



JOINT-STOCK FINANCIAL CORPORATION

**SISTEMA**

# **Sistema PJSFC Financial Results 3Q 2017**

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Certain statements in this presentation may contain assumptions or forecasts in respect to forthcoming events within Sistema PJSC. 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.



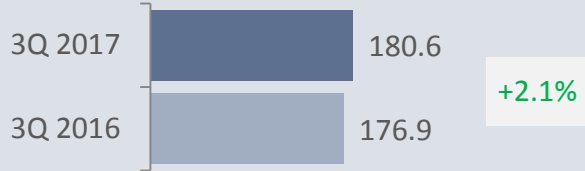
## Overview of performance



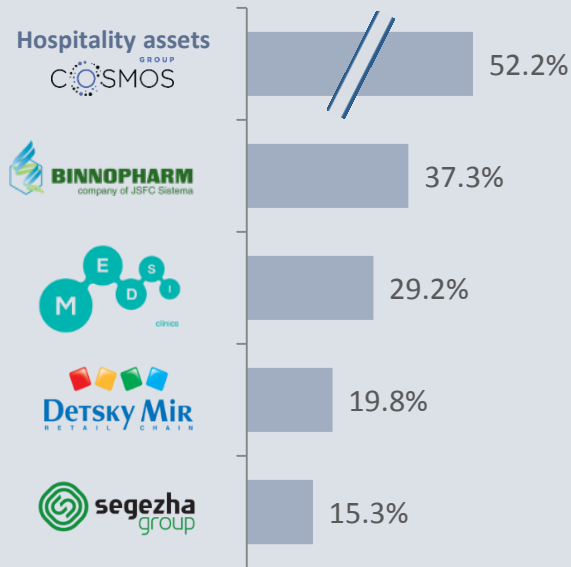
# KEY HIGHLIGHTS

## CONSOLIDATED REVENUE

IFRS, RUB bln

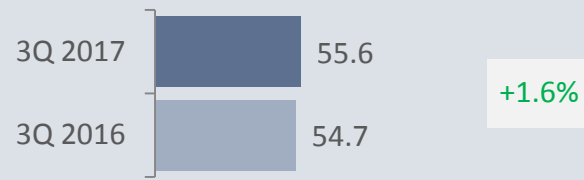


## FASTEST GROWING ASSETS<sup>1</sup>

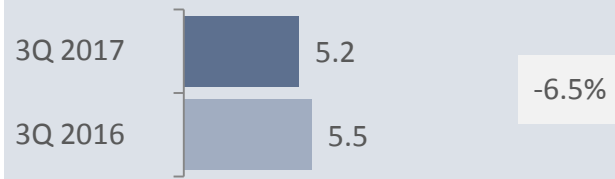


## ADJUSTED OIBDA

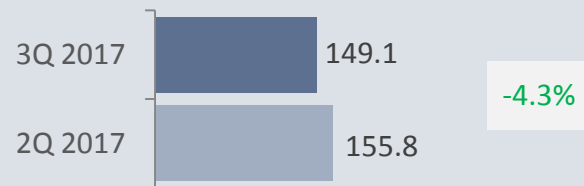
IFRS, RUB bln



## ADJUSTED PROFIT



## FIN LIABILITIES AT CORP CENTRE<sup>2</sup>



- Revenues up YoY due to robust growth at MTS, Detsky Mir, Medsi and Segezha Group, as well as acquisitions
- Russian portfolio companies posted 4.1% YoY revenue growth
- Healthy OIBDA growth driven by MTS, Detsky Mir and Agroholding Steppe
- Total financial liabilities at Corporate Centre down by 4.3% QoQ due to further reduction of liability to the Russian Government
- SSTL – Reliance Communications (RCom) merger completed in October with SSTL receiving 10% in RCom
- BoD recommended 9M 2017 dividend of RUB 6,562 mln in November in line with updated dividend policy

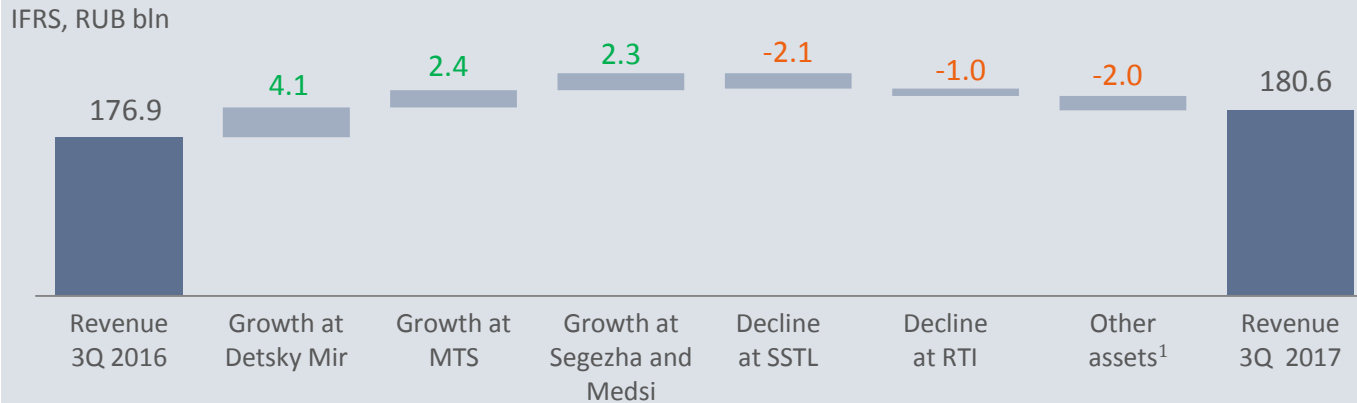
<sup>1</sup>By year-on-year revenue growth in 3Q 2017

<sup>2</sup>Excluding the amount payable for RTI shares, hedge agreements and swaps not designated as hedges. Source: management accounts



# FINANCIAL REVIEW

## CONSOLIDATED REVENUE ANALYSIS



- **Detsky Mir:** 6.1% like-for-like sales growth (best among Russian publicly traded retailers) and ramp-up of new stores
- **MTS:** solid mobile revenue growth in Russia
- **Segezha Group:** higher sales of paper and sawn timber driven by capacity expansion
- **Medsi:** growth of capacity utilisation in hospitals and clinics thanks to stronger vertical integration
- **RTI:** Rescheduling of contract work by clients in Defence Solutions

<sup>1</sup>Decline at other assets mainly related to deconsolidation of Moscapstroy since 3Q 2016

## ADJ. OIBDA ANALYSIS



- **MTS:** recovery of demand for international roaming, optimisation of costs in retail
- **Agroholding Steppe:** strong performance in field crop production and dairy farming
- **Detsky Mir:** further improvement of operational efficiency with rental and labour costs successfully optimised
- **SSTL:** maintenance costs remained while the company froze marketing ahead of a merger deal with RCom



# KEY HIGHLIGHTS IN 3Q 2017 AND BEYOND

## Growth across key portfolio assets



✓ Revenue and adj. OIBDA up 2.1% and 6.5% YoY, respectively, due to recovery in usage of international roaming and lower costs in retail. 2017 outlook improved to 0-2% growth in revenues and >5% in adj. OIBDA



✓ Best like-for-like sales growth (6.1%) among Russian public retailers. Revenues grew 19.8% YoY, with a strong adj. OIBDA margin of 12.4% reflecting Detsky Mir's focus on efficiency



✓ Continued recovery of revenue growth both in EUR terms (+20.1% YoY) and in rubles (+15.3% YoY). Averted adverse currency effects on OIBDA thanks to implementation of the plan aimed at boosting efficiency. A unique paper machine with capacity of 110,000 tonnes of paper per year launched in 4Q 2017.



✓ Stronger vertical integration has driven growth in capacity utilisation, with revenue and adj. OIBDA increasing by 29.2% and 2.5x YoY, respectively, in 3Q 2017.

