



SISTEMA ANNOUNCES FINANCIAL RESULTS FOR THE FOURTH QUARTER AND FULL YEAR 2017

Moscow, Russia – 3 April 2018 – Sistema PJSFC (“Sistema” or the “Company”, together with its subsidiaries, “the Group”) (LSE: SSA, MOEX: AFKS), a publicly-traded diversified holding company operating primarily in Russia and the CIS, today announces its consolidated financial results in accordance with International Financial Reporting Standards (IFRS) for the fourth quarter and full year ended 31 December 2017.

OPERATIONAL AND STRATEGIC HIGHLIGHTS

- Continued revenue growth driven by publicly-traded assets, Medsi and hospitality business
- All key assets profitable on adjusted OIBDA level
- Landmark IPO of Detsky Mir in the first quarter of 2017 with share price up 13% by end of March 2018
- Completion of merger of SSTL’s telecommunications business with Reliance Communications
- Interim dividend of RUB 2.3 billion paid for 9M 2017. Dividends totalling RUB 4.2 billion were not paid to majority shareholder Vladimir Evtushenkov at his request
- Andrey Dubovskov appointed as Sistema President in March 2018

FULL YEAR 2017 FINANCIAL RESULTS

- Consolidated revenues up 3.5% YoY to RUB 704.6 billion
- Adjusted OIBDA¹ up 8.0% YoY to RUB 199.5 billion, with an adjusted OIBDA margin of 28.3%
- Detsky Mir, Medsi and Steppe delivered 21.9%, 24.0% and 22.2% YoY revenue increases, respectively, with OIBDA margins of 11.0%, 16.9% and 39.4%, respectively
- Adjusted profit attributable to Sistema¹ of RUB 4.1 billion, up 178.1% YoY

FOURTH QUARTER FINANCIAL RESULTS

- Group revenues up 8.4% YoY to RUB 198.6 billion.
- Adjusted OIBDA¹ up 13.8% YoY to RUB 47.3 billion with an adjusted OIBDA margin of 23.8%
- Adjusted loss attributable to Sistema¹ of RUB 1.6 billion
- Net financial liabilities at the Corporate Centre level² of RUB 213.4 billion as of 31 December 2017
- Cash position³ at the Corporate Centre level as of 31 December 2017 amounted to RUB 13.6 billion

COURT CASE AND SETTLEMENT WITH ROSNEFT

- A RUB 106.6 billion claim against Sistema and its subsidiary Sistema-Invest was filed in the Republic of Bashkortostan Arbitration Court (the “Court”) in May 2017 by Rosneft and Bashneft, and joined later by the Republic of Bashkortostan to recover damages allegedly incurred by Bashneft during its reorganisation in 2014. The size of the claim was subsequently increased to RUB 170.6 billion. In June 2017, the Court imposed an arrest on the following Sistema assets: 31.8% in the share capital of MTS, 100% in the share capital of Medsi and 90.47% in the share capital of Bashkirian Power Grid Company. In addition, the bailiffs service imposed restrictive measures limiting Sistema’s right to receive income on the arrested shares.
- A RUB 131.6 billion claim against Sistema and Sistema-Invest was filed in the Court in December 2017 by Rosneft and Bashneft to recover damages that allegedly were the result of dividend payments by Bashneft to its shareholders. In connection with the Claim, the Court ordered an arrest of a significant part of Sistema’s assets and restricted Sistema’s rights to receive income on the arrested securities and shareholdings.
- On 22 December 2017, Sistema, Sistema-Invest, Rosneft, Bashneft and the Republic of Bashkortostan signed a Settlement Agreement which resolved all litigation between the parties related to the fact that Bashneft and its affiliates were owned and controlled by Sistema and Sistema-Invest. Under the agreement, all sides agreed to withdraw all lawsuits and abandon all claims against each other, and Sistema assumed an obligation to pay Bashneft RUB 100 billion.
- By 5 March 2018, Sistema had fully performed its financial obligations under the Settlement Agreement, having made payments to Bashneft totalling RUB 100 billion.

¹ See Attachment A for definitions and reconciliation of adjusted OIBDA and adjusted profit attributable to Sistema to IFRS financial measures.

² See Attachment A for definitions and reconciliation of net financial liabilities at the Corporate Centre level to the indebtedness of the Corporate segment

³ Including highly liquid deposits and liquid financial investments, based on management accounts. See Attachment A for reconciliation to IFRS financial measures.

