

Recommendations of the Board of Directors of the PJSC “M.video” in Respect of the Voluntary Tender Offer of LAGRANOLIA HOLDINGS LIMITED

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1. On April 28, 2017, Public Joint-Stock Company “M.video” (the “Company”) received a voluntary tender offer complying with requirements of Article 84.2(2)–(5) of Federal Law No. 208-FZ dated December 26, 1995 “On Joint Stock Companies” (the “JSC Law”) from LAGRANOLIA HOLDINGS LIMITED (the “Offeror”) for the purchase of 179,768,227 ordinary registered uncertified shares of the Company (state registration number of the issue: 1-02-11700-A) (the “Share” and the “VTO”, respectively). The VTO contains a stamp of the Bank of Russia evidencing the date on which it was served a prior notice (March 29, 2017), as required by Article 84.9 of the JSC Law. According to the terms of the VTO, the offered purchase price of the Shares is 7 US dollars per 1 Share (the “Offered Price”). A copy of the VTO is attached as Annex 1 hereto.
2. According to the VTO, payment for the purchased Shares will be made in Russian rubles in accordance with the exchange rate established by the Bank of Russia as of the date of delivery of the VTO to the Bank of Russia (March 29, 2017), which is 56.9364 rubles per 1 US dollar.
3. Based on the information contained in the VTO, the Offeror and its affiliates do not hold the Company’s Shares as of the date of delivery of the VTO to the Bank of Russia (March 29, 2017).
4. When exercising their rights and performing their obligations as members of the Company’s Board of Directors as provided for by the JSC Law and internal documents of the Company, all members of the Board of Directors act in the interests of the Company and exercise their rights and perform their obligations to the Company reasonably and in good faith. 2 of 9 elected members of the Company’s Board of Directors are employed by the Company and/or its affiliates.
5. The VTO contains information provided for in Article 84.1(2) of the JSC Law; it encloses bank guarantee No. 367/BG/17 issued on March 29, 2017 by Joint Stock Company «Rost Bank» for the amount of 71,652,019,917.66 rubles, which exceeds the total price of all Shares purchased at the Offered Price, in respect of which the VTO has been made. The issued bank guarantee will enter into force on July 28, 2017. The Company’s shareholders should take into account the ability of

Joint Stock Company «Rost Bank» to perform obligations under its bank guarantee in the event of non-performance by the Offeror of its obligations to pay for the Shares under the VTO, based, inter alia, on the publicly available information of the Bank of Russia and the State Corporation “Deposit Insurance Agency”.

6. Pursuant to Article 84.3(1) of the JSC Law, the Company’s Board of Directors adopts the following VTO recommendations addressed to the shareholders:

Assessment of the Offered Price of the Share

Based on information provided in the VTO and taking into account that:

i. The Offered Price of the Share exceeds the weighted average price of 1 Share determined as a result of the organized trade at the securities market section of the Public Joint-Stock Company «Moscow Exchange MICEX-RTS» for 6 months preceding the date of delivery of the VTO to the Bank of Russia (March 29, 2017), which is 376.3 rubles and is equivalent to 6.61 US dollars in accordance with the Russian ruble to US dollar exchange rate established by the Bank of Russia as of the date of delivery of the VTO to the Bank of Russia (56.9364 rubles per 1 US dollar);

ii. The Offered Price of the Share exceeds the weighted average price of 1 Share determined by the Offeror as a result of the organized trade at the securities market section of the Public Joint-Stock Company «Moscow Exchange MICEX-RTS» for 6 months preceding the date of delivery of the VTO to the Bank of Russia (March 29, 2017), which is 6.39 US dollars;

iii. The Offered Price of the Share exceeds the weighted average price of 1 Share determined by the Board of Directors as a result of the organized trade at the securities market section of the Public Joint-Stock Company «Moscow Exchange MICEX-RTS» for 1, 3, 6 and 12 months preceding the date of delivery of the VTO to the Bank of Russia (March 29, 2017), which is 382, 378, 367 and 339 rubles, respectively, and is equivalent to 6.71, 6.64, 6.45 and 5.95 US dollars, respectively, in accordance with the Russian ruble to US dollar exchange rate established by the Bank of Russia as of the date of delivery of the VTO to the Bank of Russia (56.9364 rubles per 1 US dollar);

