



JOINT-STOCK FINANCIAL CORPORATION

**SISTEMA**

# **Sistema**

# **Financial Results**

# **1Q 2017**

**Mikhail Shamolin**  
**President of Sistema PJSFC**

**Vsevolod Rozanov**  
**Senior Vice President, Chief Financial Officer of Sistema PJSFC**



## DISCLAIMER

Certain statements in this presentation may contain assumptions or forecasts in respect to forthcoming events within PJSC Sistema. The words “expect”, “estimate”, “intend”, “will”, “could” and similar expressions identify forward-looking statements. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not intend to update these statements to reflect events and circumstances occurring after the above-mentioned date or to reflect the occurrence of unanticipated events. Many factors could cause Sistema’s actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, deteriorating economic and credit conditions, our competitive environment, risks associated with operating in Russia, rapid technological and market change in our industries, as well as many other risks specifically related to Sistema and its operations.



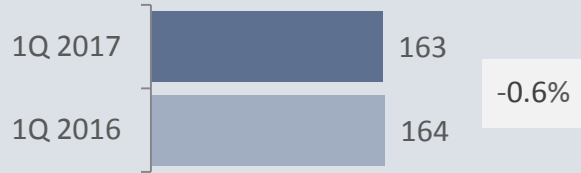
## Financial review



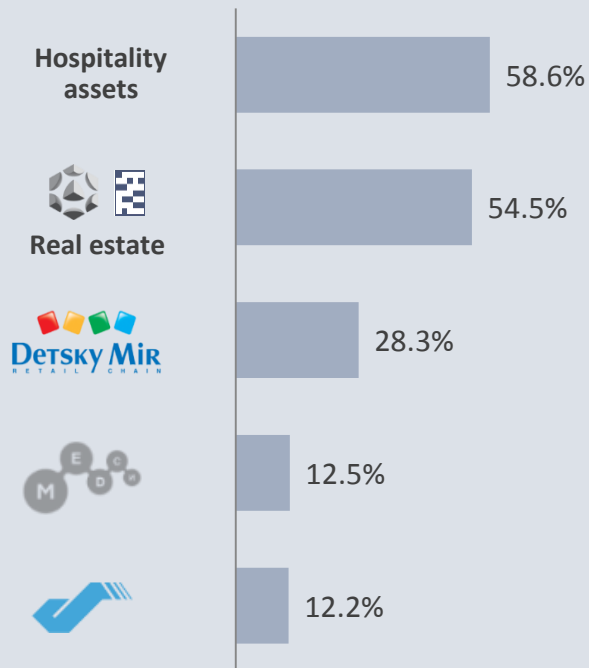
IFRS, RUB bln

# KEY HIGHLIGHTS

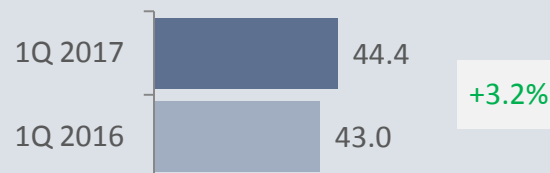
## CONSOLIDATED REVENUE



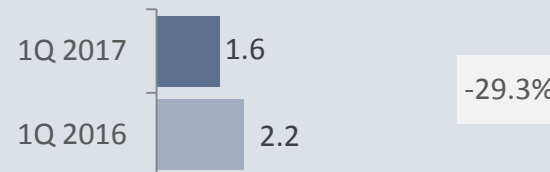
## FASTEST GROWING ASSETS\*



## ADJUSTED OIBDA

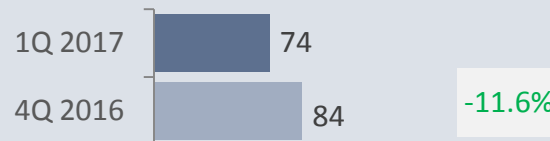


## ADJUSTED PROFIT



## FINANCIAL POSITION AT CORP CENTRE\*\*

### Net debt



### Total financial liabilities\*\*\*



- Largely stable Group revenues with higher OIBDA margin despite exchange rate pressures in Segezha Group and SSTL
- Consolidated revenues of Russian portfolio companies up 0.9% YoY
- Adjusted OIBDA and OIBDA margin improved YoY thanks to contributions from MTS, MTS Bank, Medsi and real estate assets
- Lower profit mainly due to a decline at MTS, partially offset by stronger performance of non-public assets
- Net debt contraction supported by cash proceed from Detsky Mir's IPO and sale of MTS shares

\*By year-on-year revenue growth in 1Q 2017

\*\*Based on management accounts

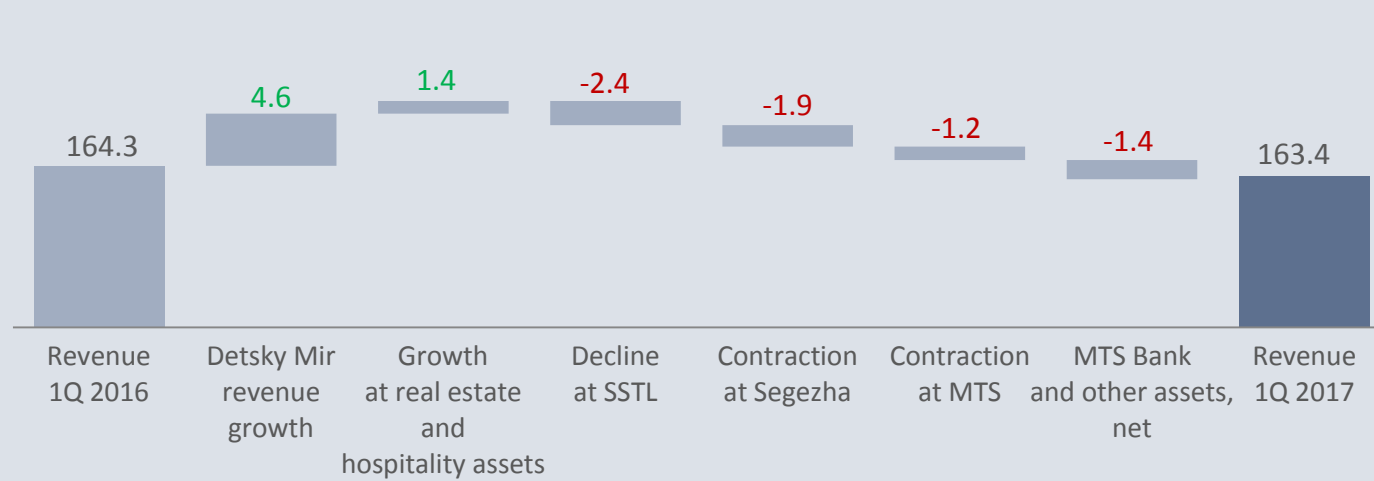
\*\*\*Total financial liabilities are comprised of the Corp. Centre's total debt, liabilities to Rosimushchestvo related to SSTL shares and liabilities to Rusnano related to Mikron shares



IFRS, RUB bln

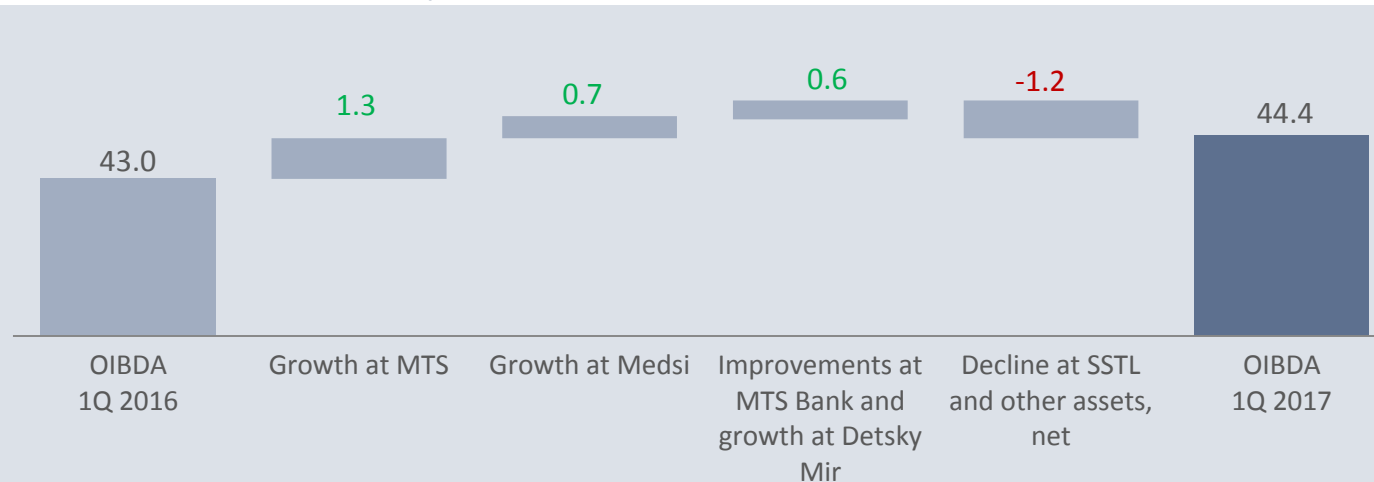
# FINANCIAL REVIEW

## CONSOLIDATED REVENUE ANALYSIS, RUB bln



- **Detsky Mir:** successful business expansion and like-for-like growth
- **Real estate:** revenue recognition on completed projects in Moscow
- **Segezha Group:** decline due to rouble appreciation, revenue in EUR up 10% YoY
- **MTS:** decline due to fewer days in 1Q 2017 vs 1Q 2016 (leap year) and hryvnia depreciation

