

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

**REPORT ON THE FINDINGS OF THE  
FINANCIAL AND ECONOMIC AUDIT  
OF SISTEMA JOINT-STOCK FINANCIAL CORPORATION FOR 2013**

Moscow, 19 May 2014

**1. INTRODUCTION**

- 1.1. In accordance with the Federal Law dated 26 December 1995 “On joint-stock companies” No 208-FZ, the Auditing Commission of Sistema JSFC (hereinafter – “the Company”) conducted an audit of the Company’s financial and business operations in 2013.
- 1.2. Membership of the Auditing Commission: Chairman of the Auditing Commission E. Kuznetsova, members of the Auditing Commission N. Demeshkina, M. Mamonov.
- 1.3. Audit period: the audit was conducted from 24 April till 19 May 2014.
- 1.4. Purpose of the audit: the audit was aimed to ensure that:
  - a) the key financial indicators of the Company presented in its annual report, annual accounts and other financial information are fair and accurate;
  - b) the processes of financial reporting were conducted in compliance with the laws of the Russian Federation;
  - c) the financial and business activities of the Company were conducted in compliance with the laws of the Russian Federation and in conformity with the interests of the Company;
  - d) the decisions and directives of the Company’s governance bodies were adhered to and the fundamental business processes were performed in compliance with all of the applicable requirements and regulations.
- 1.5. For the purposes of the audit and the preparation of this Report of the Auditing Commission, the Company presented the following documents:
  - The Company's Charter;
  - Annual report of the Company for 2013;
  - The Company's Balance Sheet as of 31 December 2013;
  - Statement of Profit and Loss for 2013;
  - Supplements to the Balance Sheet and Statement of Profit and Loss:
    - Statement of changes in equity for 2013;
    - Cash flow statement for 2013;

- Notes to the Company's financial statements for 2013.

- Primary documents, accounting records and other documents for 2013;
- Audit opinion on the Company's financial statements for 2013.

1.6. Management of the Company is responsible for the preparation of fair data and reports, compliance with all the requirements and directives of the Company's management, for conducting financial and business operations in the interests of the Company and its shareholders, and the design and implementation of an effective internal control system.

1.7. The responsibility of the Auditing Commission was to conduct the audit in order to obtain reasonable assurance that the main objectives of the audit have been achieved and the conclusions have been made on the basis of impartial and sufficient analysis of all the information, data and documents provided for the audit.

1.8. In the opinion of the Auditing Commission, the obtained information, data and documents provide sufficient grounds for making conclusions and drawing up a report.

## **2. ANALYSIS**

2.1. The audit, judgments and conclusions on the fairness of the Company's financial statements were based on the requirements of the respective accounting principles and standards of the Russian Federation, which were applied in the process of preparation of financial statements.

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

2.3. The assessment of the efficiency 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 formed on the basis of the organisational and legal form of the Company and in adherence to the laws and regulations of the Russian Federation.

2.5. The audit methodology was based on a random selection of business operations, an inspection of a random set of documents related to significant events during the period under audit, interviews with the Company's employees, analysis of the Company's financial indicators for 2013.

2.6. The authorised capital of the Company amounts to RUB 868,500,000.00 .

2.7. The main shareholders of the Company are:

- V. Evtushenkov - 64.19%;
- Deutsche Bank – 18.99%;

- Sebes Limited – 0.12%;
- Sistema Finance Investments – 2.47%;
- Sistema Holding Ltd – 1.42%;

2.8. In the period under audit the President of the Company was Mikhail Shamolin and the Chief Accountant was Irina Borisenkova. The responsible for the Company's financial reporting is assigned to the Chief Accountant.

2.9. The main types of the Company's operations in the period under audit are:

- equity holdings in other companies;
- leasing out assets (properties);
- issuing guarantees.

### **3. FINANCIAL RESULTS**

3.1. The Company's net income in 2013 was RUB 133,893,543 thousand, which is 2.14 times higher than net income in the last year.

3.2. Revenue mostly consists of proceeds from shareholdings in other companies and totalled RUB 47,238,145 thousand in 2013, which is RUB 20,778,046 thousand, or 1.79 times, higher than in 2012.

3.3. Net income before tax in 2013 amounted to RUB 141,100,815 thousand, a year-on-year increase of RUB 80,118,453 thousand.

3.4. Net assets of the Company as of 31 December 2013 were positive. They increased by RUB 124,885,974 thousand year-on-year and totalled RUB 591,350,612 thousand as of the end of the year.

### **4. INFORMATION FROM THE REPORT OF AN INDEPENDENT AUDITOR**

4.1. Independent auditor: ZAO Deloitte and Touche CIS, registered in the state register of auditors and audit organisations with the registration number 10201017407, contract for the provision of audit services No Aud/2013/20296 dated 09.09.2013, audit period from 9 September 2013 till 28 March 2014, audit opinion issued on 31 March 2014.

4.2. In the opinion of the auditor ZAO Deloitte and Touche CIS, the financial statements present fairly, in all material aspects, the financial position of Sistema JSFC as of 31 December 2013, the results of its financial performance and its cash flows for 2013 in accordance with the Russian accounting and financial reporting standards

### **5. CONCLUSIONS**

Following the results of the audit of the Company, carried out on the basis of impartial and sufficient analysis of all the information, data and documents provided for the audit, and taking into account the opinion of the independent auditor ZAO Deloitte and Touche CIS on the fairness of the Company's financial statements, the Auditing Commission made the following conclusions:

- 5.1. The Auditing Commission did not identify any material violations of the laws and regulations of the Russian Federation with respect to accounting operations and presentation of financial statements, or any breaches of the laws and regulations of the Russian Federation with regard to conducting financial and business operations of the Company.
- 5.2. The Auditing Commission hereby confirms that the financial statements of the Company for 2013 and the Annual Report of the Company for 2013, as regards the financial results, present fairly, in all material aspects, the Company's assets and liabilities as of 31 December 2013 and the financial results of the Company for 2013, in accordance with the requirements of the applicable law of the Russian Federation on financial accounting and reporting and in conformity with the accounting policy of the Company.

Auditing Commission of Sistema JSFC

Chairman of the Auditing Commission

\_\_\_\_\_ E. Kuznetsova