



JOINT-STOCK FINANCIAL CORPORATION
SISTEMA

Sistema PJSC

Report on Payments to Governments for the year 2019

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1 Introduction

This Report provides an overview of the payments to governments made by subsidiary undertakings of Sistema PJSC (hereinafter referred to as 'Sistema'), represented by Segezha Group LLC and its subsidiaries (together hereinafter referred to as 'Segezha Group'), for the year 2019 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 depositary 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

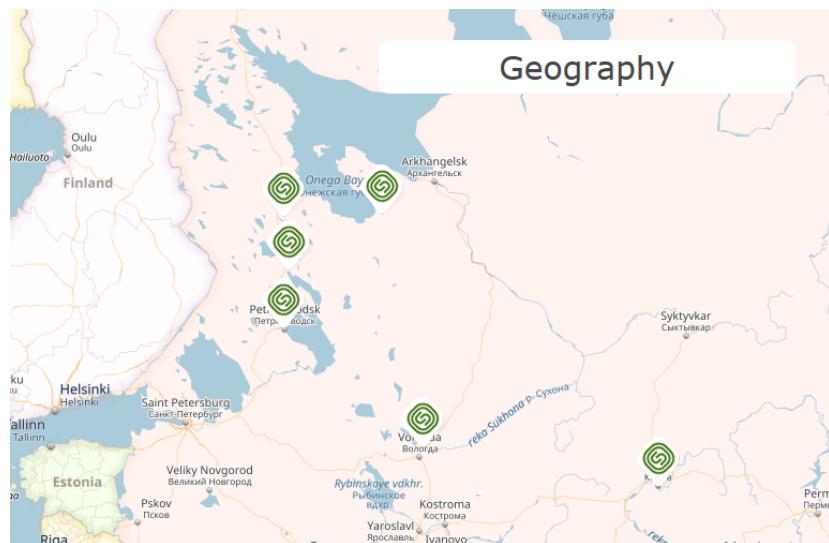
Legislation

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 2019).



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 6,978,556 (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 2019, 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	49,759	18,000	502,032	569,791
Regional budget of Arkhangelskaya oblast	48,930	0	41,549	90,479
Regional budget of Vologodskaya oblast	50,994	0	24,074	75,068
Regional budget of Karelia	1,213,617	9,000	86,696	1,309,314
Regional budget of Kirovskaya oblast	64,757	0	24,893	89,650
Regional budget of Krasnojarskij kray	29,186	0	8,220	37,406
Total	1,457,243	27,000	687,464	2,171,707

3.2a – Payments per project

(Thousands of Russian Roubles)

	Taxes	Royalties	Fees	Total
1. Onega	0	0	100,906	100,906
1.1. Onezhskoe forestry	0	0	88,295	88,295
1.2. Priozernoe forestry	0	0	3,384	3,384
1.3. Severodvinskoe forestry	0	0	9,227	9,227
2. Vologda	0	0	110,357	110,357
2.1. Vozhegodskoe forestry	0	0	2,656	2,656
2.2. Vytegorskoe forestry	0	0	41,332	41,332
2.3. Kirillovskoe forestry	0	0	2,972	2,972
2.4. Sokolskoe forestry	0	0	16,055	16,055
2.5. Syamzhenskoe forestry	0	0	15,696	15,696
2.6. Totemskoe forestry	0	0	2,390	2,390
2.7. Kharovskoe forestry	0	0	16,564	16,564
2.8. Cherepovetskoe forestry	0	0	5,261	5,261
2.9. Kargopolskoye forestry	0	0	7,386	7,386
2.10. Ust-kubinskoye forestry	0	0	46	46
3. Karelia	0	0	288,670	288,670

3.1. Belomorskoe forestry	0	0	4,776	4,776
3.2. Kostomukshskoe forestry	0	0	51,538	51,538
3.3. Muezerskoe forestry	0	0	77,405	77,405
3.4. Medvezh'egorskoe forestry	0	0	116,572	116,572
3.5. Segezhskoe forestry	0	0	38,379	38,379
4. Kirov	0	0	52,439	52,439
4.1. Kirsinskoe forestry	0	0	6,106	6,106
4.2. Nagorskoe forestry	0	0	18,901	18,901
4.3. Nemskoe forestry	0	0	16,700	16,700
4.4. Sinegorskoe forestry	0	0	524	524
4.5. Falenskoe forestry	0	0	1,859	1,859
4.6. Omutninskoe forestry	0	0	8,350	8,350
5. Sibiria	0	0	135,092	135,092
5.1. Gremuchinskoe forestry	0	0	21,536	21,536
5.2. Kodinskoe forestry	0	0	29,461	29,461
5.3. Motiginskoe forestry	0	0	13,297	13,297
5.4. Nevonskoe forestry	0	0	18,514	18,514
5.5. Nizhne-Enisejskoe forestry	0	0	24,668	24,668
5.6. Enisejskoe forestry	0	0	26,805	26,805

5.7. Khrebtovskoe forestry	0	0	811	811
Total	0	0	687,464	687,464

3.2b – Payments per entity level

(Thousands of Russian Roubles)

	Taxes	Royalties	Fees	Total
AO "Segezhskij CBK"	1,178,443	0	0	1,178,443
AO "Onezhskij LDK"	43,635	0	0	43,635
AO "Sokol'skij DOK"	56,799	0	0	56,799
OOO "Vjatskij fanernyj kombinat"	76,248	0	0	76,248
OOO "Ksiloteck–Siberia"	28,298	0	0	28,298
OOO "Ledmozerskoe LZH"	17,663	0	0	17,663
PAO "Lenderskij lespromhоз"	15,937	9,000	0	24,937
AO Lesosibirskij LDK №1	10,274	0	0	10,274
AO "LK "Kipelovo"	1,785	18,000	0	19,786
Other entities	28,161	0	0	28,161
Total	1,457,243	27,000	0	1,484,243

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