

**For the attention of the general meeting of shareholders
of Sistema PJSFC**

**REPORT ON THE FINDINGS OF THE FINANCIAL AND ECONOMIC AUDIT
OF SISTEMA PUBLIC JOINT STOCK FINANCIAL CORPORATION
FOR 2018**

Date and place of the report: 18 May 2019, Moscow

1. INTRODUCTION

1.1. In accordance with the Federal Law No 208-FZ “On Joint-Stock Companies” dd 26 December 1995, the Audit Review Commission of Sistema PJSFC (hereinafter, the “Company”) conducted an audit of the Company’s financial and business operations in 2018.

1.2. Membership of the elected Audit Review Commission:

Chair of the Audit Review Commission: E. Kuznetsova,

Members of the Audit Review Commission: A. Porokh, M. Tsvetnikov.

1.3. The audit was conducted during the period from 13 May 2019 to 18 May 2019.

1.4. The audit aims to ensure that:

- a) the key financial indicators of the Company presented in the annual report of the Company, annual financial statements and other financial documents of the Company are fair and accurate;
- b) financial accounts were kept and financial statements were delivered in compliance with Russian law;
- c) the financial and business activities of the Company were conducted in compliance with Russian law and to the benefit of the Company and its shareholders;
- d) the decisions and directives of the Company’s collective governance bodies were adhered to and material business processes were performed in compliance with all applicable requirements and regulations;
- e) the data contained in the annual report on the related party transactions concluded by the Company in the reporting year are fair and accurate.

1.5. For the purposes of the audit and the preparation of this Report of the Audit Review Commission, the Company provided the following documents:

- The Company's Charter;
- The Company's Annual Report for 2018, and a Report on the related party transactions concluded by the Company in the reporting year;
- The Company's Balance Sheet as of 31 December 2018;
- The Company's Profit and Loss Account for 2018;

- Supplements to the Balance Sheet and Profit and Loss Account of the Company for 2018:
 - Statement of Changes in Equity for 2018;
 - Cash Flow Statement for 2018;
 - Other supplements to the Company's Balance Sheet and Profit and Loss Account: notes (tables and/or texts);
- Accounting documents, ledgers, and other documents for 2018;
- Audit opinion regarding the Company's financial statements for 2018.

1.6. The Company's executive body bears full responsibility for the preparation and fair presentation of the above annual financial reports in compliance with Russian Accounting Standards; for the establishment and operation of an effective internal control system within the Company that the management believes necessary for the preparation of annual financial reports free from any material misstatements, whether due to fraud or error; for compliance with any and all necessary requirements and directives of the Company's management; and for conducting financial and business operations in compliance with Russian law and to the benefit of the Company and its shareholders.

1.7. The responsibility of the Audit Review Commission was to conduct the audit in order to gain reasonable assurance that the key audit objectives were achieved and conclusions were drawn on the basis of impartial and sufficient analysis of all of the information, data, and documents provided for the audit.

1.8. The Audit Review Commission judges the information, data, and documents obtained in the course of the audit to be sufficient for preparing conclusions and issuing an audit opinion.

2. ANALYSIS

2.1. The audit, judgements, and conclusions regarding the fairness of the Company's annual financial statements were based on the requirements of the relevant Russian accounting principles and standards applied during the preparation of financial statements.

2.2. The analysis and assessment of the Company's financial and business operations and conclusions regarding their conformity with existing requirements were based on the provisions of the applicable laws as well as the internal rules and regulations of the Company.

2.3. The assessment of the effectiveness of the Company's internal control procedures was based on the requirements of the applicable laws, internal rules and regulations of the Company in the area of risk management and internal control, and job descriptions of the Company's employees.

2.4. The audit procedures were developed with due regard to the Company's form of incorporation and in adherence to the laws and regulations of the Russian Federation.

