakeholders.			
6.1.1	The company has developed and implemented an information policy that ensures effective information interaction of the company, shareholders, investors and other stakeholders.	1. The Board of Directors approved the company's information policy, developed with due regard to the Code recommendations. 2. The Board of Directors (or any of its committees) examined issues related to the company's compliance with its information policy at least once during the reporting period.	adhered	
6.1.2	The Company discloses information on the corporate governance system and practices, including detailed information on compliance with the Code principles and recommendations.	1. The Company discloses information on the corporate governance system in the company and general corporate governance principles applied in the company, in particular on the company's website. 2. The Company discloses information on the composition of the executive bodies and the Board of Directors, independence of Board members and their membership in the committees of the Board of Directors (as defined in the Code). 3. If there is a person controlling the company, the company publishes a memorandum of controlling person regarding such person's plans with respect to corporate governance in the company.	partially adhered	Criteria 1 and 2 were adhered to by the Company throughout the reporting period. Criterion 3 was not adhered to. The Company plans to make best efforts to introduce the practice pursuant to which any person controlling the company shall document his/her plans with respect to the company in a special memorandum that the Company plans to disclose.
6.2	The Company timely discloses complete, up-to-date and reliable information about the company in order to ensure that the shareholders of the company and investors could			

	take informed decisions.			
6.2.1	The Company discloses information in accordance with the principles of regularity, consistency and efficiency, as well as availability, fairness, completeness and comparability of disclosed data.	<p>1. The information policy of the company defines approaches and criteria for identification of information that can make a significant impact on the evaluation of the company and the value of its securities, and procedures ensuring timely disclosure of such information.</p> <p>2. If the securities of the company are traded on foreign organized markets, significant information shall be disclosed in the Russian Federation and in such markets on synchronous and equivalent basis during the reporting year.</p> <p>3. If foreign shareholders own a significant number of shares in the company, information was disclosed during the reporting year not only in Russian but also in one of the most common foreign languages.</p>	adhered	
6.2.2	The company avoids a formal approach when disclosing information and discloses significant information about its business, even if disclosure of such information is not required by the law.	<p>1. During the reporting period, the company disclosed annual and semi-annual IFRS statements. The annual report of the company for the reporting period includes annual IFRS statements prepared along with the audit report.</p> <p>2. The Company discloses complete information on the company's capital structure in the annual report and on the company's website as provided for by Recommendation 290 as per the Code.</p>	adhered	
6.2.3	The annual report, being one of the most important tools of information cooperation with shareholders and other stakeholders, contains information that enables to evaluate results of the company's activities for the year.	<p>1. The annual report of the company contains information on key aspects of the company's operations and financial results</p> <p>2. The annual report of the company contains information on environmental and social aspects of the company's activities.</p>	adhered	
6.3	The Company provides information and documents upon requests of shareholders in accordance with the principles of equal and unhindered access.			
6.3.1	Information and documents are provided upon requests of shareholders in accordance with the principles of equal and unhindered access.	1. Information policy of the company defines an easy procedure for provision of shareholders with access to information, including information on entities controlled by the company, upon shareholders' request.	adhered	
6.3.2	When providing information to shareholders, the company ensures a	1. During the reporting period, the company did not refuse to comply with shareholders' requests for information, or such refusals were	adhered	

	reasonable balance between the interests of particular shareholders and the interests of the company that is interested to maintain confidentiality of important commercial information that may have a significant impact on its competitiveness.	justified. 2. In cases defined by the information policy of the company, shareholders are warned of the confidential nature of such information and assume the responsibility to maintain its confidentiality.		
7.1	Actions that significantly affect or may affect the structure of the share capital and financial state of the company and, accordingly, the state of shareholders (substantial corporate actions) are carried out on fair	affect the structure of the share capital and financial state of the company and, accordingly, the state of shareholders (substantial basis ensuring compliance with shareholders' and other stakeholders' rights and interests.		
7.1.1	Substantial corporate actions include reorganization of the company, acquisition of 30 percent or more of the company's voting shares (merger), company's material transactions, increase or decrease of the authorized capital of the company, listing and delisting of the company's shares, and any other actions that could result in a significant change in shareholders' rights or infringement of their interests. The company's Charter specifies a list of (criteria for) transactions or any other actions being substantial corporate actions, and such actions fall under the competence of the company's Board of Directors.	1. The company's Charter defines a list of transactions or any other actions being substantial corporate actions and identification criteria for them. Decisions on substantial corporate actions are within the competence of the Board of Directors. In cases where implementation of such corporate actions is directly attributed by the law to the competence of the general meeting of shareholders, the Board of Directors provides shareholders with appropriate recommendations. 2. The Charter of the company refers to significant corporate actions, at least: reorganization of the company, acquisition of 30 percent or more of the company's voting shares (merger), company's significant transactions, increase or decrease of the authorized capital of the company, listing and delisting of the company's shares.	adhered	
7.1.2	The Board of Directors plays a key role in taking decisions or making recommendations for substantial corporate actions, the Board of Directors relies on the attitude of independent directors of the company.	1. The company provides for a procedure whereby independent directors state their attitude on substantial corporate actions before they are approved.	adhered	
7.1.3	When making substantial corporate actions affecting rights and legitimate interests of shareholders, equal	1. The company's Charter, with due regard to its business specifics, establishes lower criteria for attribution of company's transactions to substantial corporate actions than those provided for by the law.	adhered	