iv. The Company’s Board of Directors believes that the Offered Price of the Share fairly values 1 Share of the Company;

v. During 6 months preceding the date of delivery of the VTO to the Bank

of Russia and the Company, WOOPALIAR HOLDINGS LIMITED (the Offeror's affiliate) assumed an obligation to purchase the Company's Shares at 7 US dollars per 1 Share; and

vi. During 6 months preceding the date of delivery of the VTO to the Bank of Russia and the Company, the Offeror and its affiliates did not assume any other obligations to purchase the Shares and did not perform any other transactions with the Shares;

The Company's Board of Directors believes that the Offered Price of the Share complies with requirements of Article 84.2(4) of the JSC Law.

Possible Change in the Market Value of the Shares

The market value of the Shares may widely change in the future under the influence of many factors, some of which are hard or impossible to predict and which are beyond the Company's and the Board of Directors' control, including changes in the Company's activities, in the results of such activities, in the Company's revenues, in the activities of the Company's competitors, changes in the current Russian legislation, and the influence of the general economic conditions, including the state of the Russian and world economies, wellbeing and amount of real income of the population, as well as changes in the household goods and electronics market and the prices in this market.

The Board of Directors recommends the Company's shareholders to take into account, when making a decision with respect to the VTO, that as soon as the purchase of the Shares as part of the VTO is completed, the number of shares in free circulation may be considerably reduced or their free circulation may discontinue, which may reduce the liquidity and the market value of the Shares.

The Board of Directors also recommends the Company's shareholders to take into account, when making a decision with respect to the VTO, plans of the Offeror regarding the Company provided in the VTO, as well as any other publicly available information with regard to the similar assets of the Offeror and its strategy as to further development of the Company.

Assessment of the Offeror's Plans with Respect to the Company

Based on the following information provided in the VTO with respect to the Offeror's plans in relation to the Company and its employees:

"LAGRANOLIA HOLDINGS LIMITED intends to maintain the public status of Public Joint-Stock Company "M.video", is interested in a wide range of investors – minority shareholders and adheres to high corporate governance standards.

LAGRANOLIA HOLDINGS LIMITED does not plan any events intended to change the main types of activities of Public Joint-Stock Company “M.video”.

LAGRANOLIA HOLDINGS LIMITED plans to develop prospective lines of business of Public Joint-Stock Company “M.video” which are stipulated by its charter, and to improve professional skills of the company’s employees when implementing high-end managerial decisions.”

The Board of Directors positively assesses the Offeror’s plans to continue the Company’s activities and to maintain its public status and workforce.

7. In view of the above, the Board of Directors recommends the shareholders of the Company to make a decision with respect to the VTO by taking into account i) the information provided in the VTO and documents attached thereto, ii) the information on historical value of the Shares and potential scenarios of its possible change in the future, as described in these Recommendations, and iii) the individual investment portfolio and investment strategy.

8. When making a decision on the VTO, shareholders should take into account possible fluctuations of the ruble to US dollar exchange rate and currency exchange risks associated with acceptance of the VTO, as well as possible subsequent conversion of proceeds into foreign currency and repatriation of the foreign currency outside Russia.

9. These Recommendations of the Board of Directors are based solely on information contained in the VTO, opinions of financial and legal advisors, as well as information publicly available as of the date of these Recommendations.

10. Pursuant to Article 84.3(2) of the JSC Law, to deliver these Recommendations of the Company’s Board of Directors to all shareholders to which the VTO is addressed and to the Offeror who made the VTO.

11. To publish the text of these Recommendations of the Board of Directors (including all Annexes hereto), as well as the forms of the application on the sale of the Shares and on the withdrawal of the application, on the Company’s web site at <http://invest.mvideo.ru>.

12. To inform the Company’s shareholders of the procedure, terms and deadlines for the acceptance of the VTO.

Annexes:

1. Copy of the VTO and its translation into English;

2. Information letter on the acceptance of the VTO;
3. Form of the application on the sale of the Shares;
4. Form of the transfer instruction with respect to the Shares.

Board of Directors of PJSC "M.video"