## Strategic projects in the portfolio



✓ Share buyback plan totaling up to RUB 20 bln launched in September and will be effective until April 2019



✓ 10,000 hectares of land acquired in the Stavropol region in 4Q 2017. Since the start of the year Steppe's land bank grew by 21% to 380,000 hectares



✓ New clinic opened in Moscow (≈4,000 m<sup>2</sup>). MEDEM, one of the largest medical centers in St. Petersburg (≈6,800 m<sup>2</sup>) and Medlife, a leading group of clinics in the Perm Region (≈7,800 m<sup>2</sup>), acquired in 3Q 2017



✓ Merger of telecommunications business of SSTL with Reliance Communications completed in October. SSTL owns a 10% equity stake in RCom following a new share issue by the Indian operator

## Developments at the Corporate Centre



✓ **Shareholder returns:** RUB 7.8 bln dividends paid in 3Q 2017. Interim 9M 2017 dividends recommended by BoD in the amount of RUB 6,562 mln (equivalent to a dividend yield of 6% p.a. for 9M 2017)



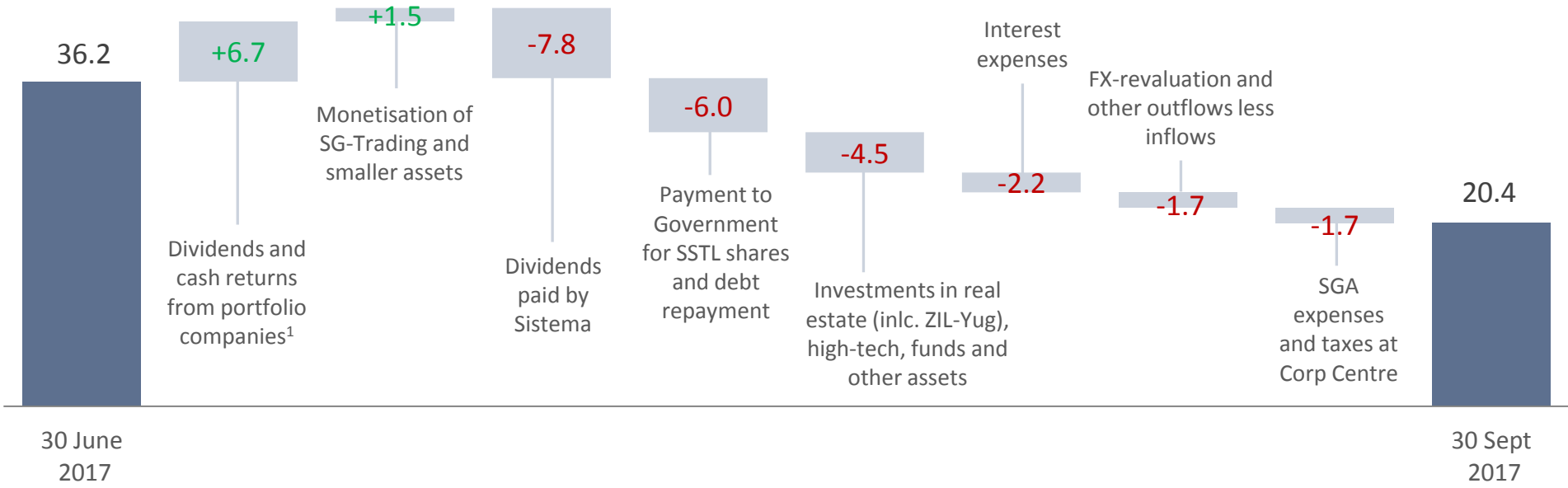
✓ **Rosneft's claim:** Hearings on Sistema's appeal against the Bashkortostan court's decision commenced in the Eighteenth Arbitration Court of Appeal in Chelyabinsk and are scheduled to continue on 4 December 2017

- **Growth momentum across key assets maintained**
- **Interim dividend proposal reflects solid performance of Sistema's portfolio companies**



# CASH FLOWS AT THE CORPORATE CENTRE

Management accounts, RUB bln



- ✓ Cash position as of 30 September 2017 reached RUB 20.4 bln, excluding RUB 9.8 bln<sup>2</sup> of FY 2016 dividends from MTS and BPGC frozen as part of the Rosneft court case
- ✓ During 4Q 2017, cash position will be supported by:
  - MTS and Detsky Mir dividends totaling RUB 4.2 bln<sup>2</sup> to be paid to Sistema, as well as dividends and cash returns from non-public assets
  - Proceeds from MTS share buyback of RUB 4.7 bln (based on shares purchased by MTS from Sistema Finance as of end of November 2017)
- ✓ In 4Q 2017, Sistema’s BoD recommended to pay interim dividends for 9M 2017 of RUB 6,562 mln. The dividends will be paid by 22 December 2017, subject to approval by a shareholder meeting on 28 November

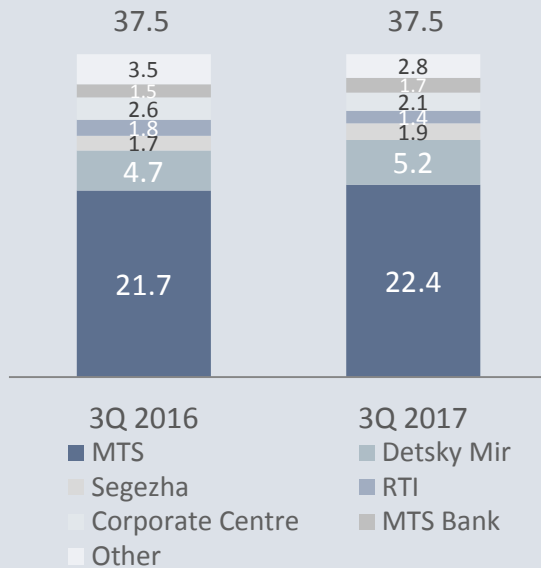
<sup>1</sup>Including RUB 4.6 bln and RUB 1.3 bln of dividends from MTS and Detsky Mir, respectively  
<sup>2</sup>Net of applicable tax



IFRS, RUB bln

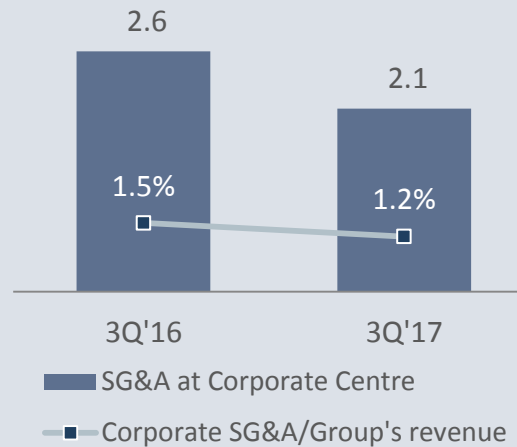
# SG&A AND CAPEX

## GROUP'S SG&A



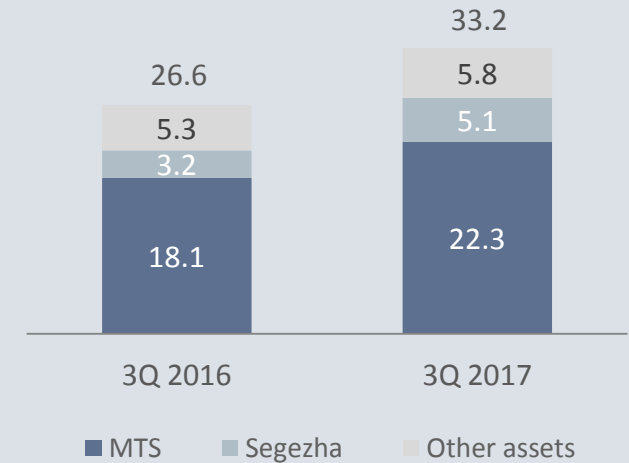
- Group SG&A down 0.1% YoY due to lower costs at RTI, SSTL and Corporate Centre
- Growth at Detsky Mir slower vs. revenues and driven by the expansion strategy
- Growth at MTS due to higher banking commissions and review of contractual obligations in Ukraine
- YoY improvements of SGA/Revenue ratio at:
  - Detsky Mir: down to 21.3% from 22.1%
  - Segezha Group: down to 16.1% from 16.5%
  - RTI: down to 15.2% from 17.9%

## CORPORATE CENTRE'S SG&A



- SG&A down YoY reflecting both cost control and differences in accrual bases (the 3Q 2016 number includes LTI-related accruals for both 2016 and 2015)
- Corporate Centre's SG&A/ Revenue ratio decreased from 1.5% in 3Q 2016 to 1.2% in 3Q 2017

## GROUP'S CAPEX



- The Group's CAPEX increased by 24.9% YoY, driven mainly by MTS and Segezha
- Growth at MTS (+22.9% YoY) in particular related to roll out of 3G network in Ukraine
- CAPEX at Segezha Group up by 56.6% YoY, as it continued to invest in the expansion of capacity in sack paper and plywood production