	conditions are provided for all shareholders of the company, and if mechanisms required by law are not sufficient to protect shareholders' rights, additional measures protecting rights and legitimate interests of the shareholders of the company are provided as well. Provided, however, that the company is guided not only by compliance with formal statutory requirements, but also by the corporate governance principles set forth in the Code.	2. During the reporting period, all substantial corporate actions were approved before they implementation thereof.		
7.2	The Company provides the procedure for substantial corporate actions that enables shareholders to receive complete information on such actions in time, provides them with the opportunity to influence the performance of such actions and guarantees compliance and an adequate level of protection of their rights when performing such actions.			
7.2.1	Information on the performance of substantial corporate actions is disclosed along with explanation of reasons, conditions and consequences of such actions.	1. During the reporting period, the Company disclosed in a timely and detailed manner information on the company's substantial corporate actions, including grounds and schedule for such actions.	adhered	In 2016, the Company performed no substantial corporate actions. There are no obstacles to implement such principle.
7.2.2	Rules and procedures related to the performance by the company of substantial corporate actions are documented in internal documents of the company.	<p>1. Internal documents of the company stipulate the procedure for the engagement of an independent estimator to estimate the value of property alienated or purchased under a major transaction or a related party transaction.</p> <p>2. Internal documents of the company provide for the procedure the engagement of an independent estimator to estimate the cost of acquisition and repurchase of the company shares.</p> <p>3. Internal documents of the company provide for an extended list of grounds on which members of the Board of Directors of the company and other persons provided by law are recognized as interested in transactions of the company.</p>	partially adhered	It is not adhered to with respect to the extension of the list of grounds on which members of the Board of Directors and other persons provided by the law may be deemed interested in the transactions of the Company. In the Company's opinion, introduction of such practices can significantly hamper Company's business and place it in an unequal position compared to other players of the construction market.

Description of corporate governance model and practices in the Company

Corporate governance model and practices in the Company is described in the annual report in the “Company Corporate Governance” Section.

Criteria based on which the Company conducted an evaluation of compliance with corporate governance principles documented in the Code, as well as values of such criteria

The Company developed a methodology and criteria to evaluate the compliance with the corporate governance principles documented in the Code.

The methodology includes 115 questions that are evaluated by a certain number of points. The questions are structured in six areas, pursuant to which the evaluation was carried out:

1. Shareholders’ Rights
2. Board of Directors
3. Executive Management
4. Information Transparency and Disclosure
5. Risk Management, Internal Control, and Internal Audit
6. Corporate Social Responsibility and Business Ethics

Each area has a certain percentage of the overall evaluation.

Maximum achievable points: 521, i. e. 100 %, which means fine quality.

The Board of Directors of the Company approved minimum allowed corporate governance quality: at least 70 %

Value of criteria based on which the Company conducted an evaluation of compliance with corporate governance principles

area		evaluation				
		number of questions	area % in the overall evaluation	actual points	max points	compliance level
I.	Shareholders’ Rights	22	15%	74	79	93.67%
II.	Board of Directors	50	35%	151.5	180	84.17%
III.	Executive Management	5	7%	31	38	81.58%
IV.	Information Transparency and Disclosure	15	26%	121	134	90.30%
V.	Risk Management, Internal Control, and Internal Audit	17	12%	58	63	92.06%
VI.	Corporate Social Responsibility and Business Ethics	6	5%	23	27	85.19%
	Overall evaluation	115	100%	458.5	521	88.00%

Explanation of reasons, factors and (or) circumstances, by virtue of which the Company fails to comply or incompletely complies with the corporate governance principles documented in the Code

During the reporting period, the Company strictly complied with statutory requirements of the Russian Federation, listing rules of stock exchanges on which Company’s securities are quoted.

The Company continued developing and introducing internal documents with due regard to the recommendations of the Code and changes in legislation.

In the reporting period, the revised Regulation on HR and Compensations Committee of Company’s Board of Directors was developed and approved by the Board of Directors.

Agenda of the annual meeting of shareholders included approval of revised Company’s Charter, revised Regulation on the Board of Directors, revised Regulation on the General Meeting of

Shareholders. Revised documents were developed in connection with changes in the legislation on major transactions and interested party transactions, provide for the use of telecommunications to provide shareholders with remote access to general meetings, take into account new requirements of the Moscow Exchange to the independence criteria for members of the Board of Directors.

Revised Charter and Regulations take into account the recommendations of the Code.

The main reason why the Company did not completely comply with the aforesaid corporate governance principles was incomplete compliance of the Company's in-house regulations with the recommendations of the Code.

Description of corporate governance mechanisms and tools used by the joint-stock company instead of (in exchange for) those recommended by the Code

Formalization of relations between corporate governance participants through the adoption of regulatory documents, development of formal procedures.

Strict accountability of management to the Board of Directors, and accountability of the Board of Directors to the shareholders' meeting.

Resolution of all important issues beyond current management at meetings of the Board of Directors or shareholders' meetings.

Prevention of conflicts of interests and affiliation status of management;

Publication of maximum amount of information on the business and financial indicators of the Company.

Planned (expected) actions and activities of the joint-stock company to improve corporate governance model and practices

The Company plans in the short term:

– to complete harmonization of its internal regulatory framework with the recommendations of the Code;

– to establish an effectively functioning risk management and internal control system aimed at providing reasonable confidence in achieving goals set for the Company.