



JOINT-STOCK FINANCIAL CORPORATION  
**SISTEMA**

# **Sistema PJSFC**

Report on Payments to Governments for the year 2016

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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 LesInvest LLC and its subsidiaries (together hereinafter referred to as 'Segezha Group'), for the year 2016 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](http://www.sistema.com)

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## 2 Reporting principles

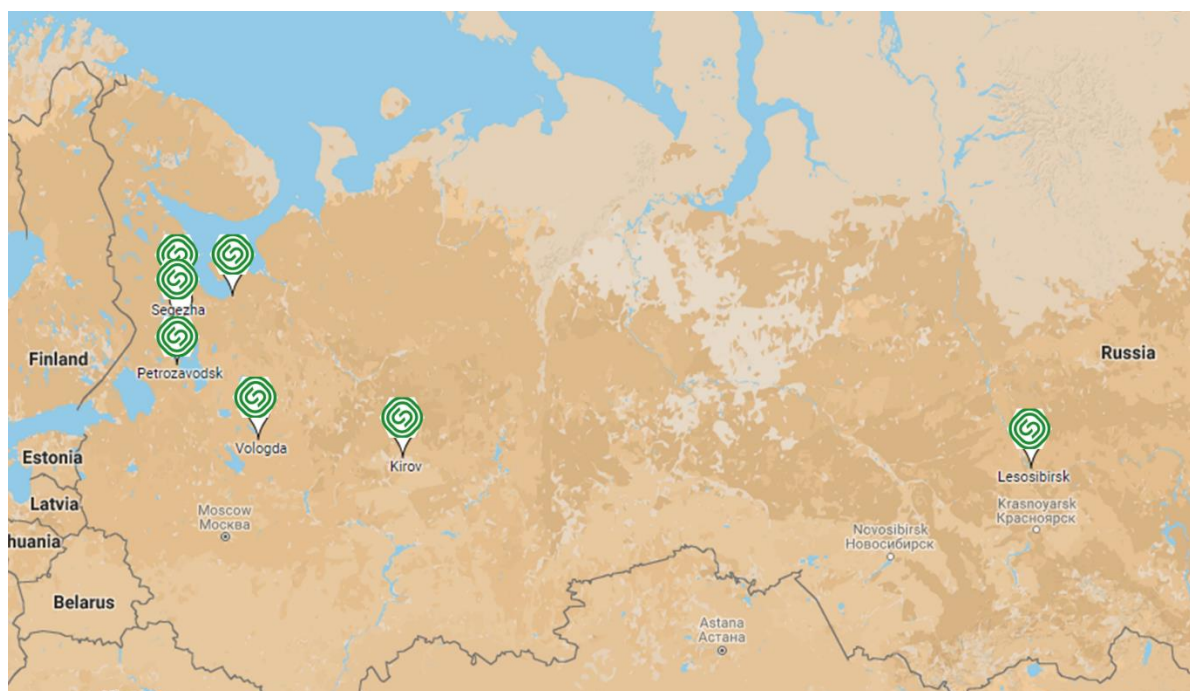
### *Legislation*

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 regions (please see the map of Segezha Group logging operations as of 31 December 2016).



### ***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 7,848,170 (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 2016, there were no reportable production entitlements, dividends, bonuses or payments for infrastructure improvements.

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### 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)

Government	Taxes	Royalties	Fees	Total
Federal budget of the Russian Federation	63,257	15,123	253,038	331,418
Regional budget of Arkhangelskaya oblast	26,558	0	26,175	52,733
Regional budget of Vologodskaya oblast	1,525	0	10,992	12,517
Regional budget of Karelia	439,093	85,290	51,088	575,471
Regional budget of Kirovskaya oblast	102,294	0	8,714	111,008
Regional budget of Krasnoyarskiy kray	478	0	5,753	6,231
Total	633,205	100,413	355,760	1,089,378

### 3.2a – Payments per project

(Thousands of Russian Roubles)

Forestry	Taxes	Royalties	Fees	Total
<b>1. Onega</b>	0	0	<b>60,733</b>	<b>60,733</b>
1.1. Onezhskoe forestry	0	0	53,372	53,372
1.2. Priozernoe forestry	0	0	2,033	2,033
1.3. Severodvinskoe forestry	0	0	5,328	5,328
<b>2. Vologda</b>	0	0	<b>61,318</b>	<b>61,318</b>
2.1. Vozhegodskoe forestry	0	0	1,462	1,462
2.2. Vytegorskoe forestry	0	0	24,829	24,829
2.3. Kirillovskoe forestry	0	0	1,756	1,756
2.4. Sokolskoe forestry	0	0	7,994	7,994
2.5. Syamzhenskoe forestry	0	0	7,926	7,926
2.6. Totemskoe forestry	0	0	1,053	1,053
2.7. Kharovskoe forestry	0	0	8,712	8,712
2.8. Cherepovetskoe forestry	0	0	3,161	3,161
2.9. Kargopolskoe forestry	0	0	4,425	4,425
<b>3. Karelia</b>	0	0	<b>156,382</b>	<b>156,382</b>
3.1. Belomorskoe forestry	0	0	8,957	8,957
3.2. Kostomukhskoe forestry	0	0	13,933	13,933
3.3. Muezerskoe forestry	0	0	45,401	45,401
3.4. Medvezh'egorskoe forestry	0	0	62,113	62,113
3.5. Segezhszkoe forestry	0	0	25,978	25,978
<b>4. Kirov</b>	0	0	<b>20,962</b>	<b>20,962</b>
4.1. Kirsinskoe forestry	0	0	3,354	3,354
4.2. Nagorskoe forestry	0	0	8,947	8,947
4.3. Nemskoe forestry	0	0	7,048	7,048
4.4. Omutninskoe forestry	0	0	1,613	1,613
<b>5. Siberia</b>	0	0	<b>56,365</b>	<b>56,365</b>
5.1. Gremuchinskoe forestry	0	0	9,548	9,548
5.2. Kodinskoe forestry	0	0	14,654	14,654



5.3. Motiginskoe forestry	0	0	6,789	6,789
4.2. Nevonskoe forestry	0	0	11,703	11,703
4.3. Nizhne-Enisejskoe forestry	0	0	13,184	13,184
4.4. Khrebtovskoe forestry	0	0	487	487
<b>Total</b>	<b>0</b>	<b>0</b>	<b>355,760</b>	<b>355,760</b>

### ***3.2b – Payments per entity level***

(Thousands of Russian Roubles)

Legal Entity	Taxes	Royalties	Fees	Total
AO "Onezhskij LDK"	29,509	0	0	29,509
AO "LPK "Kipelovo"	0	12,926	0	12,926
PAO "Lenderskij lespromhoz"	0	82,600	0	82,600
AO "Segezhsckij CBK"	486,893	2,477	0	489,370
OOO "Vjatskij fanernyj kombinat"	112,986	0	0	112,986
Other entities	3,817	2,410	0	6,227
<b>Total</b>	<b>633,205</b>	<b>100,413</b>	<b>0</b>	<b>733,618</b>

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## Contact info

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