- By 21 March 2018, all unsettled claims previously filed by parties of the Settlement Agreement against each other were withdrawn and all respective injunctive measures introduced by the Court and bailiffs in respect of Sistema's and Sistema-Invest's assets were lifted by the Court. The Settlement Agreement was thus fully and duly executed.
- In 1Q 2018 Sistema obtained from creditors all previously requested waivers related to technical non-compliance by Sistema with certain provisions of its credit facilities, as announced in 3Q 2017. As of today, no creditor has the right to demand accelerated payments under Sistema's credit agreements.

Andrey Dubovskov, President and Chief Executive Officer of Sistema, said:

“In December 2017, Sistema, Rosneft, Bashneft and the Republic of Bashkortostan reached an agreement to settle all litigations related to Sistema's ownership of Bashneft. In the first quarter of this year, Sistema fulfilled all its obligations under this agreement by securing the necessary financing and completing payments to Bashneft totalling RUB 100 billion. All parties have now withdrawn their legal claims against each other, and all of Sistema's assets are free of the injunctions imposed as part of the previously filed claims.

“Despite the challenges of 2017, Sistema managed to not only preserve its portfolio, but to grow its assets and generate efficiencies. These achievements are reflected in the solid financial results we are announcing today. MTS benefitted from an improved operating and competitive environment, and grew revenue by 1.7% while improving its OIBDA margin and delivering very strong free cash flow. Even more important for us as a shareholder is that MTS has made excellent progress in its digital transformation, leveraging synergies with MTS Bank and also expanding in e-commerce, the Internet of Things and e-sports.

“Detsky Mir continued its robust expansion, posting the highest growth rate among Russian publicly traded retailers, opening 104 new stores and delivering impressive operational efficiency. The company is also prioritising e-commerce, leveraging its chain of more than 620 stores.

“Our non-public assets also posted strong results. I would like to highlight the significantly improved performance of our healthcare operator, Medsi, which continued to ramp-up its flagship asset – the ultra-modern clinical-diagnostic centre at Krasnaya Presnya in Moscow – as well as strengthen vertical integration across its assets. Medsi increased revenue by 24% in 2017 and more than tripled adjusted OIBDA.

“We also saw a turnaround at MTS Bank, as the bank returned to profitability for the full year thanks to lower provision charges and good strategic progress in its cooperation with MTS.

“Segezha Group delivered moderate growth despite strong pressures from the appreciation of the rouble, and also maintained strong investment momentum. The company is now led by Mikhail Shamolin, my predecessor as President of Sistema and one of the most accomplished CEOs in Russia. Mikhail's experience and expertise will elevate Segezha to a new level on the company's way to a potential IPO.

“Today Sistema continues its transformation as an investment company and I'm excited to arrive as CEO at such an important moment for our business. Our key priorities for 2018 are to diversify our investment resources and transform the investment process, optimise Sistema's structure and SG&A costs and deleverage in order to increase our NAV and market capitalisation. We have just created a new Digital vertical to capture exceptional growth opportunities in technology- and Internet-driven industries, and we will also continue to strengthen our fund franchise in order to invest in this and other promising sectors of the Russian economy and beyond.

“Having spent more than 14 years working within Sistema Group, I'm confident that Sistema has a bright future, and I look forward to continuing to contribute to value creation to the benefit of all the company's stakeholders.”

Conference call information

Sistema's management will host a conference call today at 10:00 am (New York time) / 3:00 pm (London time) / 4:00 pm (CET) / 5:00 pm (Moscow time) to present and discuss the 2017 results.

The dial-in numbers for the conference call are:

Russia

+7 495 213 1767

8 800 500 9283 (toll free)

United Kingdom

+44 330 336 9105

0800 358 6377 (toll free)

United States

+1 929-477-0353

800-289-0438 (toll free)

Conference ID: 6357159

Alternatively, you can quote the conference call title: "Sistema Fourth Quarter and Full Year 2017 Financial Results".

A replay of the conference call will be available on Sistema's website www.sistema.com for at least seven days after the event.