2.5. The methodology used included random audits of business operations, an audit of a random set of documents related to material events in the audit period, interviews with the Company's employees, and analysis of the Company's financial performance indicators for 2018.

2.6. The authorised capital of the Company is RUB 868,500,000. Sistema PJSFC has 9,650,000,000 ordinary shares outstanding with a nominal value of RUB 0.09 each.

2.7. Sistema's principal shareholder is its Board Chairman Vladimir Evtushenkov, who owns 59.2% of the equity. Other shareholders of Sistema as of 31 December 2018 were: CJSC National Settlement Depository (non-bank lending institution) as a nominee shareholder (32.9%), Sistema Group companies, and the Company's employees and Board members.

2.8. In the audit period before 13 March 2018 the President, Management Board Chairman of the Company was Mikhail Shamolin; from 13 March 2018 till present time the President, Management Board Chairman is Andrey Dubovskov; the Company's Chief Accountant is Irina Borisenkova. The Chief Accountant is responsible for the Company's financial reporting and delivery of financial statements.

2.9. The key type of the Company's activity in the audit period was holding equity interests in other companies.

2.10. All the transactions closed by the Company in 2018 that are recognised as related party transactions under the Federal Law "On Joint-Stock Companies" were approved by the Board of Directors of the Company. The data on related party transactions concluded by the Company in the reporting year are presented in the Company's Annual Report for 2018.

3. FINANCIAL RESULTS

3.1. The result of the Company's financial and business operations in 2018 is a net loss in the amount of RUB 46,495,402,000, a 47.6% growth compared to the loss of the previous year 2017.

3.2. The Company's revenue primarily consists of proceeds from shareholding in other companies. In 2018, it totalled RUB 31,192,955,000, which is 1.6 times the amount received in the previous year 2017.

3.3. Loss before tax in 2018 amounted to RUB 36,992,750,000, a 8% decrease from the previous year 2017.

3.4. Net assets of the Company were positive in 2018, they fell by RUB 47,520,520,000 year-on-year and totalled RUB 153,211,126,000 at the end of the year.

4. DATA FROM EXTERNAL AUDIT REPORT

4.1. Information about the external auditor: Joint-stock company Deloitte & Touche CIS, member of the self-regulating auditors' organisation Russian Union of Auditors (ORNZ 11603080484), performed an audit of the Company's financial statements for 2018 prepared in accordance with the Russian Accounting Standards pursuant to agreement No. Aud/2018/60327 dd 15 October 2018 during the period from 15 October 2018 to 31 March 2019 and issued its audit opinion on 1 April 2019.

4.2. In the auditor's opinion, the annual financial statements present fairly in all material respects the financial position of Sistema PJSFC as of 31 December 2018, the financial results of its operations, and its cash flows in 2018 in conformity with Russian Accounting Standards (RAS).

5. CONCLUSIONS

Based on the results of the audit of the Company's statements relying on impartial and sufficient analysis of all of the information, data and documents provided for the audit, and taking into account the opinion of the external auditor JSC Deloitte & Touche CIS issued with regard to the fairness of the Company's annual financial statements, the Audit Review Commission came to the following conclusions:

5.1. The Audit Review Commission identified no material violations of Russian laws and regulations with respect to accounting operations and presentation of financial statements, and no breach of Russian laws and regulations with regard to the Company's financial and business operations.

5.2. The Audit Review Commission hereby confirms that the data on the related party transactions concluded by the Company in the reporting year contained in the Company's Annual Report for 2018 are fair and accurate.

5.3. The Audit Review Commission hereby confirms that the annual financial statements of the Company for 2018 and the Annual Report of the Company for 2018 present fairly in all material respects the Company's financial position as of 31 December 2018 and the financial results of the Company for 2018, were prepared in accordance with the financial accounting rules of the Russian Federation and in conformity with the accounting policy of the Company.

**Chair of the Audit Review Commission
of Sistema PJSFC**

_____ E. Kuznetsova