## ADJUSTED OIBDA ANALYSIS, RUB bln

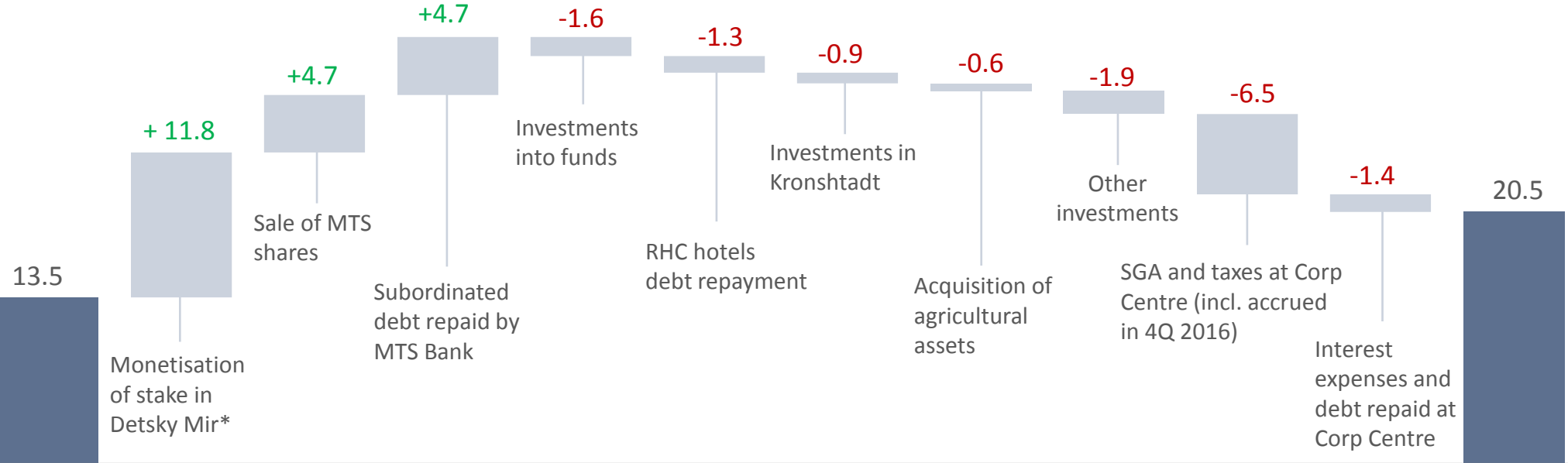


- **MTS:** increased profitability in Russia with lower pressures from retail and margin recovery in Ukraine
- **Medsi:** reduction of operating expenses, increased share of high-margin product offerings, sale of a loss-making asset
- **MTS Bank:** OIBDA improvement due to decreased provision charges and successful strategy execution



# CASH FLOWS AT THE CORPORATE CENTRE

Management accounts, RUB bln



December 31, 2016

March 31, 2017

- ✓ Corporate Centre’s cash position strengthened in 1Q 2017 following Detsky Mir’s IPO, sale of MTS shares and MTS Bank repayment of subordinated loan to Sistema.
- ✓ In 1Q 2017, Sistema invested RUB 6.3 bln into current and new assets, including via allocation of capital to investment funds

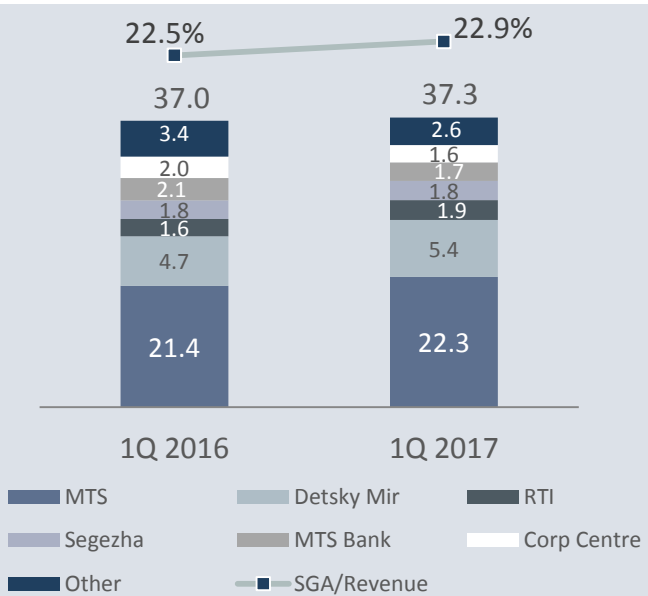
\* Net of intergroup debt repayments



IFRS, RUB bln

# SG&A AND CAPEX

## GROUP'S SG&A



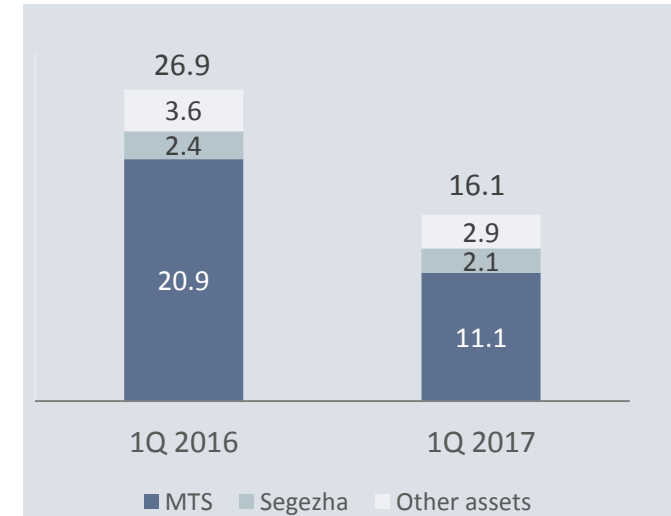
- Portfolio assets' SG&A grew mainly due to growth of MTS's retail network (vs. 1Q 2016) and organic growth of Detsky Mir's business
- Consolidated SG&A/Revenue ratio up YoY mainly due to growth at MTS
- SGA/Revenue ratio improved at:
  - Detsky Mir: from 28.4% to 25.4%
  - MTS Bank: from 39.5% to 38.0%

## CORPORATE CENTRE'S SG&A\*



- Corporate Centre's SG&A down YoY, as the 1Q 2016 number includes accruals for the long-term incentive programme for both 2016 and 2015

## GROUP'S CAPEX



- Group CAPEX significantly reduced in 1Q 2017 largely due to decreased CAPEX at MTS
- Segezha Group CAPEX down 10% YoY in accordance with its investment programme timeline