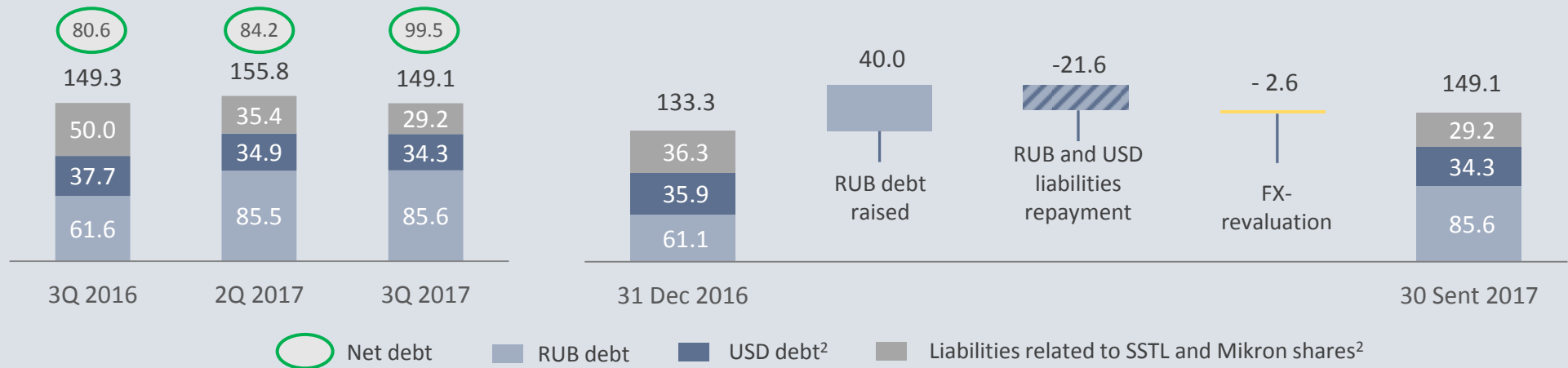




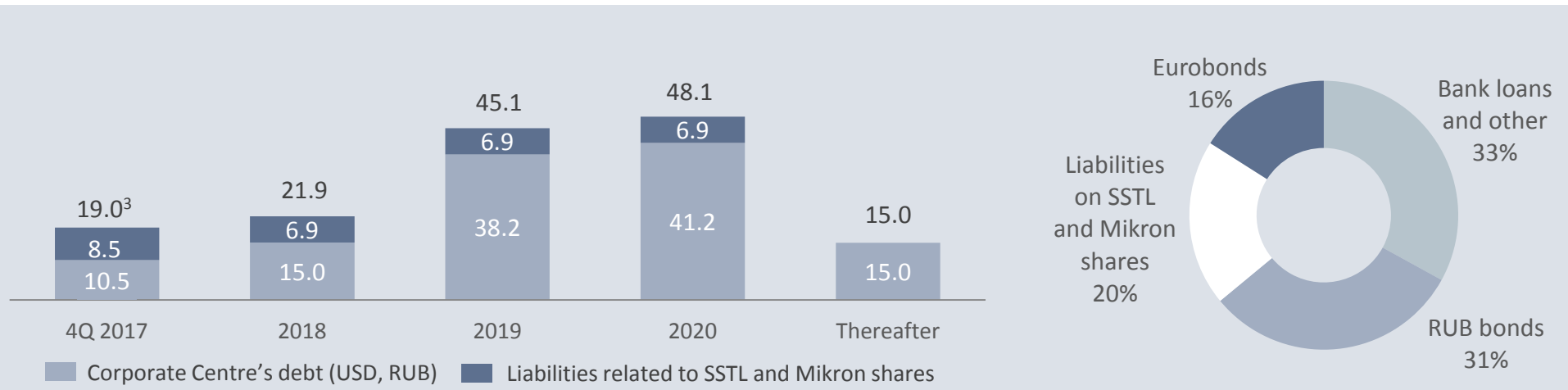
# CORPORATE CENTRE'S FINANCIAL LIABILITIES

## CORPORATE CENTRE'S FINANCIAL LIABILITIES<sup>1</sup> IN 2016-2017

Management accounts, RUB bln



## CORPORATE CENTRE'S FINANCIAL LIABILITIES STRUCTURE AND MATURITY PROFILE



**Financial liabilities at Corp Centre down by 4.3% in 3Q 2017 QoQ due to reduction of liability related to SSTL shares**

<sup>1</sup>Excluding the amount payable for RTI shares, hedge agreements and swaps not designated as hedges

<sup>2</sup>FX-Debt and USD-denominated liability to Rosimuschestvo for SSTL shares are presented at RUB/USD exchange rate as of 30 September 2017

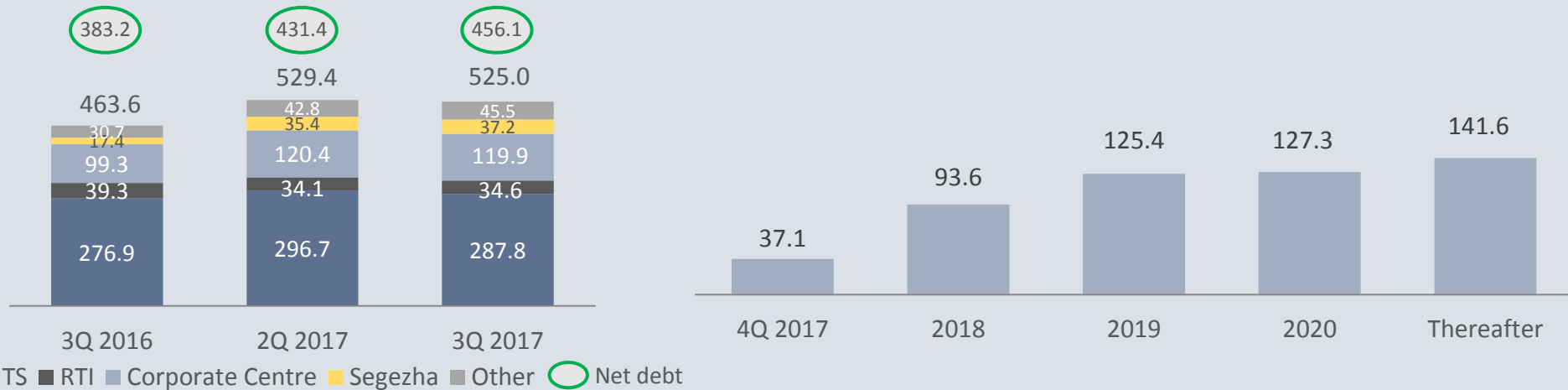
<sup>3</sup>Including RUB 10.2 bln of debt reclassified as current liabilities due to technical non-compliance with conditions of some credit facilities, that was announced by Sistema in 3Q 2017. As of the date of this presentation no acceleration event on this debt has occurred.



# CONSOLIDATED DEBT

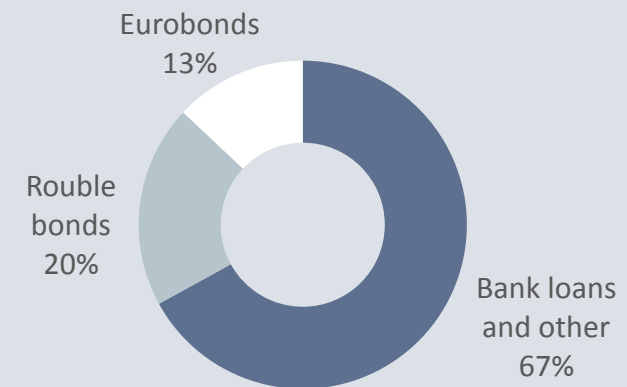
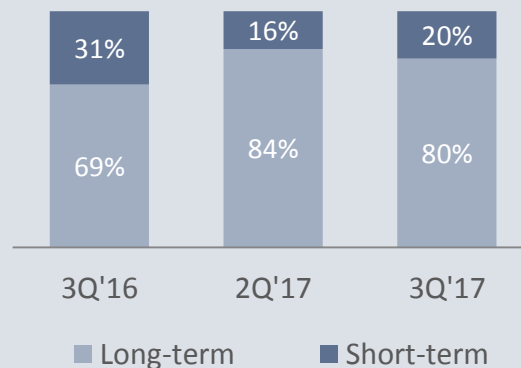
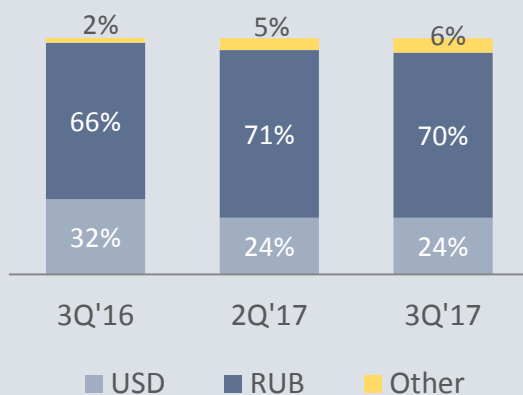
## CONSOLIDATED DEBT AND MATURITY PROFILE<sup>1</sup>

Management accounts, RUB bln



<sup>1</sup>Excluding other financial liabilities

## CONSOLIDATED DEBT STRUCTURE



- Consolidated debt decreased by 0.8% in 3Q 2017 QoQ
- Net debt/ LTM adj. OIBDA at 2.4x as of 30 September 2017

