

# AUDIT REPORT

for 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, Room 404, Office 32-N (18), 4th Floor, 36B Ul. Kazanskaya, St. Petersburg, 190031) (hereinafter referred to as the 'Company'), consisting of the Balance Sheet as of 31 December 2019, the Profit and Loss Statement for 2019, appendices to the Balance Sheet and Profit and Loss Statement, including the Statement of Changes in Equity, the Cash Flow Statement for 2019, and the Notes to the Balance Sheet and the Profit and Loss Statement, including the key provisions of the accounting policy.

In our opinion, in all material respects, the attached annual accounting statements accurately present the financial position of the Company as of 31 December 2019, the financial results of its activity, and its cash flow for 2019 in accordance with the accounting standards applied in the Russian Federation.

## Basis for Expressing the Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA). In accordance with these standards, our responsibilities are described in the section of this report entitled 'Responsibility of the Auditor for Audit of the Annual Accounting Statements'. We are independent from the Company in accordance with the Rules on the Independence of Auditors and Audit Organizations and the Code of Professional Ethics for Auditors, which are in line with the International Code of Ethics for Professional Accountants (including international standards for independence) developed by the International Ethics Standards Board for Accountants. We also discharged other responsibilities in accordance with these professional ethical requirements. We believe that the audit evidence we received is sufficient and proper for use as a basis for expressing our opinion.

## Key Aspects of the Audit

The key aspects of the audit are the aspects that, according to our professional judgement, were 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 these statements, and we do not express a separate opinion on these aspects.

### **Evaluating Impairment of Financial Investments**

In accordance with the Russian standards for entering information about financial investments into annual accounting statements, the Company must check for impairment indicators relating to financial investments for which the present value is undefined. This annual impairment test is significant for our audit, as the balance of financial investments on 31 December 2019 is material to the annual accounting statements.

Moreover, the process for checking for impairment of financial investments applied by the management is complex and extremely subjective, and is based on suppositions about future economic profit to be earned from the financial investments in question.

The management of the Company checked for impairment of financial investments as of 31 December 2019 in accordance with the Methodology for Assessing the Estimated Value of

Financial Investments. On the basis of the results of the check, the management made the decision not to impair the financial investments, as it believes it could receive economic profit in the future.

The test did not reveal any need to note losses from impairment.

Our audit procedures included checking records relating to the receipt and disposition of financial investments, and analysing and verifying the mathematical accuracy of the estimated value of financial investments. We acquired sufficient and proper audit evidence concerning disclosures of financial investments, and accepted the assumption of the management concerning future profits the Company could earn 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 presenting information in the annual accounting statements.

### **Other Information**

The management is responsible for other information. Other information shall include the issuer's annual report for 2019, 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 the other information, and we do not provide any conclusion expressing our convictions about this information in any form.

Our responsibility in relation to our audit of the annual accounting statements is to review the other information and consider whether significant inconsistencies exist between the other information and the annual accounting statements or our knowledge obtained during the audit, and to determine whether the other information contains other signs of potential material misstatements. We have not identified any facts which should be noted in our report.

### **Responsibility of the Management and Members of the Board of Directors of the Company 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 applied in the Russian Federation. The management's responsibility also includes such internal control as the management deems necessary to prepare 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 as a going concern, for disclosure in appropriate circumstances of information related to the Company's viability as a going concern, and for preparation of statements on the basis of the going concern assumption, excluding cases where the management plans to liquidate the Company and cease its activities or when it does not have any realistic alternatives besides liquidating the Company or ceasing its activity.

Members of the Board of Directors bear responsibility for and supervise the preparation of the Company's annual accounting statements.

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

Our aim is to obtain reasonable confidence that annual accounting statements are free from material misstatements, whether due to fraud or error, and to prepare an audit report containing our opinion. Reasonable confidence is a high level of confidence, but it does not guarantee that an audit performed in accordance with ISA will always detect material

misstatements if they are present. Misstatements could be caused by fraud or error and shall be considered as material if it could reasonably be presumed that, individually or in the aggregate, they could affect users' economic decisions made on the basis of the annual accounting statements.

Within the scope of the audit performed in accordance with ISA, we apply professional judgement and maintain professional scepticism throughout the audit. In addition, we perform the following actions:

1) Identify and assess risks of material misstatements in the annual accounting statements due to fraud or error, develop and perform auditing procedures in response to these risks, and obtain sufficient and proper audit evidence to be used as the basis for expressing our opinion. The risk of failure to detect material misstatement due to fraud is greater than the risk of failure to detect material misstatement due to error, because 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 the circumstances, but not in order to express our opinion regarding the effectiveness of the Company's internal control system.

3) Evaluate the suitability of the applied accounting policy, the validity of any estimates made by the management of the Company, and the corresponding disclosure of information.

4) Reach a conclusion regarding the legitimacy of the going concern assumption made by the Company's management, and reach a conclusion based on the audit evidence obtained regarding the material uncertainty related to events or conditions due to which reasonable doubts regarding the Company's viability as a going concern may arise. Our conclusions are based on audit evidence obtained before the date of our audit report. However, future events or conditions may render the Company unable to continue as a going concern.

5) Perform an overall evaluation of the annual accounting statements, considering their structure and content, including the disclosure of information, and evaluate whether the annual accounting statements represent underlying operations and events in a way that ensures their faithful representation.

We exchange information with the management of the Company, informing them of matters including the planned scope and terms of the audit, as well as making material comments upon the results of the audit and material flaws of the internal control system which we have identified during the audit.

We have also provided the management of the Company with a statement confirming that we upheld all the relevant ethical requirements concerning independence, and have provided information about all relationships and other issues which might reasonably be considered to affect the auditor's independence, and about corresponding precautions where necessary.

Of all the aspects that we brought to the attention of the Company's management, we highlighted the aspects that were the most significant for audit of the annual accounting statements for the current period and, consequently, were the key aspects of the audit. We describe these aspects in our audit report, with the exception of cases where the public disclosure of information regarding these issues is forbidden by a law or regulation, or in such exceedingly rare cases where we conclude that information regarding a particular issue should not be disclosed in our report, because we can reasonably assume that the negative consequences of the disclosure of such information would outweigh any socially significant benefit from such disclosure.

Manager of the audit on the basis of which this  
audit report was published

O.G. Pereverzeva  
Qualification Certificate No. 01-000673

CEO

V.V. Sedova

Audit organization:

Limited Liability Company Audit-Service SPb

OGRN 1147847556592,

Room 505, Office 51-N, 18A Fonarny Pereulok, St. Petersburg, 190000.

Member of the Sodruzhestvo Association, a self-regulatory organization of auditors,

ORNZ 11606064748.

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