



JOINT-STOCK FINANCIAL CORPORATION
SISTEMA

Sistema PJSFC

Report on Payments to Governments for the year 2018

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1 Introduction

This Report provides an overview of the payments to governments made by subsidiary undertakings of Sistema PJSFC (hereinafter referred to as 'Sistema'), represented by LesInvest LLC and its subsidiaries (together hereinafter referred to as 'Segezha Group'), for the year 2018 as required under the "Disclosure Rules and Transparency Rules" of the United Kingdom.

The "Disclosure Rules and Transparency Rules" were introduced by the Financial Conduct Authority of the United Kingdom to increase transparency in the extractive and logging sectors. The Rules are applicable for the companies in the extraction and logging of primary forest industries whose transferable securities are admitted to trading on the London Stock Exchange. Sistema is required to be compliant with these Rules since its subsidiary undertakings (Segezha Group) are involved in logging of primary forest activities and its global depository receipts are listed on the London Stock Exchange.

The Report is to be prepared in accordance with the UK's Report on Payments to Governments Regulations 2014 (SI 2014/3209) and Chapter 10 of the Directive 2013/34/EU (the EU Accounting Directive (2013)).

A primary goal of the enacted transparency regulation is to help empower citizens of the resource-rich countries to hold their governments accountable for the wealth generated by those resources.

This Report is available for download from www.sistema.com

2 Reporting principles

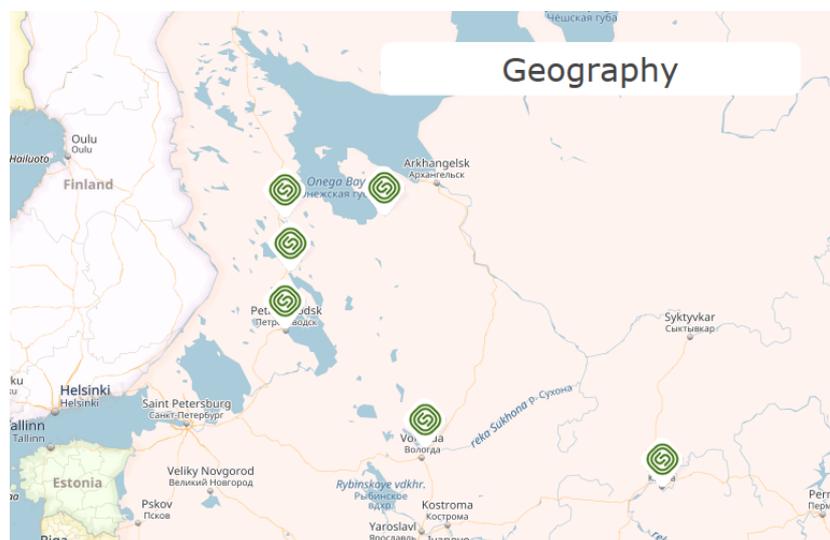
Legislation

This Report is prepared in accordance with the Reports on Payments to Governments Regulations 2014 as enacted in the UK in December 2014 and as amended in December 2015.

Scope and Reporting entities

Sistema has prepared a consolidated report on payments to governments for activities related to logging of primary forest (hereinafter referred to as 'logging activities'). In this Report, we only disclose payments to governments made by legal entities of Segezha Group involved in logging activities.

Segezha Group carries out logging activities only in Russia, the legal entities active in logging activities operate in five Russian regions – republic of Karelia, Arkhangelsk, Kirov, Vologda and Krasnoyarsk region (please see the map of Segezha Group logging operations as of 31 December 2018).



Government

In the context of this Report, government means any national, regional or local authority of a country. It includes a department, agency or entity that is a subsidiary of a government controlled by that authority.

Project definition

Payments are reported at project level except that payments that are not attributable to a specific project are reported at entity level. Project is defined as operational activities which are governed by a single contract, license, lease, concession or similar legal agreement, and form the basis for payment liabilities with a government. If such agreements are substantially interconnected, those agreements are to be treated as a single project. According to the regulation, 'substantially interconnected' means that the agreements are governed by a single overarching agreement, that the agreements have substantially similar terms, and that the agreements are geographically and operationally integrated.

Reporting currency and materiality

All payments to governments in this Report are presented in thousands of Russian Roubles (RUB).

For each payment type, total payments below GBP 86,000 to a government whether made as a single payment or as a series of related payments need not to be disclosed. For the purposes of this Report a threshold of RUB 7,205,097 (approx. GBP 86,000) was applied to exclude payments from the scope of disclosure.

Payment types

The following payment types are disclosed for legal entities involved in logging activities.