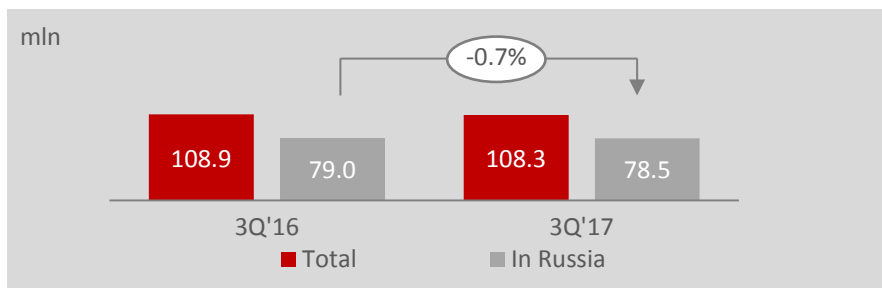


## Assets Overview

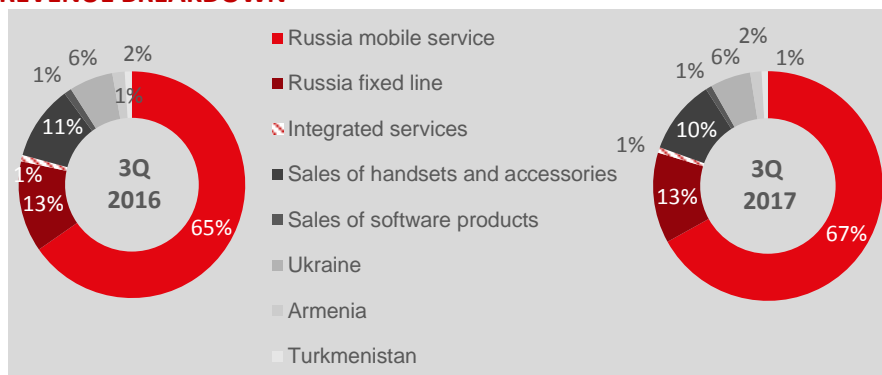
# MTS: STRONG RESULTS AMID FAVORABLE ECONOMIC AND MARKET CONDITIONS



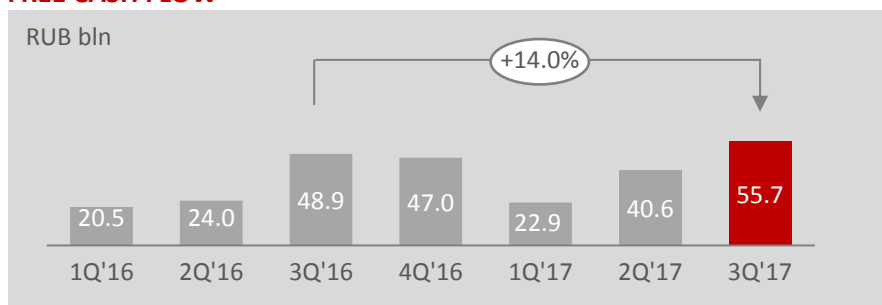
## SUBSCRIBER BASE



## REVENUE BREAKDOWN



## FREE CASH FLOW



RUB bln	3Q 2017	3Q 2016	YoY	9M 2017	9M 2016	YoY
Revenue	114.6	112.2	2.1%	326.1	324.1	0.6%
Adj. OIBDA	48.7	45.8	6.5%	134.0	126.4	6.0%
Adj. OIBDA margin	42.5%	40.8%	2.9 p.p.	41.1%	39.0%	2.1 p.p.
Adj. Profit <sup>1</sup>	9.6	6.5	46.6%	23.2	19.1	21.2%
Net debt	264.4	240.4	10.0%	264.4	240.4	0.1
CAPEX	22.3	18.1	22.9%	48.7	60.4	(19.4%)

Market share in Russia <sup>2</sup>	Total 9M 2017 traffic, minutes	My MTS 3-month active users	Retail stores
31.1%	270.2 bln	≈11 mln	5,710

### Strong results thanks to robust growth of business in Russia and Ukraine

- > 3.2% YoY increase in revenue from mobile business in Russia due to higher usage of data services and roaming, despite a decline in the number of subscribers
- > Strong growth of adj. OIBDA and adj. profit reflect revenue trends and optimisation of retail costs. Number of MTS retail stores decreased by 4.8% YoY to 5,710 as of end of the quarter.
- > Net debt to LTM adj. OIBDA ratio remained at 1.1x at the end of 3Q 2017.

### Retaining focus on shareholder returns

- > Share buyback plan totalling RUB 20 bln through April 2019 launched in 3Q 2017. An interim dividend of RUB 10.4 per share for 6M 2017 approved in September and paid in November

### Developments in Turkmenistan

- > Provision of telecommunications services in Turkmenistan suspended from 29 September 2017 as a result of the disconnection by state company Turkmentelecom of communications services and internet access. MTS recognised impairment of its non-current assets in Turkmenistan of RUB 1.1 bln in 3Q 2017.

<sup>1</sup>Here and thereafter profit is presented in Sistema's share

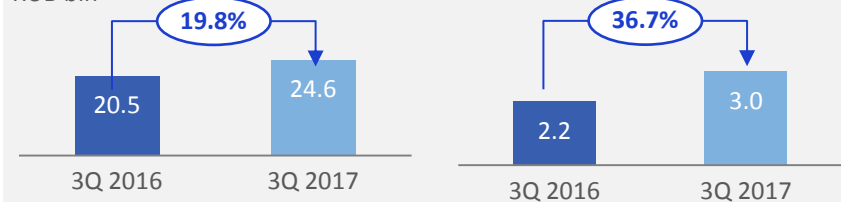
<sup>2</sup>The share in total subscriber base of Russia's Big4 telecom operators as of end of 2Q 2017. Numbers for active users and retail stores are presented as of 30 September 2017

# DETSKY MIR: CONTINUED GROWTH AND IMPROVEMENT IN PROFITABILITY DUE TO FOCUS ON EFFICIENCY



## REVENUE

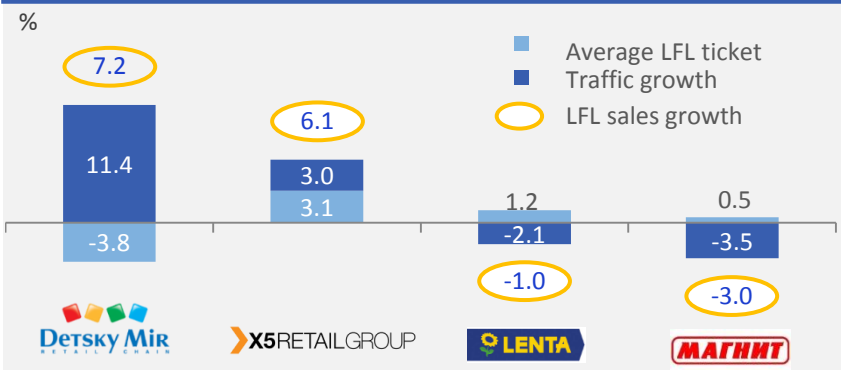
RUB bln



## ADJ. OIBDA

RUB bln	3Q 2017	3Q 2016	YoY	9M 2017	9M 2016	YoY
Revenue	24.6	20.5	19.8%	66.6	54.2	22.9%
Adj. OIBDA	3.0	2.2	36.7%	6.4	4.6	37.4%
Adj. OIBDA margin	12.4%	10.9%	1.5 p.p.	9.6%	8.6%	0.4 p.p.
Adj. profit	0.99	0.75	30.9%	1.50	1.22	22.7%
Net debt	13.8	12.5	9.9%	13.8	12.5	9.9%
SGA/revenue	21.3%	22.1%	(0.8 p.p.)	23.5%	24.6%	(1.1 p.p.)
Like-for-like growth <sup>2</sup>	6.1%	14.4%	(8.3 p.p.)	7.2%	14.0%	(6.8 p.p.)
Traffic growth	10.5%	11.0%	(0.5 p.p.)	11.4%	5.5%	5.9 p.p.
Average ticket dynamics	(4.0%)	3.0%	(7.0 p.p.)	(3.8%)	8.0%	(11.8 p.p.)
CAPEX	0.7	0.3	101.4%	1.2	0.9	31.5%

## MARKET LEADING LFL SALES GROWTH: 9M 2017



<b>Market share in Russia (2016)</b>	<b>E-commerce revenue CAGR (2011-16)</b>	<b>Detsky Mir loyalty cardholders<sup>3</sup></b>	<b>Dividends to be declared in 2017</b>
<b>17%</b>	<b>133%</b>	<b>17.3 mln</b>	<b>RUB 4.8 bln</b>

## Continued growth and stronger OIBDA profitability

- > Revenue increased due to ramp-up of newly opened stores and the strongest growth in like-for-like sales among Russia's public retailers (+6.1% YoY), driven by higher number of tickets
- > Revenue from e-commerce up by 50.3% YoY to RUB 0.9 bln for 3Q 2017. In 9M 2017 e-commerce represented 4.0% of total sales vs. 3.1% in 9M 2016
- > Adj. OIBDA margin up thanks to focus on operating efficiency, successful control of rental and labour costs. SG&A costs/revenue ratio improved to 21.3% vs. 22.1% in 3Q 2016

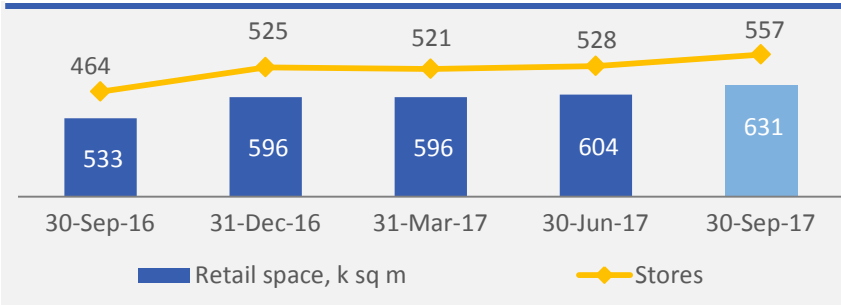
## Business expansion

- > 557 stores operated by Detsky Mir group as of 30 September 2017. In 4Q 2017 at least 50 new stores to be opened in Russia and Kazakhstan

## Shareholder returns

- > Total dividends to be declared in 2017 to reach RUB 4.8 bln, up 8% YoY

## SELLING SPACE (THSD M<sup>2</sup>) AND NUMBER OF STORES<sup>1</sup>



<sup>1</sup>In 9M 2017, Detsky Mir closed 4 stores to relocate them.