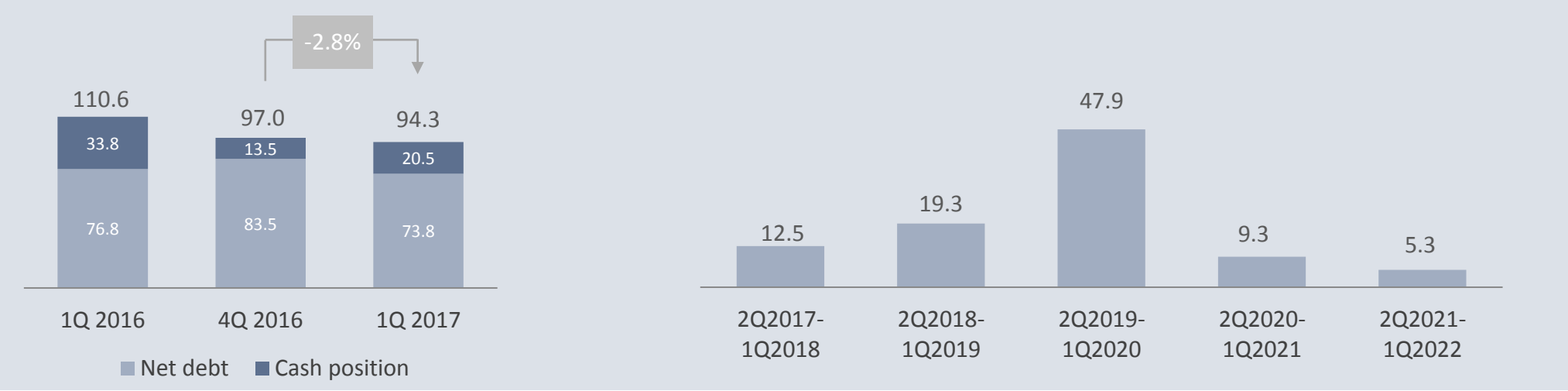
\*Source: management accounts



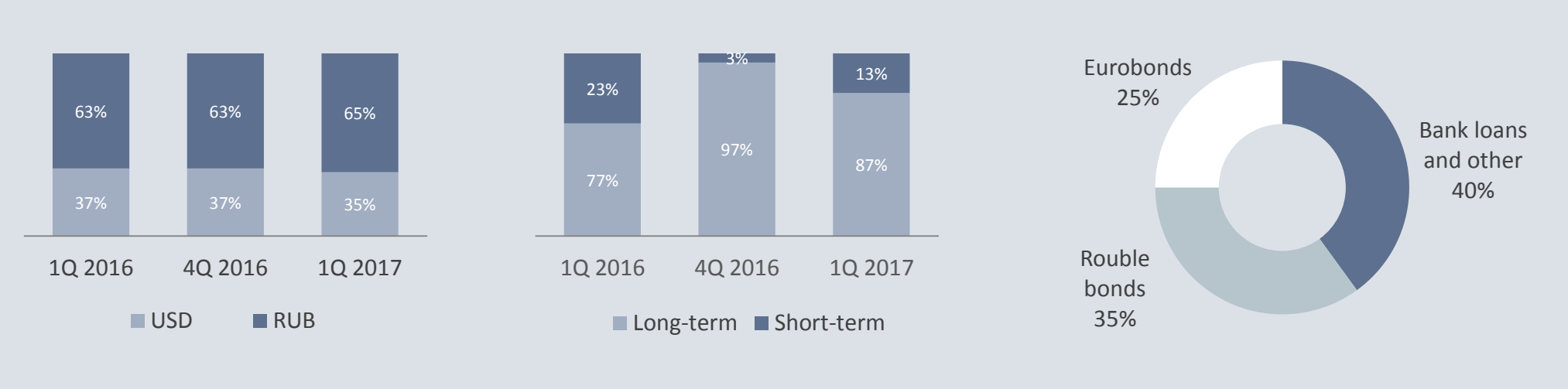
# CORPORATE CENTRE'S DEBT PROFILE

Management accounts, RUB bln

## CORPORATE CENTRE'S DEBT AND MATURITY PROFILE



## CORPORATE CENTRE'S DEBT STRUCTURE



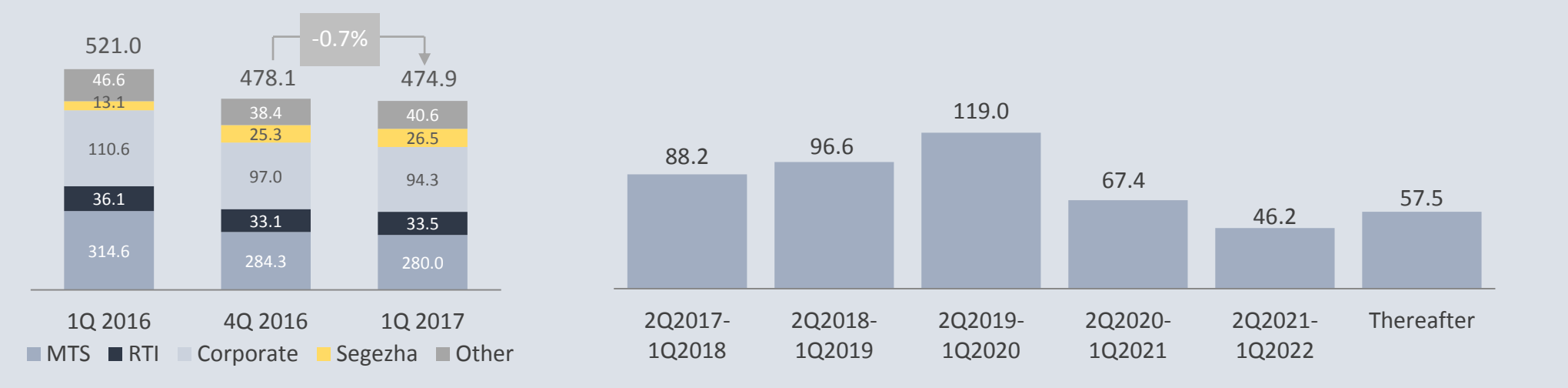




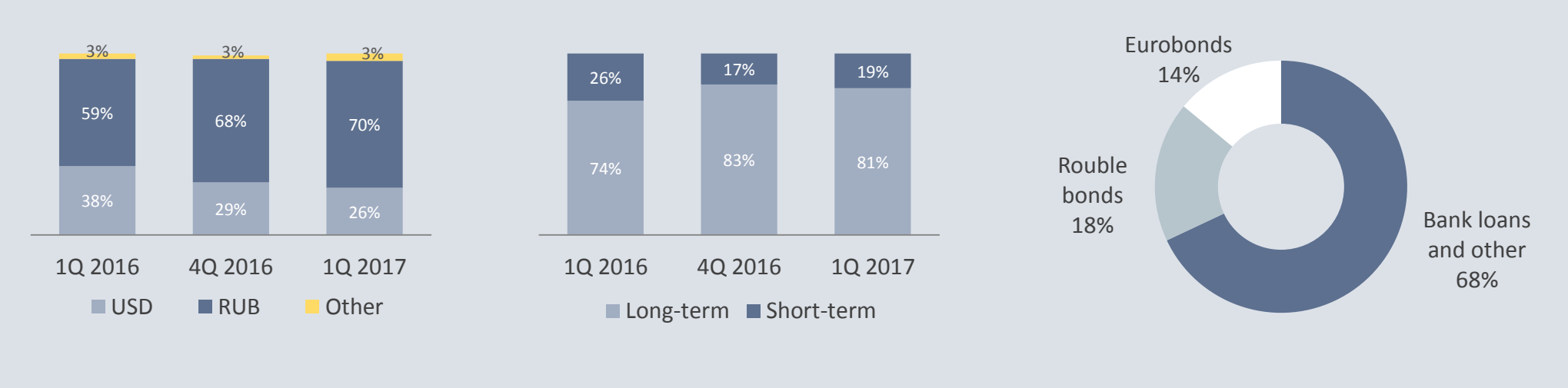
# CONSOLIDATED DEBT

## CONSOLIDATED DEBT AND MATURITY PROFILE

Management accounts, RUB bln



## CONSOLIDATED DEBT STRUCTURE



Net debt/OIBDA at 2.2x



## **Sistema's position regarding the Rosneft/Bashneft claim**

**5 June 2017**



# SISTEMA'S POSITION REGARDING THE ROSNEFT/BASHNEFT CLAIM

The plaintiffs' arguments	Sistema's objections	Conclusion
<p>Bashneft has lost its indirect shareholding of Bashkirenergo and Ufaorgsintez</p> <p><i>Lawsuit claim for RUB 57.2 bln</i></p>	<ul style="list-style-type: none"> <li>• Bashneft, even indirectly, was not the majority shareholder of Bashkirenergo and Ufaorgsintez, i.e. it did not control these assets and could not manage them</li> <li>• Demerger of non-core assets is a normal and widespread practice for the purposes of preparing a company for the placement of shares on stock exchanges, and had increased Bashneft's value – its market capitalisation grew after the reorganisation</li> <li>• The stake in Ufaorgsintez was transferred by Sistema to Bashneft back in 2016 at value commensurate with its valuation for the purposes of demerger during the reorganisation</li> </ul>	<p><b>Justified claims: RUB 0</b></p>
<p>Financial resources were withdrawn from Bashneft through the liquidation of loans issued by Bashneft to Sistema Invest</p> <p><i>Lawsuit claim for RUB 36.9 bln</i></p>	<ul style="list-style-type: none"> <li>• In accordance with the separation balance sheet, all the assets and liabilities of the reorganised companies were proportionally divided between Bashneft and Sistema pro-rata to their respective stakes in the reorganised companies</li> <li>• The correctness of separation balance sheets was confirmed by independent appraisers, the Federal tax service of Russia and an international auditor</li> <li>• The sum of loan referred to by the plaintiffs is a part of the overall amount of liabilities of the reorganised company to the shareholders, which were divided amongst the shareholders: the total amount of liabilities (obligations of the reorganized company to the shareholders) was divided pro-rata to the value of assets being divided between the shareholders</li> </ul>	<p><b>Justified claims: RUB 0</b></p>
<p>Bashneft received its own shares in consideration for the transferred assets</p>	<ul style="list-style-type: none"> <li>• Bashneft received its own shares in accordance with the separation balance sheet at the fair market value</li> <li>• Acquisition by a company of its own shares is a widespread global corporate practice (for example: Rosneft itself, Novatek, Norilsk Nickel, Uralkali and a number of other large companies effected this procedure)</li> </ul>	<p><b>No losses suffered by Bashneft</b></p>
<p>Bashneft purchased a portion of its own shares from minority shareholders</p> <p><i>Lawsuit claim for RUB 12.5 bln</i></p>	<ul style="list-style-type: none"> <li>• Bashneft purchased its shares from minority shareholders in strict compliance with the law – it was obliged to conduct such a buyback</li> <li>• The lawfulness of this buyout was confirmed by the legally effective ruling of the Arbitration Court of the Republic of Bashkortostan dated 07 November 2014 in case No. A07- 12929/2014</li> </ul>	<p><b>Justified claims: RUB 0</b></p>



# SISTEMA'S POSITION REGARDING THE ROSNEFT/BASHNEFT CLAIM

The plaintiffs' arguments	Sistema's objections	Conclusion
