

AUDIT REPORT

To the shareholders of Public Joint-Stock Company LSR Group

Opinion

We have audited the attached annual accounting statements of public joint stock company LSR Group (OGRN 5067847227300, ul. Kazanskaya, 36, lit. B, floor 4, office 32-H (18), room 404, Saint-Petersburg, 190031) (hereinafter referred to as the “Company”) consisting of the Balance Sheet as of 12/31/2017, the Profit and Loss Statement, appendixes to the Balance sheet and Profit and Loss Statement, including the Statement of Changes in Equity and the Cash Flow Statement for 2017, Notes to the Balance Sheet and Profit and Loss Statement.

In our opinion, the attached annual accounting statements in all material respects present fairly the financial position of the Company as of December 31, 2017, and of its business and financial performance and its cash flow for 2017 in accordance with the Accounting Standards of the Russian Federation.

Basis for Expressing the Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA). In accordance with the mentioned above standards, our responsibilities are described in section “Responsibility of the Auditor for audit of the annual accounting statements” of this conclusion. We are independent to the Company in accordance with the Rules of Independence of Auditors and Audit Organizations, Code of Professional Ethics of Auditors, applicable to our audit of the annual accounting statements in Russian Federation, and we observed other responsibilities in accordance with the requirements of the professional ethics. We believe that the audit evidence received by us is sufficient and proper to serve as a basis for expressing our opinion.

Key Aspects of the Audit

Key aspects of the audit are the aspects that, under our professional judgment, are the most significant for our audit of the annual accounting statements for the current period. These aspects were examined in the context of our audit of the annual accounting statements in general and in the course of forming our opinion regarding the said statements, and we do not express a separate opinion regarding these aspects.

Key Aspect of the Audit: “Valuation of Financial Investments”.

We defined this aspect as a key aspect due to the significance of financial investments in the Company assets. In accordance with requirements of the Accounting Regulations “Financial Investment Account” PBU 19/02, approved by the Order of the Ministry of Finance of the Russian Federation No. 126H of 12/10/2002 (hereinafter — “PBU 19/02”), the management shall perform the impairment testing of financial investments at least once a year.

As of 12/31/2017, the management of the Company performed the impairment testing of financial investments in accordance with the estimation procedure of financial investments assessed value determination. As follows from the performed tests, no impairment loss was found to be admitted.

Our auditing procedures: we analyzed and checked mathematical accuracy of financial investment assessed value determination in accordance with PBU 19/02, accepted the assumptions of the management regarding possible future profits the Company could gain from its involvement in

other companies, and its conclusion that the company had no impairment loss to be adjusted as of the reporting date for the purpose of data submission in the annual accounting statements.

We checked the disclosures included into Note 3.3 of Notes to the Balance Sheet and Profit and Loss Statement, for their sufficiency and compliance with the requirements of PBU 19/02.

Key Aspect of the Audit: “Recoverability Analysis of Deferred Income Tax Assets”.

As of 12/31/2017, the Company recognized the deferred income tax asset related to the tax loss carried forward. Recoverability Analysis of Deferred Assets requires particular estimations from the Company management, including receiving terms and amounts of future taxable income. In this regard, deferred tax asset recoverability was reviewed as a key aspect of the audit. Information regarding the deferred tax asset in relation to the tax loss is provided in note 4 of Notes to the Balance Sheet and Profit and Loss Statement.

We evaluated and critically analyzed detailed forecast of future taxable income made by the management on basis of approved budgets and business development opportunities. In accordance with results of executed works we concluded that key assumptions used by the management to test the deferred income tax asset do not require adjustments for the purpose of the data submission in the annual accounting statements.

Other Information

The management is responsible for the other information. The other information shall include the Company’s 2017 Annual Progress Report and the issuer’s quarterly report for the 1st quarter of 2018, but shall not include annual accounting statements or our audit report regarding those statements.

Our opinion regarding the annual accounting statements shall not apply to other information, and we do not provide any conclusion expressing the assurance in relation to this information in any form.

Our responsibility in relation to the audit of the annual accounting statements is to review other information and consider if substantial inconsistencies exist between other information and the annual accounting statements or our knowledge obtained during the audit and determine if the other information contains other signs of possible substantial misstatements. If during the review of the annual report of the Company or the quarterly report of the issuer for the 1st quarter of 2018 we draw a conclusion that these documents contain substantial misstatements, we shall inform the management of the Company thereon.