<sup>2</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.

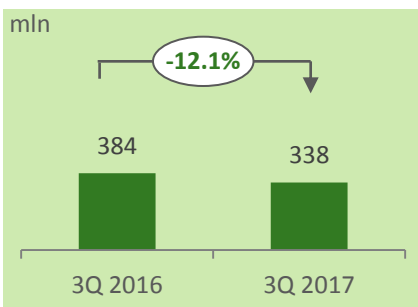
<sup>3</sup>As of 30 September 2017

# PAPER AND PACKAGING HOLDING SEGEZHA GROUP: AVERTING FX PRESSURES VIA EFFICIENCY PLAN

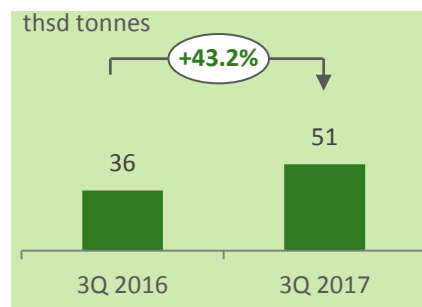


## Main operating performance: sales

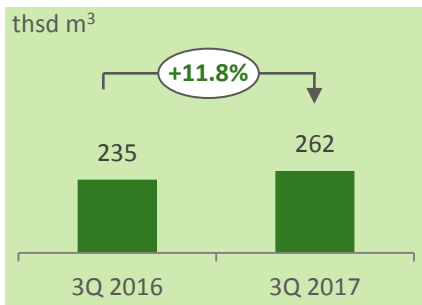
### PAPER SACKS



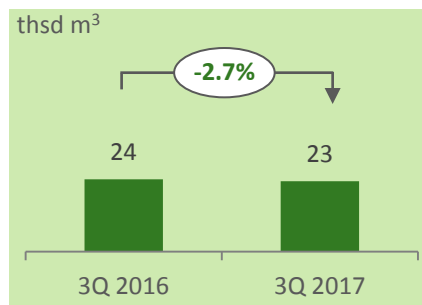
### SACK PAPER<sup>1</sup>



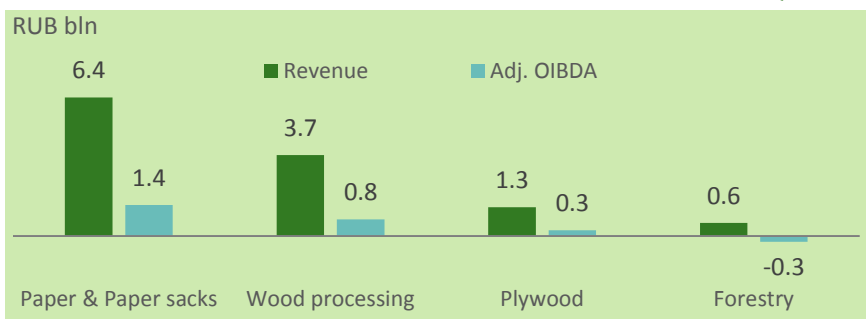
### SAWN TIMBER



### PLYWOOD



## REVENUE AND ADJUSTED OIBDA BY BUSINESS SEGMENTS IN 3Q 2017



<sup>1</sup>Including sales of paper and paper board

<sup>2</sup>Metrics in the tables hereinafter are presented as of 30 September 2017

RUB bln	3Q 2017	3Q 2016	YoY	9M 2017	9M 2016	YoY
Revenue	12.1	10.5	15.3%	32.4	31.9	1.5%
Adj. OIBDA	2.2	2.2	1.7%	5.0	6.8	(26.2%)
Adj. OIBDA margin	18.4%	20.8%	(2.4 p.p.)	15.5%	21.4%	(5.9 p.p.)
Adj. Profit/(Loss)	0.5	0.2	n/a	(0.2)	1.7	n/a
Net debt	31.3	15.9	97.5%	31.3	15.9	97.5%
CAPEX	5.1	3.2	56.6%	9.1	7.4	22.7%
Share of FX-denom. revenues	69.0%	69.0%	-	67.6%	70.0%	(2.4 p.p.)
Own forestry consumption	62.1%	61.0%	1.1 p.p.	62.1%	58.2%	3.9 p.p.
Total forestry, '000 m <sup>3</sup>	904.0	916.5	(1.4%)	2,896.8	2,717.6	6.6%

Leased forest fund <sup>2</sup>	Exports destinations	Capacity in sack paper	Capacity in paper sacks	Capacity in plywood
6.8 mln ha	88 countries	286 thsd tonnes	1.73 bln pcs	95 thsd cu m

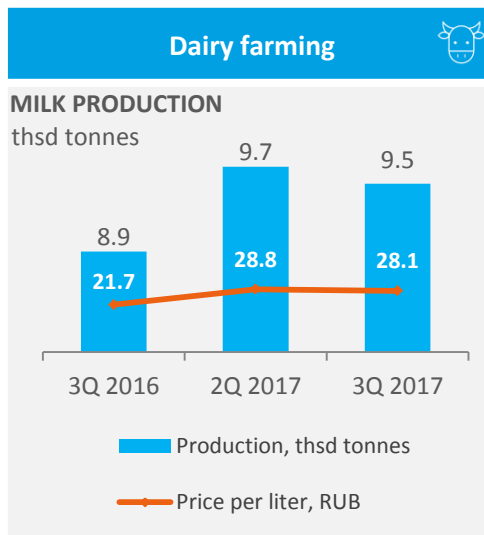
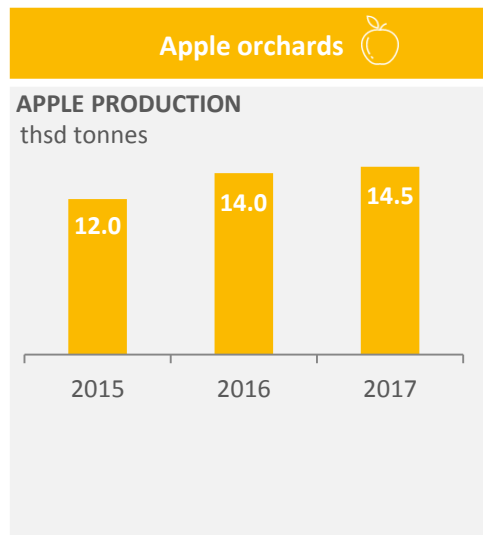
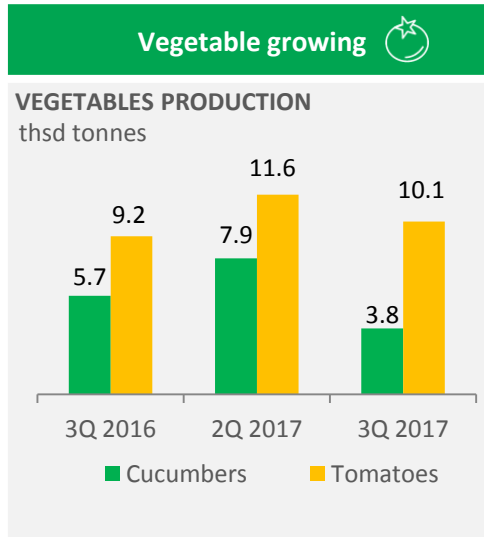
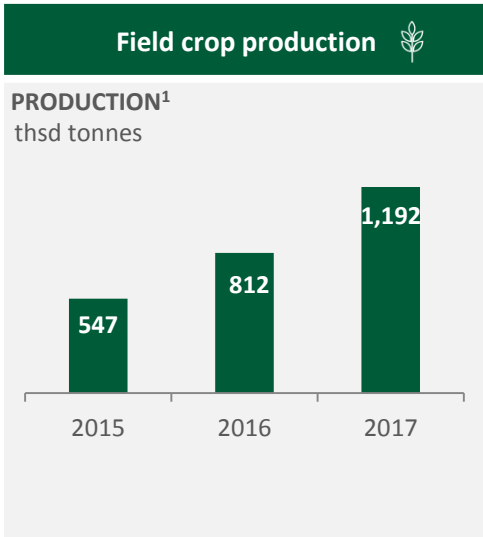
## Growth of revenue and stable OIBDA despite FX-rate pressures