<p>Bashneft cancelled the received treasury shares (instead of selling them to third parties, for example)</p>	<ul style="list-style-type: none"> <li>• The cancellation of treasury shares does not cause damages to the issue: (1) it decreases dividend payments on the cancelled shares; (2) the company may re-issue shares, which allows the company to raise funds with a share premium from the sale at a higher price</li> <li>• On 3 July 2014, Bashneft made a decision to re-issue 37,000,000 ordinary shares. Implementation of this decision would have earned to Bashneft in profits more than 17% of re-issued shares value due to the growth of Bashneft's market capitalisation during the period from the cancellation to re-issue of shares</li> <li>• By claiming that the cancellation of treasury shares caused damages to Bashneft, Rosneft challenges the lawfulness of the decision of the Russian Government, represented by the Federal Agency for State Property, made in March 2015, whereby 2,724,173 ordinary shares of Bashneft were cancelled</li> </ul>	<p><b>No losses for Bashneft</b></p>
<p>Increasing the amount of claims to RUB 170.6 bln</p>	<ul style="list-style-type: none"> <li>• The plaintiffs justify their claim to increase the amount of alleged damages arguing that "from 2014 to the present, the US dollar rate has significantly increased, while the purchasing power of the rouble has significantly decreased"</li> <li>• Thus the plaintiffs seek to make Sistema responsible for the changing of the purchasing power of the rouble, that is, in fact, a macroeconomic indicator</li> <li>• These claims, as well as the lawsuit itself, have no legal or economic grounds</li> </ul>	<p><b>Justified claims: RUB 0</b></p>
<p>Violations of procedural laws</p>	<ul style="list-style-type: none"> <li>• Rosneft does not have the right to file the lawsuit as it holds the same stake of shares that belonged to predecessor which voted for the resolutions on reorganisation</li> <li>• Bashneft also does not have the right to file this lawsuit; only its shareholders have it</li> <li>• The plaintiffs missed the three-year limitation period</li> </ul>	<p><b>No right even to file a claim</b></p>

**Sistema considers the arguments of Rosneft / Bashneft untenable and believes that the lawsuit is groundless and should be dismissed**

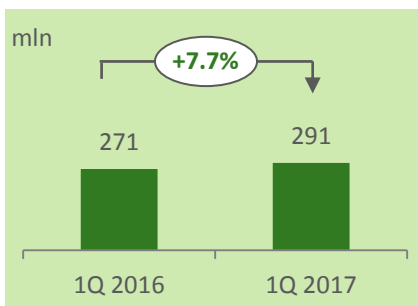


## Update on key portfolio assets

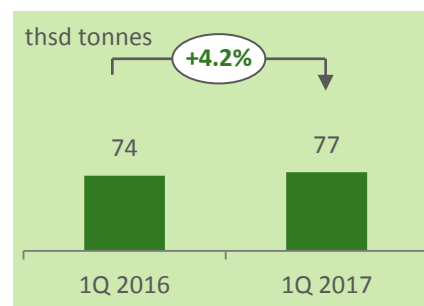
# LEADING PAPER AND PACKAGING HOLDING SEGEZHA GROUP: PROVEN INVESTMENT EFFICIENCY



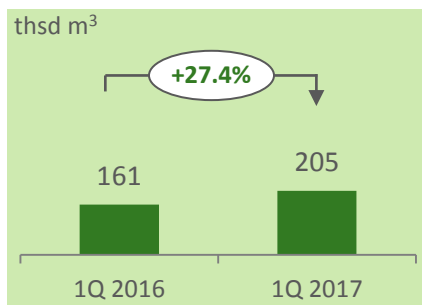
## PAPER SACKS



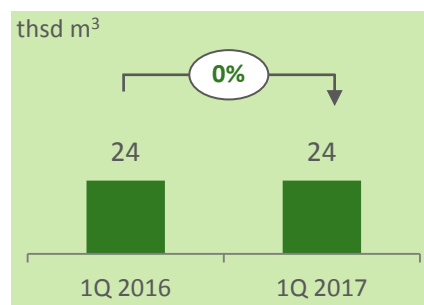
## SACK PAPER\*



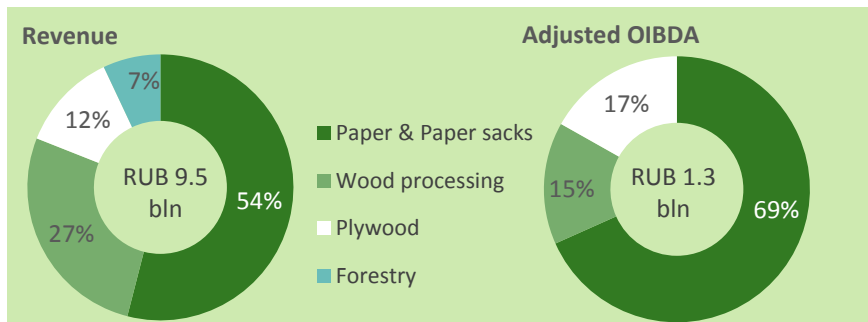
## SAWN TIMBER



## PLYWOOD



## REVENUE AND ADJUSTED OIBDA BY BUSINESS SEGMENTS IN 1Q 2017



\*Includes shipment of paper and paper board

RUB bln	1Q 2017	1Q 2016	YoY
Revenue	9.5	11.4	-16.6%
Adj. OIBDA	1.3	2.5	-49.1%
Adj. OIBDA margin	13.4%	22.0%	-8.6p.p.
Adj. Profit**	0.06	1.0	-93.9%
Net debt	25.7	10.8	137.1%
CAPEX	2.1	2.4	-10.0%
Share of export revenues	65%	62%	3p.p.
Own forestry consumption	57%	58%	-1p.p.
Total forestry, '000 m³	1,345.0	1,070.2	25.7%

> Revenue decreased YoY due to appreciation of the rouble, as 65% of company's revenues are nominated in foreign currencies. Revenue, calculated in euro, increased by 10% YoY in 1Q 2017.

> OIBDA declined YoY as a result of lower revenues, a modest increase in logistics costs and an increase in the cost of raw materials.

> Profit decreased on the back of lower OIBDA, higher depreciation costs related to implementation of the investment programme, as well as an increase in interest expenses.

> Sales of paper sacks increased YoY thanks to increased exports to Europe, Africa and the Middle East. Production volume of paper sacks increased by 7.7% YoY to 291.3 mln, mainly due to the launch in 2016 of a new plant in Salsk and the launch of a new packaging line in Segezha.

> Segezha Group continues to increase the use of its own materials. As a result, sales of sack paper to third-party buyers declined YoY. Segezha Group produced 77,400 tonnes of paper in 1Q 2017, up 4.2% YoY.