We have not identified any facts requiring to be noted in our conclusion.

Company Management Responsibility For the Annual Accounting Statements

The management is responsible for the preparation and faithful representation of the annual accounting statements in accordance with the Accounting Standards of the Russian Federation. The management’s responsibility also includes such internal control as the management determines to be necessary to prepare of the annual accounting statements that do not contain any material misstatements due to fraud or error.

During preparation of the annual accounting statements, the management is responsible for evaluation of the Company’s capacity to continue its operation, for disclosure in appropriate cases of information related to continuous operation and preparation of statements on the basis of assumption regarding continuous operation, excluding cases when the management plans to close down the Company cease its activities or when it does not have any alternatives beside closing down or ceasing the activity.

Responsibility of the Auditor for the Audit of the Annual Accounting Statements

Our aim is to obtain the reasonable confidence that annual accounting statements are free from material misstatement, whether due to fraud or error, and to prepare audit report containing our opinion. The reasonable confidence is a high level of confidence but it does not guarantee that the audit performed in accordance with ISA always detects material misstatements if they are present. Misstatements could be caused by fraud or error and shall be considered as material if it is possible to reasonably presume that individually or in the aggregate they can affect economical decisions of users, made on the basis of the annual accounting statements.

Within the scope of the audit performed in accordance with ISA, we apply professional judgment and maintain professional skepticism during the whole course of the audit. In addition, we perform the following actions:

1) Identify and assess risks of material misstatements of the annual accounting statements due to fraud or error, develop and perform auditing procedures in response to these risks, obtain sufficient and proper audit evidence to be used as the basis for expressing our opinion. Risk of the failure to detect material misstatement due to a fraud is higher than the risk of the failure to detect material misstatement due to an error, because a fraud can include conspiracy, forgery, intentional omission, provision of misstated information or actions bypassing the internal control system.

2) Understand the internal control system relevant to the audit in order to develop audit procedures appropriate to circumstances, but not to express our opinion regarding the efficiency of the Company's internal control system.

3) Evaluate the proper nature of the applied accounting policy, the validity of accounting evaluations and the corresponding disclosure of information, prepared by the management of the Company.

4) Making the conclusion regarding legitimacy of the Company management admitting the going concern assumption, and based on the obtained audit evidence making the conclusion regarding the material uncertainty related to events and conditions due to which reasonable doubts regarding the Company's ability to continue operation may appear. If we reach the conclusion that reasonable doubt is present, we shall point out in our audit report the corresponding disclosure of the information in the annual accounting statements or, if the disclosure is improper, modify our opinion. Our conclusion is based on the audit evidence obtained before the date of our audit report. However, future events or conditions might render the Company unable to continue its activities.

5) Evaluate the submission of the annual accounting statements in general, its structure and content, including the disclosure of the information, and evaluate if the annual accounting statements represent underlying operations and events in a way that ensures its faithful representation.

We perform informational interaction with the management of the Company as a representative responsible for corporate governance of the Company informing this representative, without limitation, regarding planned scope and terms of the audit, as well as material comments upon the results of the audit and material flaws of the internal control system which we have detected during the audit.

We also provide the management of the Company with a statement that we have observed all corresponding ethical requirements related to independence and informed the management regarding all interactions and other aspects, that might be reasonably considered as affecting independence of the auditor and in certain cases — regarding corresponding precautions.

Out of all aspects that we informed the management of the Company about, we selected the aspects that are the most significant for the audit of the annual accounting statements for the current period and, consequently, are the key aspects of the audit. We describe these aspects in

our audit report with the exception of cases when the public disclosure of the information regarding these issues is forbidden by law or a regulation, or in such exceedingly rare cases when we conclude that the information regarding a particular issue should not be disclosed in our report, because we can reasonably assume that negative consequences of the disclosure of such information would outweigh socially significant benefit from such disclosure.

CEO

V.V. Sedova

Certificate of Auditor's Qualification No. 01-001254 of 02/18/2013

Audit organization:

Limited Liability Company Audit-Service SPb

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February 27, 2018