

**Report by the Board of Directors of PJSC LSR Group (the ‘Company’)
setting out and justifying the position of the Company’s Board of Directors
on agenda item for the Company’s Extraordinary General Meeting of Shareholders
to be held on 30 September 2020**

Agenda ITEM 1: Payment (declaration) of dividends on the Company’s shares for the first half of 2020 fiscal year

Recommendation:

The Board of Directors recommends the Extraordinary General Meeting of Shareholders to make the following decision:

Distribute the part of the Company’s profit generated on 30 June 2020 for paying dividends in the amount of twenty (20) roubles per one ordinary registered share for a total amount of two billion sixty million six hundred four thousand and three hundred (2,060,604,300) roubles. Dividends shall be paid in monetary form. The record date shall be 12 October 2020.

Reference data (according with the Company’s Accounting (Financial) Statements for the first half of 2020 fiscal year prepared in accordance with the Russian Accounting Standards):

Undistributed Company’s profit generated on 30 June 2020 can be distributed for paying dividends	RUB 13,260,333,000
<i>including:</i>	
Company’s profit for the first half of 2020 fiscal year	RUB 163,482,000

Position of the Board of Directors:

The Board of Directors has reviewed the current financial and competitive position of PJSC LSR Group, the potential for its development, including the expectations for operating cash flow and capital investment, financing needs and other factors that can affect the Company’s ability to maintain financial stability and flexible capital structure.

Having analysed the information submitted, the Board of Directors believes that PJSC LSR Group has the right to pay (declare) dividends on the Company’s shares for the first half of 2020 fiscal year.

The Company is in line with the prerequisites for the declaration and payment of dividends on the Company’s shares for the first half of 2020 fiscal year as established by Article 43 of the Federal Law ‘On Joint-Stock Companies’, provided that, on the date a decision is made about the payment of dividends and on the date dividends are paid:

- PJSC LSR Group does not show any signs of insolvency (bankruptcy) pursuant to the Russian legislation on insolvency (bankruptcy) and will not show these signs as a result of the issue of dividends; and
- the net asset value of PJSC LSR Group is not and will not become less than its authorized capital and reserve fund as a result of the payment of dividends (on 30 June 2020, the net asset value of PJSC LSR Group amounted to RUB 39,559,340,000, exceeding its authorized capital and reserve fund by RUB 39,532,294,000).

Hence, the Board of Directors does not expect that the declaration or payment of dividends on the Company’s shares for the first half of 2020 fiscal year would adversely affect the strategic potential of PJSC LSR Group over the long term.