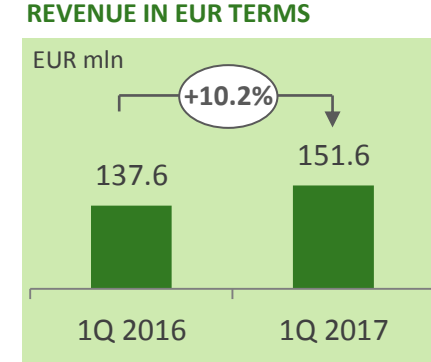
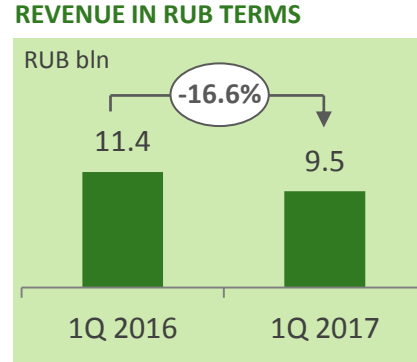
> Sales of sawn timber increased YoY due to optimisation measures adopted by the division's enterprises. Sawn timber production increased to 205,400 cubic metres, up by 21.5% YoY.

> Sales of birch plywood increased YoY, due to the expansion of the client base on terms that are favourable for the Group. In 1Q 2017, plywood production volume remained at the same level as in 2016 and amounted to 24,200 cubic metres as a result of full capacity utilisation.

\*\*Here and thereafter profit is presented in Sistema's share

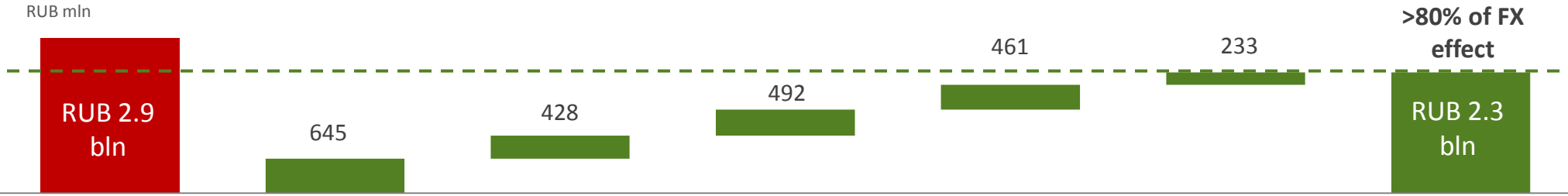
# SEGEZHA GROUP: STRATEGY FOR ENHANCING EFFICIENCY

- RUB appreciation is a challenge: 65%-70% of Segezha's revenue FX-denominated (64% of FX-revenues are in EUR, 26% in \$US)
- In response to the negative impact of FX exchange rate, Segezha adopted an optimisation plan for 2017-2018
- Expected effect on OIBDA 2017 from additional cost cutting, increased output and business optimisation is RUB 2.3 bln



## Key initiatives and their effect on OIBDA in 2017

RUB mln



FX impact

Optimisations at the management company

Production strategy

Energy and raw materials costs cutting

Business process optimisation

Logging

Effect from optimisation

- Reduction of the management company costs incl. via staff optimisations
- Implementation of automated management and procurement systems
- Optimisation of IT platforms



- Increasing the output of paper and sacks, developing new high-margin products
- Increasing plywood output and sales of specialised plywood (coloured film, non-standard embossing)
- Expansion of the wooden house segment


- Installation of a new multifuel boiler (capacity: of 120 tonnes of steam per hour)
- Construction of a pellet plant and a boiler house at Lesosibirsk Woodworking Plant

- Reducing raw materials expenses in timber processing
- Shifting focus to Middle East as the most cost-efficient market
- Optimisation of European entities (Segezha Packaging) - relocation of production, cost-cutting and merger of legal entities

- Improving logging efficiency

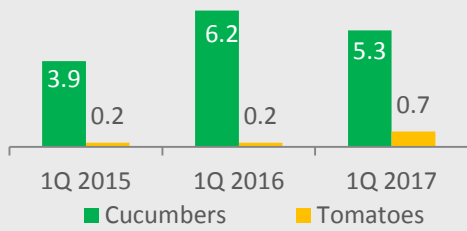
# AGROHOLDING STEPPE: HEALTHY RESULTS AMID LOW SEASON

Land crops production 	Apple orchards 
<ul style="list-style-type: none"> <li>Land bank                             <ul style="list-style-type: none"> <li>Steppe: 245.5 thsd hectares</li> <li>RZ Agro: 105.5 thsd hectares</li> </ul> </li> <li>Advanced technologies and high business standards</li> </ul>	<ul style="list-style-type: none"> <li>Land bank: 1,771 ha</li> <li>Planted orchard land: 780 ha</li> <li>Fruit storage of 21,000 tonnes</li> </ul>


Vegetable farming 
<ul style="list-style-type: none"> <li>Greenhouses with total area of 144 hectares</li> <li>Infrastructure:                             <ul style="list-style-type: none"> <li>bio-laboratory</li> <li>agro-chemical laboratory</li> <li>boiler-house, etc.</li> </ul> </li> </ul>

**VEGETABLES PRODUCTION**

thsd tonnes

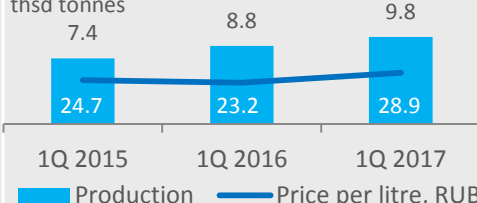


Quarter	Cucumbers (thsd tonnes)	Tomatoes (thsd tonnes)
1Q 2015	3.9	0.2
1Q 2016	6.2	0.2
1Q 2017	5.3	0.7

Dairy farming 
<ul style="list-style-type: none"> <li>4 dairy farms</li> <li>Livestock: ≈9,400 (incl. ≈3,965 forage-fed cows)</li> </ul>

**MILK PRODUCTION**

thsd tonnes



Quarter	Production (thsd tonnes)	Price per litre (RUB)
1Q 2015	7.4	24.7
1Q 2016	8.8	23.2
1Q 2017	9.8	28.9

## Agroholding Steppe

RUB bln	1Q 2017	1Q 2016	YoY	RZ Agro*	1Q 2017	1Q 2016	YoY
Revenue	1.2	1.1	9.8%	0.6	0.7	-13.0%	
OIBDA	0.1	0.2	-38.0%	0.2	0.4	-45.4%	
OIBDA margin	9.3%	16.4%	-7.1 p.p.	31.7%	50.5%	-18,8 p.p.	
Profit/(loss)	-0.3	-0.2	n/a	0.2	0.4	-49.5%	
Net debt	9.7	1.2	8x	-0.2	-0.3	0.7x	

> First quarter results reflect seasonal specifics typical for agricultural business.

> In 1Q 2017, Steppe's revenue increased YoY thanks to expansion of the business, increased output volumes and rising prices for products including cucumbers and raw milk, which accounted for the majority of sales. The typically weak first quarter combined with a higher cost base due to expansion of the business resulted in a decrease of the OIBDA margin.

> In addition to rising prices, milk sales volumes were positively affected by a 24% increase in the herd to 3,965 forage-fed cows. Agroholding Steppe is currently undertaking construction of a new "model" commercial dairy farm that will house 1,800 cows, with a partial launch scheduled for year-end.

> Decreased cucumber production resulted from crop rotation changes and unfavorable weather conditions, in particular fewer sunny days in 1Q 2017 as compared to 1Q 2016.

> Net debt increased as the company raised financing to acquire new assets.

> As part of the programme to increase operational efficiency, Steppe continues to introduce modern agricultural technologies, increase per-head yield in its dairy segment and optimise milk sales. The equipment upgrades at new subsidiaries and affiliates are almost complete, and measures are being undertaken to optimise production costs in the vegetable segment. Special treatment of orchards planted before 2008 is expected to help to increase yields from as early as 2018.



