

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

**REPORT ON THE FINDINGS OF THE  
FINANCIAL AND ECONOMIC AUDIT  
OF OPEN JOINT-STOCK COMPANY  
SISTEMA JOINT-STOCK FINANCIAL CORPORATION FOR 2014**

Date and place of report issue: 30 April 2015, Moscow

**1. INTRODUCTION**

1.1. In accordance with Federal Law No 208-FZ “On joint-stock companies” dd 26 December 1995, the Auditing Commission of Sistema JSFC (hereinafter – "the Company") conducted an audit of the Company’s financial and business operations in 2014.

1.2. Membership of the Auditing Commission:

Chair of the Auditing Commission: E. Kuznetsova,

Members of the Auditing Commission: A. Guryev, N. Demeshkina.

1.3. The audit was conducted during the period of 31 March 2015 - 30 April 2015.

1.4. The audit aimed to ensure that:

- a) the key financial indicators of the Company presented in the annual report of the Company, annual accounts and other financial statements of the Company are fair and accurate;
- b) the processes of financial accounting and delivery of financial statements 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 collective governance bodies were adhered to and the fundamental business processes were performed in compliance with all 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 2014;
- The Company's Balance Sheet as of 31 December 2014;
- The Company's Profit and Loss Account for 2014;
- Supplement to the Balance Sheet and Profit and Loss Account:
  - Statement of Changes in Equity for 2014;
  - Cash Flow Statement for 2014;

- Other supplements to the Company's Balance Sheet and Profit and Loss Account - notes (in the form of a table and (or) text document) for 2014;
- Source accounting documents, accounting books, other documents for 2014;
- Audit opinion on the Company's accounting statements for 2014.

1.6. The senior 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 development and functioning of an effective internal control system.

1.7. The responsibility of the Auditing Commission was to conduct the audit in order to gain 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 information, data and documents obtained in the course of the audit 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 audit 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, analysis of the Company's financial indicators for 2014.

2.6. The Company's authorised capital is RUB 868,500,000; it is divided into 9,650,000,000 ordinary shares with a nominal value of RUB 0.09 per share.

2.7. As of 31 December 2014, the biggest shareholders of the Company were:

- V. Evtushenkov (64.19%),
- Deutsche Bank AG (18.99%),
- Guentino Investments Limited (1.69%),
- Norges Bank (1.03%).

2.8. During the audit period, the CEO of the Company was Mikhail Shamolin and the Chief Accountant was Irina Borisenkova. The Chief Accountant is responsible for the Company's financial reporting and delivery of financial statements.

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

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

### **3. FINANCIAL RESULTS**

3.1. The result of the Company's financial and business operations in 2014 is a loss in the amount of RUB 307,202,105,000, vs a net income of RUB 133,893,543,000 in 2013.

3.2. Revenue mostly consists of proceeds from shareholding in other companies and in 2014 totalled RUB 59,553,440,000, which is an increase of RUB 12,315,295,000 or 1.26 times from the previous year.

3.3. Loss before tax totalled RUB 316,797,175,000 in 2014, as opposed to income before tax of RUB 141,100,815,000 in 2013.

3.4. Net assets of the Company were positive in 2014, they fell by RUB 327,095,124,000 year-on-year and totalled RUB 264,255,488,000 at the end of the year.

### **4. DATA FROM EXTERNAL AUDIT REPORT**

4.1. Information about the external auditor: Closed Joint-Stock Company Deloitte & Touche CIS, member of the self-regulating auditors' organisation Audit Chamber of Russia (ORNZ 10201017407), performed an audit of the Company's financial statements prepared in accordance with the Russian accounting rules for 2014 under agreement No. AUD/2014/25888 dd 23 October 2014; the period of the audit: 08 September 2014 – 30 March 2015; the audit opinion was delivered on 30 March 2015.

4.2. In the auditor's opinion, the accounting (financial) statements present fairly in all material aspects the financial position of Sistema JSFC as of 31 December 2014, the financial results of its operations and its cash flows for 2014 in conformity with the requirements of the Russian Federation with respect to the preparation of accounting (financial) statements.

## **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 external auditor CJSC Deloitte & 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 2014 and the Annual Report of the Company for 2014, as regards the financial results, present fairly, in all material aspects, the Company's assets and liabilities as of 31 December 2014 and the financial results of the Company for 2014, in accordance with the requirements of the applicable laws of the Russian Federation on financial accounting and reporting and in conformity with the accounting policy of the Company.

### **Auditing Commission of Sistema JSFC:**

Chair of the Auditing Commission:

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