- *Taxes* levied on the income, production or profits of companies, which include corporate income tax. Consumption taxes such as value added tax, personal income taxes or sales taxes, withholding taxes, property taxes and environmental taxes are excluded;
- *Fees* paid for rent of land plots;
- *Royalties*. For the purposes of this Report 'royalties' include export customs duty paid under export sales of wood.

The payments are presented on a cash basis.

For the year ended 31 December 2018, there were no reportable production entitlements, dividends, bonuses or payments for infrastructure improvements.

3 Consolidated overview of payments to governments

All reportable payments relate to logging activities in Russia.

The consolidated overview below discloses the sum of payments to governments in Russia related to logging activities:

- 3.1 – per government (all payments),
- 3.2a – per project (only fees for rent of land plots),
- 3.2b – per entity level (all other payments except rent fees).

3.1 – Payments per government

(Thousands of Russian Roubles)

	Taxes	Royalties	Fees	Total
Federal budget of the Russian Federation	57,351	94,106	438,595	590,053
Regional budget of Arkhangelskaya oblast	98,960	0	41,107	140,067
Regional budget of Vologodskaya oblast	49,738	0	19,185	68,923
Regional budget of Karelia	168,402	0	74,323	242,725
Regional budget of Kirovskaya oblast	18,695	0	19,246	37,941
Regional budget of Krasnojarskij kray	0	0	7,126	7,126
Total	393,146	94,106	599,583	1,086,835

3.2a – Payments per project

(Thousands of Russian Roubles)

	Taxes	Royalties	Fees	Total
1. Onega	0	0	93,111	93,111
1.1. Onezhskoe forestry	0	0	80,503	80,503
1.2. Priozernoe forestry	0	0	3,085	3,085
1.3. Severodvinskoe forestry	0	0	9,522	9,522
2. Vologda	0	0	101,349	101,349
2.1. Vozhegodskoe forestry	0	0	2,422	2,422
2.2. Vytegorskoe forestry	0	0	37,887	37,887
2.3. Kirillovskoe forestry	0	0	2,714	2,714
2.4. Sokolskoe forestry	0	0	14,734	14,734
2.5. Syamzhenskoe forestry	0	0	14,367	14,367
2.6. Totemskoe forestry	0	0	2,177	2,177
2.7. Kharovskoe forestry	0	0	15,107	15,107
2.8. Cherepovetskoe forestry	0	0	5,197	5,197
2.9. Kargopolskoye forestry	0	0	6,744	6,744
3. Karelia	0	0	271,781	271,781
3.1. Belomorskoe forestry	0	0	15,722	15,722
3.2. Kostomukhskoe forestry	0	0	55,025	55,025
3.3. Muezerskoe forestry	0	0	68,905	68,905
3.4. Medvezh'egorskoe forestry	0	0	86,974	86,974
3.5. Segezhszkoe forestry	0	0	45,155	45,155
4. Kirov	0	0	38,796	38,796
4.1. Kirsinskoe forestry	0	0	3,976	3,976
4.2. Nagorskoe forestry	0	0	17,024	17,024
4.3. Nemskoe forestry	0	0	12,264	12,264
4.4. Sinegorskoe forestry	0	0	478	478
4.5. Falenskoe forestry	0	0	618	618
4.6. Omutninskoe forestry	0	0	4,436	4,436
5. Siberia	0	0	94,546	94,546
5.1. Gremuchinskoe forestry	0	0	13,793	13,793
5.2. Kodinskoe forestry	0	0	19,399	19,399

5.3. Motiginskoe forestry	0	0	8,092	8,092
5.4. Nevonskoe forestry	0	0	16,880	16,880
5.5. Nizhne-Enisejskoe forestry	0	0	17,248	17,248
5.6. Enisejskoe forestry	0	0	18,395	18,395
5.7. Khrebtovskoe forestry	0	0	739	739
Total	0	0	599,583	599,583

3.2b – Payments per entity level

(Thousands of Russian Roubles)

	Taxes	Royalties	Fees	Total
AO "Segezhsnij CBK"	153,708	0	0	153,708
AO "Onezhskij LDK"	115,632	0	0	115,632
AO "Sokol'skij DOK"	57,270	0	0	57,270
OOO "Vjatskij fanernyj kombinat"	21,996	0	0	21,996
OOO "Ledmozerskoe LZH"	21,651	0	0	21,651
PAO "Lenderskij lespromhoz"	11,161	76,030	0	87,191
AO "LK "Kipelovo"	0	17,946	0	17,946
Other entities	11,728	130	0	11,858
Total	393,146	94,106	0	487,252

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