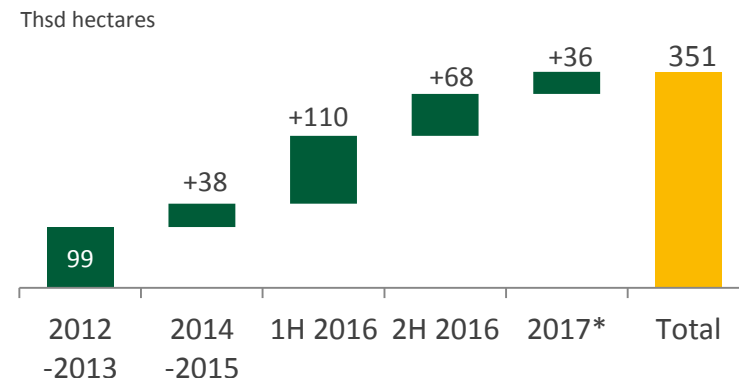
# AGROHOLDING STEPPE: ACQUISITIONS OF 2017

## Acquisitions 2017: high-quality land with good potential to increase value

	<b>23.2 thsd hectares</b> Stavropol region	<b>8.1 thsd hectares</b> Rostov region	<b>4.5 thsd hectares</b> Rostov region
<b>Buyer</b>	Agroholding Steppe	Agroholding Steppe	RZ Agro
<b>Yield category</b>	High	Average	High
<b>Production</b>	<ul style="list-style-type: none"> <li>Wheat, barley, sunflower, corn</li> </ul>	<ul style="list-style-type: none"> <li>Wheat, barley, sunflower</li> </ul>	<ul style="list-style-type: none"> <li>Wheat, barley, sunflower, corn</li> </ul>
<b>Investment thesis</b>	<ul style="list-style-type: none"> <li>High potential to increase production and crop yields via crop rotation improvement and implementation of advanced technologies</li> </ul>		
	<ul style="list-style-type: none"> <li>Strong land fertility</li> </ul>	<ul style="list-style-type: none"> <li>Attractive pricing opportunity</li> <li>Cost synergies with existing assets</li> </ul>	<ul style="list-style-type: none"> <li>Cost synergies with existing assets</li> </ul>
<b>Yield potential*</b>	4.0 – 5.0 tonnes/ha	4.0 – 4.5 tonnes/ha	4.0 – 5.0 tonnes/ha

\*For wheat crop yield. Yield forecast may change due to weather conditions and other factors

## Development of Steppe's land bank



\* As of 5 June 2017

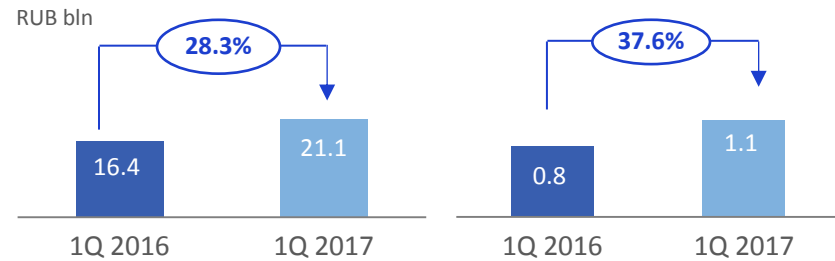
## M&A strategy: focus on Russia's best farming regions



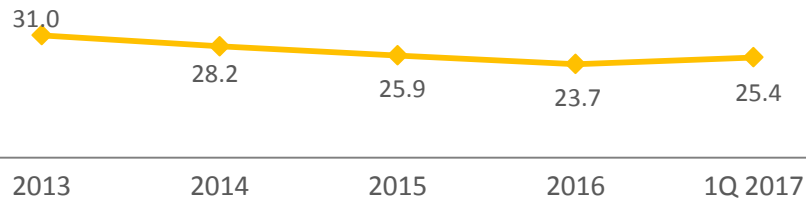


# TOP CHILDREN'S GOODS RETAILER IN RUSSIA AND CIS : PUBLIC COMPANY WITH EXCELLENT GROWTH PERSPECTIVES

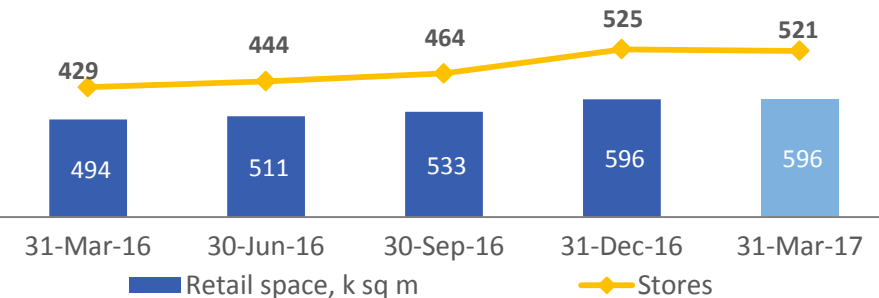
## REVENUE AND ADJUSTED OIBDA



## SG&A/REVENUE, %



## SELLING SPACE (THSD M<sup>2</sup>) AND NUMBER OF STORES<sup>2</sup>



RUB bln	1Q 2017	1Q 2016	YoY
Revenue	21.1	16.4	28.3%
Adj. OIBDA	1.1	0.8	37.6%
Adj. OIBDA margin	5.3%	4.9%	0.4p.p.
Adj. profit	0.1	0.1	0.6%
Net debt	15.8	12.5	26.7%
SGA/revenue	25.4%	28.4%	-3.0p.p.
Like-for-like growth <sup>1</sup>	11.2%	13.5%	-2.3p.p.
Traffic growth	13.3%	1.2%	12.1p.p.
Average check dynamics	-1.9%	12.1%	-14.0p.p.
CAPEX	0.25	0.24	6.3%

> Detsky Mir's revenue increased YoY in 1Q 2017 due to double-digit growth of like-for-like sales and increased traffic at stores opened in 2016. Decrease of average check dynamics resulted from new strategy in the toy segment, which aims to smooth prices for 90% of assortment. This indicator is expected to normalise by the end of 2017.

> E-commerce remained a key priority for the company, with e-commerce revenue nearly doubling YoY from RUB 491 mln in 1Q 2016 to RUB 900 mln in 1Q 2017.

> Net debt increased due to seasonal financing of working capital at the beginning of the year.

> In 1Q 2017, Detsky Mir opened 2 new stores<sup>3</sup> and plans to continue its active expansion and open at least 70 new stores in 2017.

> Selling, administrative and other operating expenses as a share of revenue declined by 3.0 p.p. YoY thanks to on-going improvements in workforce productivity and optimisation of rental costs.

<sup>1</sup> LfL growth in RUB terms. LfL growth includes only DM stores in Russia that have been in operations for at least 12 full calendar months.

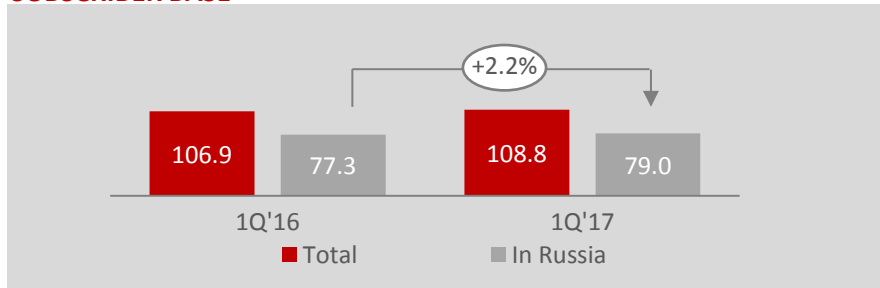
<sup>2</sup> Amount of ELC stores was 41 due to reallocation. Detsky Mir plans to open new ELC stores in 2H 2017.

<sup>3</sup> In 1Q 2017, Detsky Mir closed 2 stores to reallocate them.