For further information, please visit www.sistema.com or contact:

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FINANCIAL SUMMARY AND GROUP OPERATING REVIEW

<i>(RUB millions)</i>	4Q 2017	4Q 2016	Change	FY 2017	FY 2016	Change
Revenues	198,593	183,280	8.4%	704,551	680,864	3.5%
Adjusted OIBDA	47,292	41,555	13.8%	199,549	184,800	8.0%
Operating income	13,918	14,093	(1.2%)	91,223	82,169	11.0%
Loss attributable to Sistema	(98,890)	(15,945)	-	(94,602)	(11,759)	-
<i>Adjusted (loss)/profit attributable to Sistema</i>	(1,556)	(6,184)	-	4,119	1,481	178.1%

In 2017, Sistema's consolidated revenues increased by 3.5%, mainly due to strong like-for-like sales growth and the ramp-up of new stores at Detsky Mir, solid mobile revenue growth from MTS's Russia business as well as successful expansion and higher capacity utilisation at Medsi. In 4Q 2017, Sistema's revenues increased by 8.4% year-on-year, primarily driven by the same factors.

Group selling, general and administrative expenses (SG&A) for the full year 2017 remained under control, increasing by 1.6% year-on-year to RUB 154.5 billion. Growth of SG&A expenses at Detsky Mir driven by the company's robust and cost-efficient expansion in Russia (with 104 new stores opened during the year) was largely offset by a decline of SG&A expenses at the Corporate Centre due to lower management incentive payments.

Group adjusted OIBDA increased by 8.0% in 2017, reflecting stronger operating performance at MTS, MTS Bank's return to profitability due to lower provision charges, as well as improved efficiency at Detsky Mir and Medsi and lower SG&A costs at the Corporate Centre. In 4Q 2017, adjusted OIBDA was up 13.8% year-on-year to RUB 47.3 billion. The adjusted OIBDA margin was 23.8% for the fourth quarter and 28.3% for the full year, a year-on-year increase of 1.1 percentage points for both periods.

The adjusted profit attributable to Sistema was RUB 4.1 billion in 2017, up 2.8 times against the result for 2016, thanks to solid bottom-line performance at MTS and the turnaround at MTS Bank. The Group posted an adjusted loss attributable to Sistema of RUB 1.6 billion in 4Q 2017 as compared to an adjusted loss of RUB 6.2 billion in 4Q 2016.

OPERATING REVIEW⁴

MTS

<i>(RUB millions)</i>	4Q 2017	4Q 2016	Change	FY 2017	FY 2016	Change
Revenues	116,823	111,592	4.7%	442,910	435,692	1.7%
Adjusted OIBDA ⁵	44,313	41,214	7.5%	178,358	167,647	6.4%
Operating income	22,066	20,824	6.0%	94,671	86,065	10.0%
Adjusted profit attributable to Sistema	6,757	6,261	7.9%	29,926	25,377	17.9%

In 2017, MTS achieved strong results and continued to deliver on its digital strategy. Amid an improved operating environment and higher usage of data services, the company posted 1.7% growth in revenues. In 4Q 2017, MTS's strong top-line growth was driven by the Russian mobile business, which grew by 3.8% year-on-year, and strong handset sales, which increased by 20.0% year-on-year.

Adjusted OIBDA increased by 6.4% in 2017 and by 7.5% in the fourth quarter, while the adjusted OIBDA margin rose by 1.8 percentage points for the full year and by 1.0 percentage point in the quarter. In addition to revenue growth, factors positively affecting OIBDA and the OIBDA margin included a decline in SIM-card sales in Russia, higher gross margins on handset sales and a 12.4% decrease of MTS's retail network during the year to 5,696 stores at year-end 2017.

In 2017, as part of its strategy to transform into a leading IT and Internet player MTS launched and continued to develop the MTS Money Wallet service, which brings together a variety of means of payment – electronic wallet, bank cards and customers' mobile account balances – in a single platform. During 4Q 2017, more than 12.1 million users, or 15% of MTS customers, used the My MTS app.

In 3Q 2017, MTS launched a share repurchase programme totalling up to 20 billion roubles. To date, MTS has repurchased from Sistema and minority shareholders shares worth RUB 19.8 billion.

Significant events after the end of the reporting period

In February 2018, MTS acquired Ticketland.ru and Ponominalu.ru, the leading players in the Russian event ticketing industry. The acquisitions allow MTS to enter the high-potential event ticket market and establish itself as a leading ticket operator in Russia, while broadening MTS's suite of digital services and integrating a key new product into its existing loyalty program and mobile app ecosystem.

