



OPEN JOINT-STOCK COMPANY
SISTEMA
JOINT-STOCK FINANCIAL CORPORATION

Annual General Meeting of Shareholders of Sistema JSFC, 25 June 2016,
13.1 Mokhovaya St., Moscow, Russia

**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 2015**

Date and place of report: 29 April 2016, 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 2015.

1.2. Membership of the Auditing Commission:

Chair of the Auditing Commission: E. Kuznetsova,

Members of the Auditing Commission: A. Guryev, M. Bugorskaya

1.3. The audit was conducted during the period of 01 April 2016 - 29 April 2016.

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) 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.

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;

- The Company's Annual Report for 2015;
- The Company's Balance Sheet as of 31 December 2015;
- The Company's Profit and Loss Account for 2015;
- Supplements to the Balance Sheet and Profit and Loss Account:
 - Statement of Changes in Equity for 2015;
 - Cash Flow Statement for 2015;
 - Other supplements to the Company's Balance Sheet and Profit and Loss Account: notes (tables and/or texts) for 2015;
- Source accounting documents, ledgers, and other documents for 2015;
- Audit opinion regarding the Company's financial statements for 2015.

1.6. The Company's management bears full responsibility for the preparation and fairness of the above annual financial reports in compliance with Russian Accounting Standards; for the establishment and operation of an efficient internal control system within the Company required for the preparation of annual financial reports free from any material misstatements, whether due to fraud or error; for the 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 Auditing 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 Auditing Commission judges the information, data and documents obtained in the course of the audit to be sufficient for preparing conclusions and opinions.

2. ANALYSIS

2.1. The audit, judgments 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 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 built 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 2015.

2.6. The authorised capital of the Company is RUB 868,500,000. Sistema JSFC 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 64.2% of the equity. Other shareholders of Sistema as of 31 December 2015 were: CJSC National Settlement Depository (non-bank lending institution) as a nominee shareholder (33.1%), Sistema Group companies, and the Company's employees and Board members.

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 activities in the audit period were:

- owning equity interests in other companies;
- leasing out assets (properties) for a consideration;
- issuing guarantees.

3. FINANCIAL RESULTS

3.1. In 2015 the Company made a net profit of RUB 34,461,228,000, whereas in 2014 it had posted a net loss of RUB 307,202,105,000.

3.2. The Company's revenue primarily consists of dividends from subsidiaries. In 2015 it totalled RUB 30,843,245,000, which is RUB 28,710,195,000 (or 1.93 times) lower than it was in 2014.

3.3. Earnings before tax in 2015 totalled RUB 46,147,123,000, whereas in 2014 the Company had posted RUB 316,797,175,000 in losses before tax.

3.4. The Company's net asset value in 2015 is positive at RUB 294,071,129,000, up RUB 29,815,641,000 from 2014.

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 annual financial statements for 2015 prepared in accordance with the Russian Accounting Standards pursuant to agreement No. AUD/2015/35428 dd 10 September 2015 during the period of 10 September 2015 - 30 March 2016 and delivered its audit opinion on 30 March 2016.

4.2. In the auditor's opinion, the accounting (financial) statements present fairly in all material respects the financial position of Sistema JSFC as of 31 December 2015, the financial results of its operations, and its cash flows in 2015 in accordance with Russian Accounting Standards.

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 CJSC Deloitte & Touche CIS issued with regard to the fairness of the Company's annual financial statements, the Auditing Commission came to the following conclusions:

5.1. The Auditing 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 Auditing Commission hereby confirms that the annual financial statements of the Company for 2015 and the Annual Report of the Company for 2015 present fairly in all material respects the Company's assets and liabilities as of 31 December 2015 and the financial results of the Company for 2015 in accordance with the requirements of the applicable Russian laws governing financial accounting and reporting and in conformity with the accounting policy of the Company.

Auditing Commission of Sistema JSFC:

Chair of the Auditing Commission	<signature>	E. Kuznetsova
Member of the Auditing Commission	<signature>	A. Guryev
Member of the Auditing Commission	<signature>	M. Bugorskaya