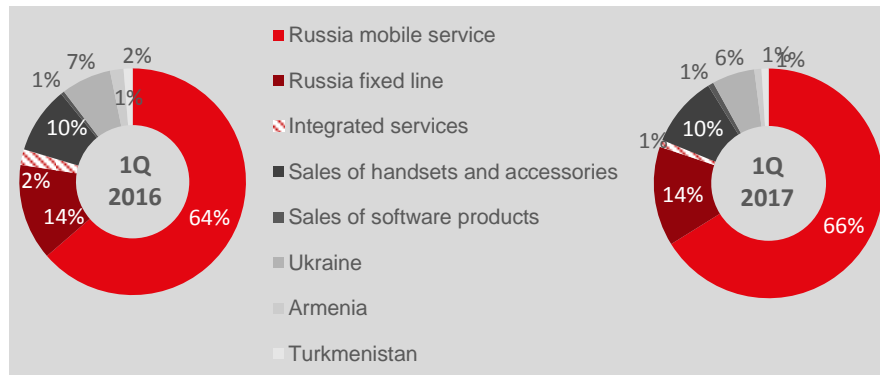


# TOP TELECOM OPERATOR IN RUSSIA: STRATEGY IS IMPROVING MARGINS

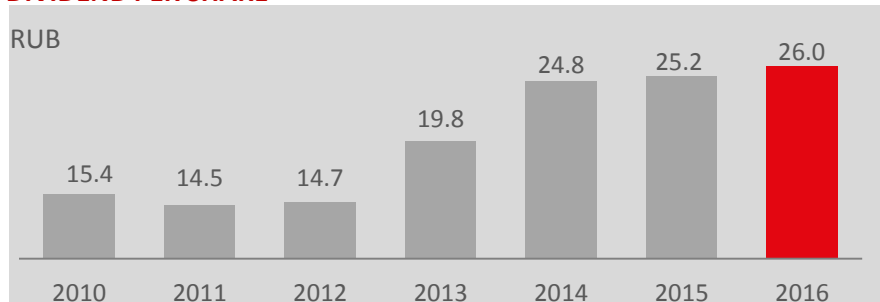
## SUBSCRIBER BASE



## REVENUE BREAKDOWN



## DIVIDEND PER SHARE



RUB bln	1Q 2017	1Q 2016	YoY
Revenue	104.7	105.9	-1.1%
OIBDA	41.5	40.3	3.0%
OIBDA margin	39.7%	38.1%	1,6p.p.
Profit	6.2	7.8	-19.5%
Net debt	254.7	270.2	-5.7%
CAPEX	11.1	20.9	-47.0%

> MTS's revenue declined YoY in 1Q 2017, affected by fewer days in 1Q 2017 as compared to 1Q 2016 (the leap year effect of 2016) and depreciation of the Ukrainian hryvnia. Excluding these factors, revenue remained stable.

> Adjusted OIBDA grew YoY, while the adjusted OIBDA margin increased driven by optimisation of roaming costs, an increase in service revenue, as well as a recovery in the profitability of Ukrainian operations.

> Profit attributable to Sistema decreased YoY due to lower foreign exchange gains, retail expansion and a decrease in interest income.

> In 1Q 2017, MTS together with Ericsson became first to test 5G technology in Russia, achieving a record data speed of 25 GBps. The companies used innovative technologies during the trials, including Multi-User and Massive MIMO, Beam Tracking and Dynamic TDD.

> In April 2017, MTS's Board of Directors recommended that the AGM approve payment of dividends for 2016 in the amount of RUB 15.6 per ordinary share (RUB 31.2 per ADR). If shareholders approve this recommendation, MTS will pay up to RUB 31.17 billion in dividends for 2016.



## Attachments

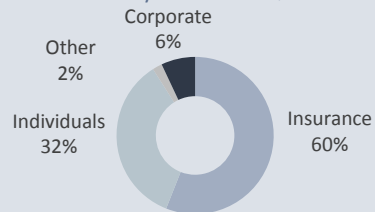


# HEALTHCARE (MEDSI) AND PHARMACEUTICALS (BINNOPHARM)

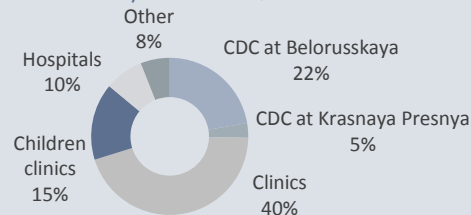
## MEDSI

RUB bln	1Q 2017	1Q 2016	YoY
Revenue	2.5	2.3	12.5%
OIBDA	0.7	0.04	17.7x
OIBDA margin	28.7%	1.9%	26.8p.p.
Profit/Loss	0.3	-0.2	n/a
Net cash	0.8	1.2	-31.0%
Patient visits, '000	1,853	1,766	4.9%
Services provided, '000	2,926	2,796	4.6%

Revenue by clients in 1Q 2017



Revenue by assets in 1Q 2017

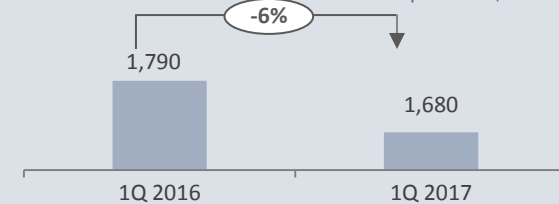


- > In 1Q 2017, Medsi's revenues increased YoY, mainly due to increased traffic and average check per visit driven by an increased share of advanced medical services (including under Mandatory Medical Insurance, or MMI) and comprehensive check-up programmes, as well as a more active marketing campaign. The Clinical Diagnostic Centre (CDC) at Krasnaya Presnya delivered strong results, which had a positive effect on total revenues.
- > Medsi's OIBDA increased nearly 17 times YoY, while OIBDA margin grew to 28.7%. This strong performance was due to an increase in revenues and optimisation of administrative expenses, as well as due to sale of loss-making fitness centre in Moscow.
- > In 1Q 2017 Medsi's profit attributable to Sistema was RUB 288 mln, compared to a net loss in 1Q 2016.
- > In 1Q 2017, Medsi and Philips created a training centre for medical specialists at CDC at Krasnaya Presnya. The centre will focus on comprehensive check-up and is expected to train up to 1,000 specialists per year by 2019.

## Binnopharm

RUB bln	1Q 2017	1Q 2016	YoY
Revenue	0.32	0.31	2.2%
OIBDA	0.04	0.002	20x
OIBDA margin	11.8%	0.5%	11.3p.p.
Loss	-0.03	-0.03	n/a
Net debt	1.7	0.9	94.4%

Production of finished pharmaceutical products, thsd



- > In 1Q 2017, revenue at Binnopharm increased YoY due to growth in sales of the company's own products. The OIBDA margin improved YoY due to an increase in the share of high margin sales of Binnopharm's own products, as well as due to a reduction in sales, general and administrative expenses.
- > Net debt increased as Binnopharm financed acquisitions of new drugs, as well as the increase of working capital for the commercial segment and R&D development.
- > In 1Q 2017, Binnopharm posted a loss due to an increase in interest expense on additional loan financing, as well as a higher depreciation as a result of renovations completed by the company in previous periods.

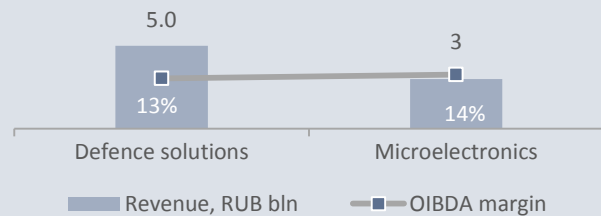


# HIGH-TECH (RTI) AND ELECTRIC POWER GRIDS (BPGC)

RTI **RTI**

RUB bln	1Q 2017	1Q 2016	YoY
Revenue	8.0	8.7	-7.8%
OIBDA	0.2	0.8	-72.7%
OIBDA margin	2.7%	9.3%	-6.5p.p.
Loss	-1.4	-0.7	n/a
Net debt	28.9	29.0	-0.3%
Share of debt related to state defence contracts*	13%	32%	-19p.p.

Results by key business segments

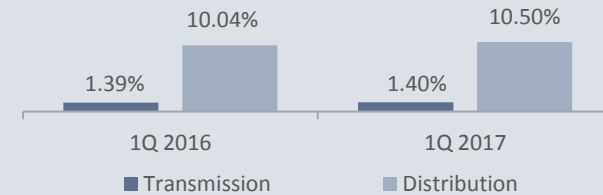


- > RTI's revenue declined in 1Q 2017 as a result of the rescheduling of contracting by clients in the Defence Solutions business unit (BU). Revenues from the Microelectronics BU grew by 7.9%.
- > OIBDA margin decreased in 1Q 2017, primarily due to creation of impairments for inventories in the Microelectronics BU, and also as a result of lower revenue from the Defence Solutions BU.
- > Share of debt related to state defence contracts declined YoY due to the Defence Ministry's gradual transition from credit financing for defence procurement back to a direct prepayment system. RTI also has on its accounts specially earmarked additional funds for State defence orders amounting to RUB 9.3 bln that are not included in the net debt calculation.
- > In 1Q 2017, Mikron's microchips for public transportation cards were awarded the status of first level domestic production from the Ministry of Industry and Trade. The microchips are designed for use in secure access systems with robust information protection requirements.
- > In May 2017, Sistema and RTI received information about a claim by the Russian Ministry of Defence (MoD) seeking damages from RTI JSC in the amount of approximately RUB 5 bln. As of the date of this presentation, the Moscow Arbitration Court had provisionally deferred the decision regarding acceptance of the claim until 15 June 2017. RTI continues to work with the MoD on a number of projects.