- > Revenue increased YoY in 3Q 2017 thanks to higher sales of sack paper and sawn timber. Sales of paper sacks down YoY due to lower demand in the construction sector in Russia amid an atypically cold summer
- > Pressures from FX rate remained with EUR and USD depreciation vs. RUB of 4% and 9% YoY, respectively (~69% of Segezha's revenue are FX-denominated)
- > 3Q 2017 adj. OIBDA maintained at the same level as a year earlier with implementation of measures to improve efficiency, incl. by managing purchase prices for raw materials and reducing logistics and administrative costs
- > Bottom-line profitability was also positively affected by a decline in interest rates and optimisation of the cost of debt during the year

## Expansion of production capacity through extensive investment programme

- > A unique paper-production machine with capacity of 110 thsd tonnes per year launched in November (group capacity to be expanded to 380 thsd tonnes of paper per year)
- > Construction of a plywood mill in Kirov with capacity of 86 thsd cu m per year continued (~90% of current group capacity in plywood)

# AGROHOLDING STEPPE: RECORD HARVEST DRIVES OPERATING AND FINANCIAL PERFORMANCE



## Agroholding Steppe<sup>2</sup>

RUB bln	3Q 2017	3Q 2016	YoY	9M 2017	9M 2016	YoY
Revenue	3.7	3.5	5.9%	6.8	6.3	7.7%
Adj. OIBDA	1.7	1.0	66.8%	3.9	1.7	124.5%
Adj. OIBDA margin	46.9%	29.8%	17.1 p.p.	57.0%	27.4%	29.6 p.p.
Adj. Profit	0.8	0.6	30.5%	1.8	0.2	628.0%
Net debt	12.7	1.5	8.7x	12.7	1.5	8.7x
CAPEX	0.5	0.2	132.8%	1.5	0.5	187.3%

Total land bank	Dairy cows herd	Apple orchards	Greenhouses area
380 thsd ha	≈4,200	780 hectares	144 hectares

## Strong financial and operating results across major segments

- > Gross field crop harvest of Steppe assets up by 46.8% YoY to a record-setting 1,192 thsd tonnes. A portion of the harvest was allocated for sale in subsequent quarters in order to maximise revenue.
- > Strong 5.1 tonnes/ha average crop yield maintained in the 2017 harvest season.
- > 9% YoY growth of the herd and 29% YoY increase in milk prices resulted in a 43.2% YoY revenue growth in the milk production segment.
- > Apple harvest up 4% YoY as young orchards came into targeted output levels.
- > Adj. OIBDA increased mainly thanks to results of the field crop segment due to increased area under cultivation and strong yields.

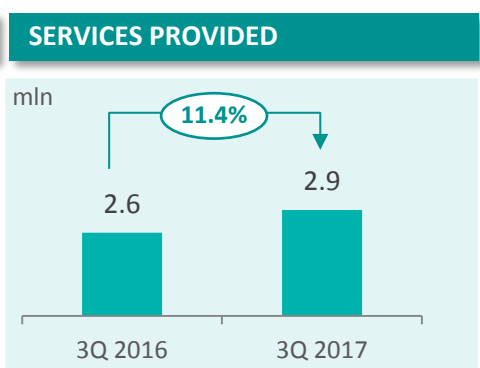
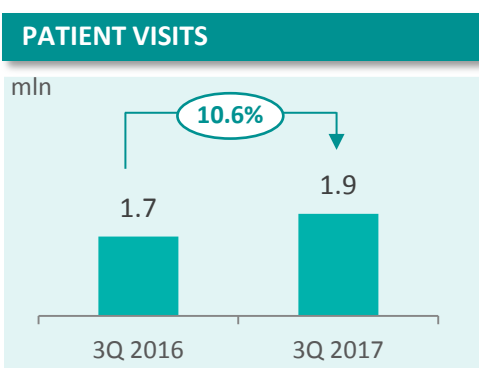
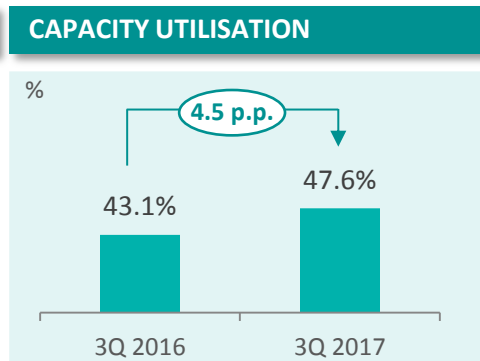
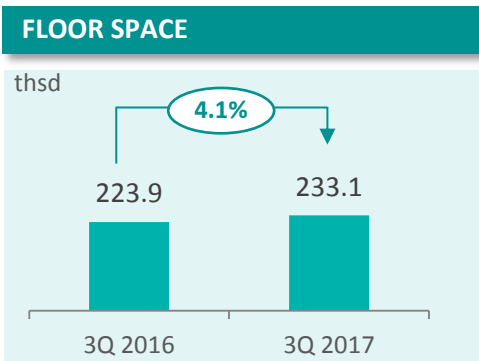
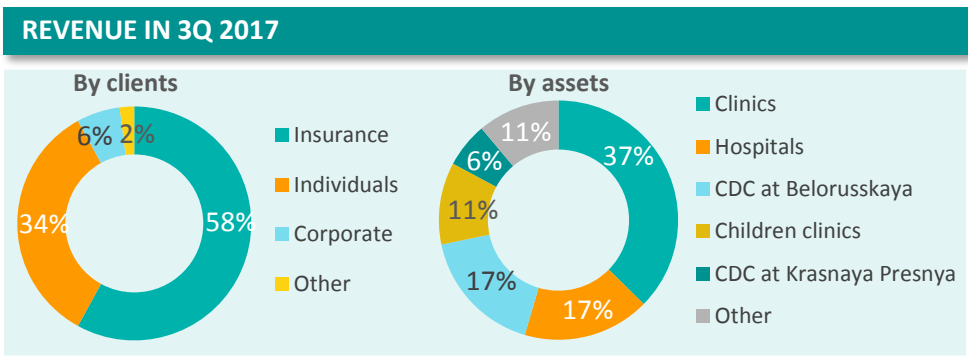
## CAPEX and land bank expansion

- > CAPEX of 3Q 2017 included construction of a new dairy farm for 1,800 cows and equipment upgrades in field crop segment.
- > In 4Q 2017, Steppe finalised the acquisition of 10 thsd hectares of land in the Stavropol region, bringing the land bank to 380 thsd hectares.

<sup>1</sup>Including Steppe and RZ Agro

<sup>2</sup>Excluding the results of the RZ Agro joint venture, where Steppe owns 50%. RZ Agro's revenues, OIBDA and profit in 3Q 2017 were RUB 1.4 bln, RUB 0.5 bln and RUB 0.4 bln, respectively

# MEDSI: BOOSTING UTILISATION THANKS TO STRONGER VERTICAL INTEGRATION AND RAMP-UP OF NEW FLAGSHIP FACILITY



RUB bln	3Q 2017	3Q 2016	YoY	9M 2017	9M 2016	YoY
Revenue	2.9	2.2	29.2%	8.2	6.8	20.4%
Adj. OIBDA	0.5	0.2	2.5x	1.6	0.4	4.4x
Adj. OIBDA margin	16.7%	8.8%	7.9 p.p.	19.6%	5.4%	14.2 p.p.
Adj. Profit/(Loss)	0.2	(0.1)	n/a	0.5	(0.6)	n/a
Net cash	0.3	1.1	(69.9%)	0.3	1.1	(69.9%)
Patient visits, '000	1,897	1,716	10.60%	5,710	5,325	7.2%
Services provided, '000	2,948	2,647	11.4%	8,978	8,389	7.0%

Number of facilities <sup>1</sup>	Out-patient visits (capacity)	Services provided (capacity)	Doctors employed
40	11,033 thsd	17,200 thsd	2.5 thsd

#### Strategic focus

> Building a vertically integrated medical group and expansion in the Russian market, with a focus on operational efficiency

#### Strong operating and financial results

> Revenue increased in 3Q 2017 mainly thanks to higher capacity utilisation at most assets, in particular inpatient facilities and the Clinical-Diagnostic Centre at Krasnaya Presnya (CDCK).