BPGC

RUB bln	1Q 2017	1Q 2016	YoY
Revenue	4.59	4.1	12.2%
OIBDA	1.6	1.48	9.5%
OIBDA margin	35.2%	36.1%	-0.9p.p.
Profit	0.8	0.7	14.5%
CAPEX	0.6	0.9	-33.7%
New connections, '000	3,791	5,461	-30.6%
Connected power, MVt	66.2	86.51	-23.5%

Losses on distribution and transmission grids



- > In 1Q 2017 BPGC's revenue grew YoY due to indexation of tariffs starting from July 2016. OIBDA increased YoY. OIBDA margin remained strong at 35.2% thanks to control over operating costs. Profit increased by 14.5% YoY to RUB 794 mln.
- > Losses in distribution networks slightly increased to 10.5% in 1Q 2017 from 10.04% 1Q 2016 due to the commissioning of CCGT-410 Novo-Salavat, which led to an increase in transit electricity flows. At the same time, the number of emergency shutdowns of LLC Bashkirenergo decreased by 19.6% in 2016, due to the implementation of a technical modernisation and reconstruction programme.
- > The roll-out of the modernisation project for Ufa's electricity network using Smart Grid technology is moving ahead, with installation of smart nodes continuing across the city's distribution points.
- > The pace of new technical connections declined as a result of a shift of connections to later periods.

\*Share of debt related to state defence contracts (with effectively zero interest rate).

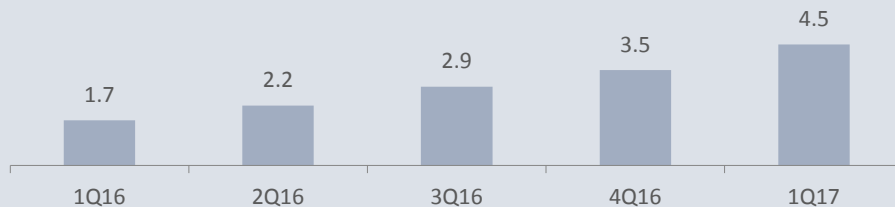


# FINANCIAL SERVICES (MTS BANK) AND HOSPITALITY ASSETS

## MTS Bank MTS Bank

RUB bln	1Q 2017	1Q 2016	YoY
Revenue	4.6	5.4	-14.7%
Profit/Loss	0.06	-0.1	-
Interest income	3.6	4.6	-21.8%
Commission income	0.9	0.7	28.7%
Net assets	20.1	13.1	53.1%
Capital Adequacy Ratio (N1)	14.5%	20.2%	-5.7 p.p.

Sales of POS-loans in MTS store, RUB bln/quarter\*

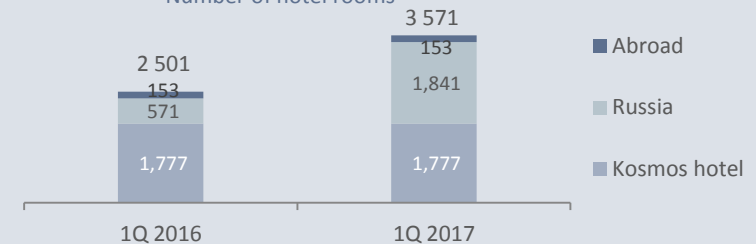


- > Revenue at MTS Bank declined by 14.7% YoY. The Bank returned to profitability thanks to an increase in consumer lending, lower provision charges and optimisation of operating expenses. MTS Bank issued RUB 4.5 bln of new consumer loans in 1Q 2017, compared to RUB 1.7 bln in 1Q 2016.
- > In line with its strategy, the Bank continued to grow sales of low-risk transaction products. In 1Q 2017, the share of fee and commission income increased to 20.6% compared to 13.7% in 1Q 2016. Interest income declined YoY due to a contraction of the Bank's balance sheet and lower interest rates on the Russian market.
- > MTS Bank continued to roll out a new digital strategy focused on remote customer service offerings. To build on synergies with MTS, the Bank launched a new product that allows MTS customers to take out microloans to pay for services using their mobile account. Loan repayment by MTS customers has been simplified with a system whereby funds are debited from mobile accounts, helping to improve credit histories of borrowers and prevent late repayments.
- > The Bank's N1 capital adequacy ratio remains at a comfortable level of 14.5% (the minimum allowed is 8%), having declined as a result of repayment of subordinate loans to shareholders.

## HOSPITALITY ASSETS

RUB bln	1Q 2017	1Q 2016	YoY
Revenue	0.8	0.5	58.6%
OIBDA	0.07	0.04	110.1%
OIBDA margin	8.9%	6.7%	2.2p.p.
Loss	-0.2	-0.07	n/a
Net debt	3.7	1.3	187.3%
Room capacity	3,771	2,501	50.8%

Number of hotel rooms



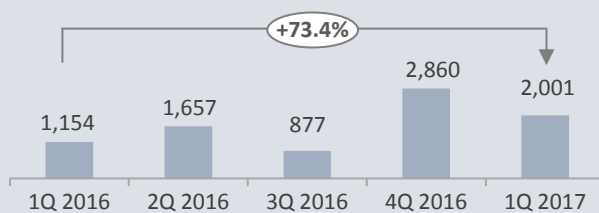
- > Revenue from hospitality assets in 1Q 2017 grew YoY as a result of Sistema Hotel Management's acquisition of Regional Hotel Chain in 4Q 2016. Regional Hotel Chain consists of 9 properties across Russia that operate under the Park Inn by Radisson, Courtyard by Marriott and Holiday Inn Express brands.
- > The consolidation of these hotels also positively impacted OIBDA, which more than doubled YoY, as well as OIBDA margin. The negative effect of a stronger rouble across a number of properties outside Russia was negated by higher occupancy rates.
- > In 1Q 2017, Russian hotels partially repaid bank loans ahead of schedule.



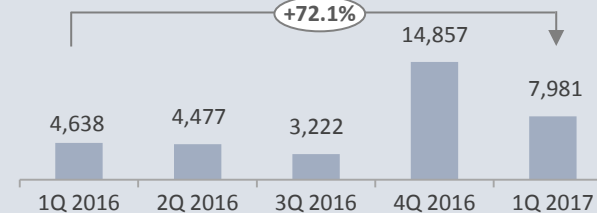
# REAL ESTATE ASSETS

RUB bln	Leader Invest 			Rental assets 		
	1Q 2017	1Q 2016	YoY	1Q 2017	1Q 2016	YoY
Revenue	2.4	1.3	85.9%	0.69	0.7	-2.6%
OIBDA	0.7	0.4	68.1%	0.06	0.06	4.6%
OIBDA margin	31.0%	34.2%	-3.2p.p.	8.7%	8.1%	0.6p.p.
Profit/(loss)	0.5	0.5	3.6%	-0.16	-0.2	n/a
Net debt/(net cash)	0.4	0.9	-59.1%	-1.3	-1.7	n/a

Cash inflow from sales at Leader-Invest, RUB mln



Sales of Leader Invest and MBI, sq m



- > Leader Invest's revenues grew by 85.9% to RUB 2.4 bln in 1Q 2017. As of the end of 1Q 2017, Leader Invest held 45,000 sq m of real estate in Moscow. Cash inflow from sales was up 73.4% YoY to RUB 2 bln, while sq m sold grew by 72.1% to nearly 8,000.
- > OIBDA at Leader-Invest increased by 68.1% YoY with an OIBDA margin of 31.0%. In 1Q 2017, the company delivered profit of RUB 0.5 bln.
- > At the beginning of the year, Leader Invest began work on 3 new projects in Moscow – Dom na Veshnyakovskoy, Dom v Kuskovo and Dom na Skhodnenskoy.
- > In 1Q 2017, Leader-Invest was granted permission to start construction work on 4 projects: 4/3 Nagatinskaya St., Mishina, S. Kovalevskaya and F. Poletayeva. The company also signed a general contractor agreement to carry out work on 120 Lobachevsky St., and the design contract for stages 3-5 of Nagatino i-Land.
- > Combined revenue of Sistema's rental assets (which also include Business Nedvizhimost and Mosdachrest) declined by 2.6% YoY. The slight decrease was due to the sale of some rental assets of Mosdachrest in previous periods.
- > Combined OIBDA of rental assets grew by 4.6%, while OIBDA margin increased from 8.1% to 8.7% in 1Q 2017. Rental assets posted a net loss in the reporting period due to an increase in property tax, which will be revised along with cadastral value of property in subsequent periods.





JOINT-STOCK FINANCIAL CORPORATION  
**SISTEMA**

Investor Relations  
Тел.: +7 (495) 692 22 88  
[www.sistema.ru](http://www.sistema.ru)