> Number of visits at the CDCK grew by 2.6 times YoY to 111.5 thsd in 3Q 2017. CDCK accounted for 6% of Medsi's revenue and reached capacity utilisation of 24% (based on total capacity of more than 1.87 mln visits per year).

> Adj. OIBDA grew thanks to 89.3% YoY increase in OIBDA from primary care clinics in Moscow as capacity utilisation improved and higher margin services accounted for a larger share of revenue. CDCK turned OIBDA-positive with an OIBDA margin of 25.6%.

#### CAPEX and M&A in 3Q 2017

> CAPEX up 2.5 times YoY due to clinic openings and acquisitions of regional assets.

> A new family clinic with ≈4 thsd m<sup>2</sup> launched in Moscow. Acquisition of MEDEM, one of the largest medical centres in St. Petersburg (6.8 thsd m<sup>2</sup>) as well as a 60% stake in Medlife, the leading chain of clinics in the Perm region (7.8 thsd m<sup>2</sup>).

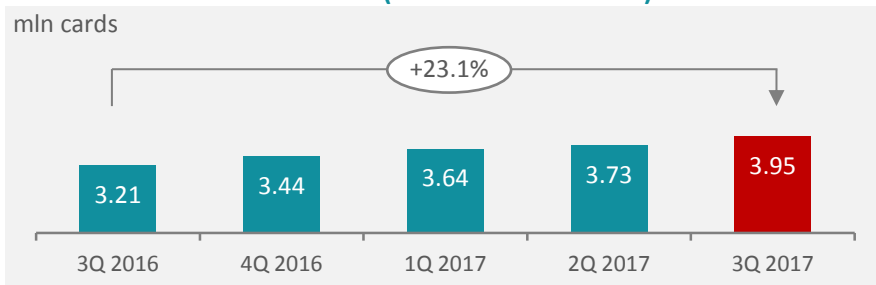
<sup>1</sup>Metrics in the tables hereinafter are presented as of 30 September 2017



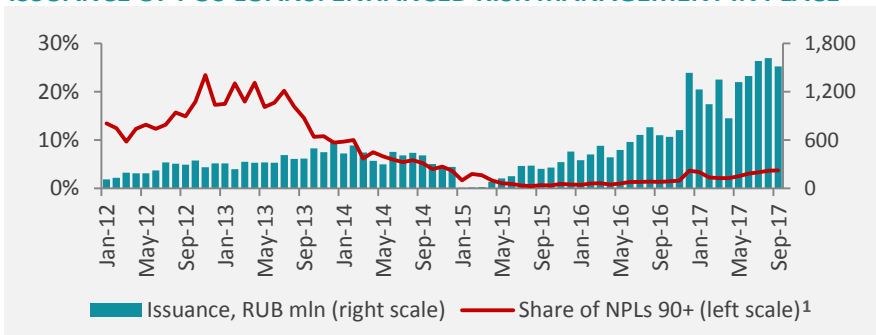
# MTS BANK: CONFIRMED RECOVERY IN PROFITABILITY AND GOOD STRATEGIC PROGRESS



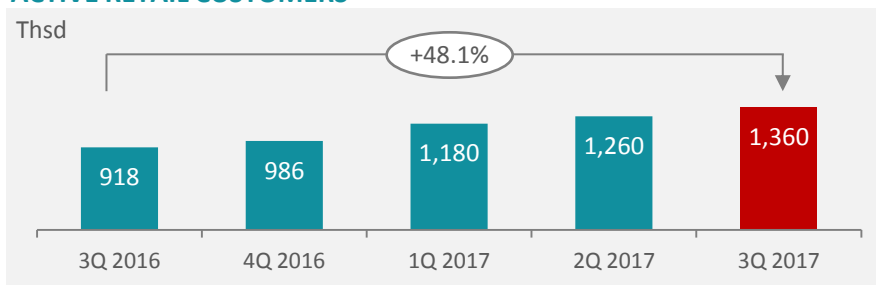
## MTS MONEY CARDS ISSUANCE (ALL TYPES OF CARDS)



## ISSUANCE OF POS LOANS: ENHANCED RISK MANAGEMENT IN PLACE



## ACTIVE RETAIL CUSTOMERS



RUB bln	3Q 2017	3Q 2016	YoY	9M 2017	9M 2016	YoY
Revenue <sup>2</sup>	4.7	4.5	3.2%	13.4	13.9	(4.1%)
Profit/(Loss)	0.5	0.6	(23.9%)	0.6	(0.6)	n/a
Interest income	3.6	3.8	(4.2%)	10.4	11.4	(8.6%)
Commission income	1.0	0.9	18.4%	2.9	2.4	20.7%
Net assets	21.4	13.9	53.8%	21.4	13.9	53.8%
Capital adequacy ratio (N1.1)	8.9%	6.7%	2.2 p.p.	8.9%	6.7%	2.2 p.p.

Total assets <sup>3</sup>	Total loan book, gross	Customer deposits	Retail deposits
RUB 132.4 bln	RUB 87.0 bln	RUB 105.6 bln	RUB 70.0 bln

### MTS Bank is profitable on the bottom-line for the third consecutive quarter

- > Revenue increased in 3Q 2017, as growth of sales of MTS-Smart debit cards helped drive fee and commission income 18.4% higher YoY.
- > Interest income declined in 3Q 2017 as a result of contraction in net interest margin due to lower rates in Russia. This was mitigated by an increase of the share of retail loans in the net loan book to 57.5% at end of 3Q 2017, from 53.1% a year earlier.

### Strategic focus: building a digital bank in cooperation with MTS and other Sistema-owned companies

- > Quarterly sales of point-of-sale loans via MTS stores up 2.4 times YoY to RUB 7.1 bln for 3Q 2017 based on significantly improved credit scoring systems
- > 11% of retail loan applications generated via digital channels in 3Q 2017 as compared to 0.6% in 3Q 2016.
- > Number of active retail customers up 48.1% YoY to 1.36 mln as of 30 September 2017.

<sup>1</sup>Loans classified as 90 days+ NPLs within 12 months after issuance (2017 numbers are based on the model forecast)

<sup>2</sup>All metrics in the table exclude results of East-West United Bank (EWUB) and the result of divestment of 47% in EWUB in 2Q 2017

<sup>3</sup>Metrics hereinafter are presented as of 30 September 2017 in accordance with IFRS



# REAL ESTATE ASSETS AND INDIAN TELECOM OPERATOR

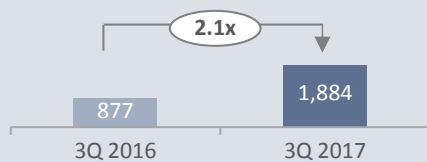
## Leader Invest

RUB bln	3Q 2017*	3Q 2016	YoY	9M 2017*	9M 2016	YoY
Revenue	1.0	0.8	28.1%	5.7	4.1	36.5%
OIBDA	(0.1)	0.1	n/a	1.6	1.3	23.9%
OIBDA margin	n/a	17.5%	n/a	29.0%	31.9%	0.7 p.p.
(Loss)/Profit	(0.3)	0.2	n/a	0.4	1.2	(63.7%)
Net debt	1.0	0.8	27.7%	1.0	0.8	27.7%

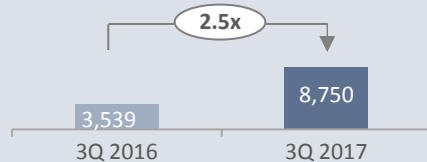
## Rental assets

RUB bln	3Q 2017	3Q 2016	YoY	9M 2017	9M 2016	YoY
Revenue	0.8	1.4	(41.0%)	3.6	3.1	16.4%
OIBDA	0.4	1.1	(65.8%)	1.1	1.8	(37.9%)
OIBDA margin	42.9%	73.9%	(31.0 p.p.)	31.0%	58.1%	(27.1p.p.)
Profit	0.2	0.5	(62.5%)	0.3	0.6	(37.1%)
Net debt	(1.9)	(2.0)	n/a	(1.9)	(2.0)	n/a

Cash generation from Leader Invest real estate sales, RUB mln



Leader Invest sales, m<sup>2</sup>



### Leader Invest

- > 3Q 2017 sales volumes up 2.5 times YoY to 8,750 m<sup>2</sup>, driven by an increase in the number of apartments sold in infill Comfort and Business class projects.
- > Revenue increased in particular as a result of adoption of a new financial reporting standard (IFRS 15) from 1 January 2017 which allowed to recognise additional revenues in connection with amendments to the Law on Shared Participation in Construction coming into force; the amendments limit a buyer's right to unilaterally terminate a contract.
- > Sales portfolio reached 134.3 thsd m<sup>2</sup> of real estate in Moscow at end of 3Q 2017. Two Premium class buildings and a Business class building expected to be operationally launched in 4Q 2017.

### Rental assets

- > Revenue and OIBDA declined YoY in 3Q 2017, due to recognition of revenue from the sale of assets in 3Q 2016.

## SSTL

RUB bln	3Q 2017	3Q 2016	YoY	9M 2017	9M 2016	YoY
Revenue	0.9	3.0	(69.0%)	3.7	10.4	(64.8%)
OIBDA	(1.2)	(0.3)	n/a	(3.8)	(0.7)	n/a
Loss	(1.5)	(0.8)	n/a	(4.5)	(3.5)	n/a
Net debt	4.9	1.8	166.6%	4.9	1.8	166.6%

- > 3Q 2017 results reflect freeze of client acquisition and marketing campaigns, as Sistema and Reliance Communications ("RCom") worked toward the merger of SSTL's telecom business with RCom. The merger was completed in October 2017, and SSTL now owns a 10% equity stake in RCom.
- > SSTL may be entitled to an earn-out payment from RCom if the Indian Department of Telecommunications and the courts confirm that SSTL's spectrum can be used for deployment of 4G networks without any additional payments.

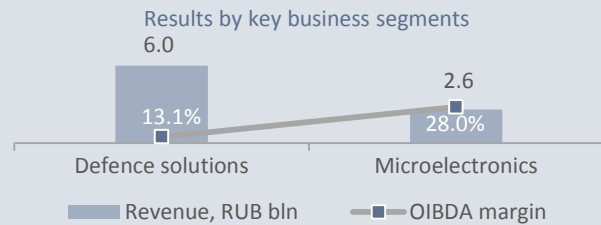
\*Leader Invest results for 3Q 2017 and 9M 2017 are presented in accordance with IFRS 15. 3Q 2016 and 9M 2016 results are presented in accordance with IAS 18



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

## RTI

RUB bln	3Q 2017	3Q 2016	YoY	9M 2017	9M 2016	YoY
Revenue	9.3	10.3	(9.7%)	26.2	30.4	(14.0%)
OIBDA	1.33	1.12	19.4%	1.6	2.8	(43.1%)
OIBDA margin	14.4%	10.9%	3.5 p.p.	6.0%	9.1%	(3.1 p.p.)
Loss	(0.9)	(0.6)	n/a	(3.9)	(1.7)	n/a
Net debt	31.4	33.4	(6.1%)	31.4	33.4	(6.1%)
Share of debt related to state defence contracts*	13%	34%	(21 p.p.)	13%	34%	(21 p.p.)



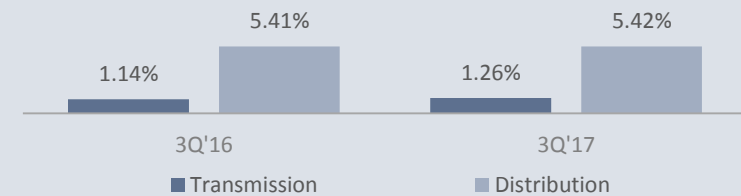
- > Revenue declined in 3Q 2017 YoY due to rescheduling of work to later quarters across a number of contracts in the Defence Solutions business unit. This was mitigated by revenue growth of 14% YoY in the Microelectronics business unit ("MBU"), as a result of increased import substitution of electronic components and heightened demand for Mikron's products.
- > An increase in OIBDA and OIBDA margin driven by MBU, in particular by the recognition of income from subsidies for microchip production for the Mir national payment system cards, as well as an increased share of revenue from high-margin technologies developed by in-house R&D.
- > The share of debt related to state defence contracts declined YoY due to the Defence Ministry's gradual transition from credit financing for defence procurements. RTI also has on its accounts additional funds earmarked for state defence orders amounting to RUB 6.5 bln that are not included in the net debt calculation.
- > In June 2017, the Moscow Arbitration Court agreed to hear lawsuit by the Ministry of Defence ("MoD" or "the Claimant") seeking penalties of RUB 4.97 billion from RTI JSC. A court hearing for this case has been scheduled to continue on 6 December 2017. RTI JSC believes that there is no legal basis for satisfying the Claimant's claims. RTI JSC continues to work with the MoD on a number of projects.

\*With effectively zero interest rate

## BPGC

RUB bln	3Q 2017	3Q 2016	YoY	9M 2017	9M 2016	YoY
Revenue	4.1	3.9	5.1%	12.6	11.4	10.2%
OIBDA	1.3	1.4	(6.8%)	4.2	4.0	3.4%
OIBDA margin	31.9%	36.0%	(4.1 p.p.)	33.0%	35.1%	(2.1 p.p.)
Profit	0.6	0.7	(4.7%)	2.0	1.9	7.1%
CAPEX	1.2	0.8	41.8%	2.5	2.9	(14.6%)

### Losses on distribution and transmission grids



- > 3Q 2017 revenue growth driven by the indexation of tariffs for electricity transmission services from 1 July 2017.
- > Robust OIBDA margin delivered in both 3Q and 9M 2017. OIBDA and profit declined in 3Q 2017 YoY due to an increase in the cost of network losses, largely as a result of an increase in the market price for electricity.
- > CAPEX increased in 3Q 2017 by 41.8% YoY. The company continued work on modernising Ufa's electricity grid using Smart Grid technologies, and on building new power supply facilities and power transmission lines.
- > In 4Q 2017 BPGC plans to complete the construction of the Kustarevskaya, Spartak and Alekseevka substations and put them into operation.

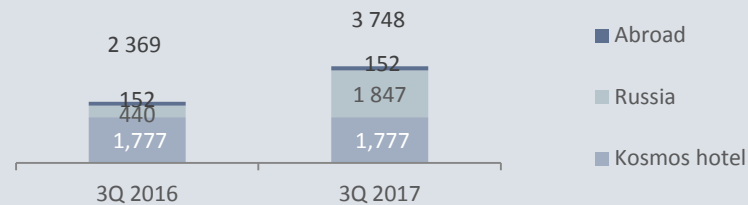


# HOSPITALITY ASSETS AND PHARMACEUTICALS (BINNOPHARM)

## HOSPITALITY ASSETS

RUB bln	3Q 2017	3Q 2016	YoY	9M 2017	9M 2016	YoY
Revenue	1.3	0.9	52.2%	3.2	2.0	60.4%
OIBDA	0.5	0.3	41.2%	0.9	0.5	91.1%
OIBDA margin	35.5%	38.3%	(2.8 p.p.)	26.8%	22.4%	4.4 p.p.
Profit/(Loss)	0.1	0.1	(26.6%)	(0.1)	0.0	n/a
Net debt	3.5	1.0	3.4x	3.5	1.0	3.4x
Room capacity	3,748	2,369	58.2%	3,748	2,369	58.2%

Number of hotel rooms by regions

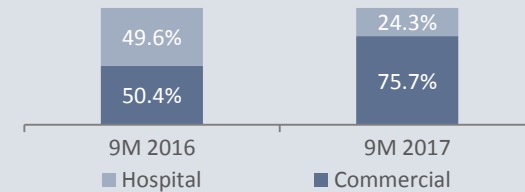


- > Revenue growth driven by expansion in the number of hotel rooms following the acquisition of Regional Hotel Chain (RHC) in 3Q 2016 and 6.7% revenue growth at Hotel Cosmos, the largest of Sistema's hospitality assets, as a result of a higher occupancy rate.
- > OIBDA grew due to consolidation of new assets as well as increased OIBDA at Cosmos on the back of revenue growth.
- > Decrease in profit in 3Q 2017 due to higher interest expenses as a result of the consolidation of RHC assets.
- > New 243-room Holiday Inn Express Moscow Paveletskaya opened in November 2017. Thanks to its favourable location in central Moscow and recognisable international brand, occupancy at the hotel is expected to exceed 50% in 2018.

## Binnopharm

RUB bln	3Q 2017	3Q 2016	YoY	9M 2017	9M 2016	YoY
Revenue	0.4	0.3	37.3%	1.3	1.1	20.8%
OIBDA	(0.03)	0.01	n/a	0.2	0.1	64.7%
OIBDA margin	n/a	3.7%	n/a	11.3%	8.3%	9.5 p.p.
Loss	(0.09)	(0.07)	n/a	(0.10)	(0.13)	n/a
Net debt	1.9	1.1	85.2%	1.9	1.1	85.2%

Growth of commercial segment in revenue



- > 3Q 2017 revenue up YoY thanks to increased sales of own medicines and an expanded product portfolio following the acquisition of Alpharm in 4Q 2016. Sales of the group's own products increased by 22% YoY in 3Q 2017, with over-the-counter (OTC) products accounting for more than 50% of the product portfolio for the first time.
- > OIBDA loss primarily related to an increase in the proportion of sales accounted for by seasonal OTC products (which have peak sales in the first and fourth quarters) as well as a one-off delay in the supply of medicines from third-party producers.
- > Registration of new neuroprotectant product Neurocholine completed during 3Q 2017, providing a significant boost to the value of Binnopharm's neurological portfolio. Binnopharm also submitted applications to register an additional 7 drugs.
- > Research and development initiatives continued in 9M 2017, with the development of four coformulated cardiology and neurology drugs that are expected to launch in 2019-2020.



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