In March 2018, MTS invested RUB 1.15 billion in Ozon, one of the largest multi-category online retailers in Russia, through an additional share issuance. As a result, MTS's stake in the authorised capital of Ozon increases from 11.2% to 13.7%.

In March 2018, MTS's Board of Directors appointed Alexey Kornya as President and Chief Executive Officer.

Detsky Mir⁶

<i>(RUB millions)</i>	4Q 2017	4Q 2016	Change	FY 2017	FY 2016	Change
Revenues	30,354	25,321	19.9%	97,003	79,547	21.9%
Adjusted OIBDA	4,291	3,565	20.4%	10,664	8,203	30.0%
Operating income	3,682	3,158	16.6%	8,024	6,620	21.2%
Adjusted profit attributable to Sistema	1,370	1,551	(11.7%)	2,871	2,775	3.5%

Detsky Mir continued to consolidate the market for children's goods in Russia, growing its market share from 17% to 20% over the course of 2017. In full year 2017 and 4Q 2017, revenue at Detsky Mir increased by 21.9% and 19.9% year-on-year, respectively, thanks to the roll-out of new stores and the strongest growth in like-for-like sales among Russia's publicly traded retailers (+7.2% both in the full year and fourth quarter). E-commerce continued to be the fastest-growing sales channel, with revenue growth in 4Q 2017 of 79.6% year-on-year. Online sales accounted for 4.8% of total sales in 2017, and developing the e-commerce platform is one of management's top priorities for 2018.

Detsky Mir posted an adjusted OIBDA margin of 14.1% in the fourth quarter as a result of continued improvements to operational efficiency on the back of stronger labour productivity and strict control of rental costs. The adjusted SG&A/revenue

⁴ Here and from hereon, revenues are presented on an aggregated basis, excluding revenues from intra-segment (between entities in the same segment) transactions, but before inter-segment (between entities in different segments) eliminations, unless accompanied by the word "consolidated". Amounts attributable to individual companies, where appropriate, are shown prior to both intra-segment and inter-segment eliminations and may differ from respective standalone results due to certain reclassifications and adjustments.

⁵ Including share in results of MTS Bank

⁶ Results have been adjusted for additional accruals under the LTI program (including related tax effects).

ratio declined by 0.5 percentage points year-on-year to 21.4% in the fourth quarter of 2017.

The company opened 104 new stores in 2017, including 65 in the fourth quarter alone. It plans to open at least 250 new Detsky Mir stores in 2018-2021, with a targeted internal rate of return of at least 40%. Detsky Mir also plans to lead the market among children's goods retailers in 2018 in terms of like-for-like sales growth.

Management plans to recommend that all net profit for 2017 be distributed to shareholders in the form of dividends, which would represent a dividend yield averaged over 2017 of 6.8%.

Segezha Group

<i>(RUB millions)</i>	4Q 2017	4Q 2016	Change	FY 2017	FY 2016	Change
Revenues	11,370	11,145	2.0%	43,725	43,018	1.6%
Adjusted OIBDA	2,056	1,798	14.4%	7,081	8,655	(18.2%)
Operating income	702	830	(15.4%)	3,132	5,165	(39.4%)
Adjusted profit attributable to Sistema	310	241	29.0%	81	1,961	(95.9%)

Revenue at Segezha Group increased by 1.6% in 2017, mainly due to higher sales of sack paper (on the back of strong growth of demand globally) and plywood. In 4Q 2017 revenue was up by 2.0% year-on-year.

During the year and the fourth quarter, revenue was impacted by lower sales of paper sacks in Russia due to increased competition and temporary decline in demand in the Russian sack market, as well as strengthening of the RUB versus key foreign currencies (69.6% of Segezha Group's revenues are denominated in foreign currencies).

During 2017, Segezha implemented a plan to reduce the adverse impact of external factors by tightening procurement expense controls, as well as reducing shipping and administrative costs. Adjusted OIBDA in 4Q 2017 increased by 14.4% year-on-year on the back of higher revenue and due to implementation of the efficiency plan. The decrease in adjusted OIBDA and profit for the year was mainly due to FX-rate pressures as well as inflation of logistics and raw material costs.

Segezha Group's main investments in 2017 were the upgrade of the Segezha Pulp and Paper Mill and construction of the Kirov Plywood Mill with capacity of 86,000 cubic metres of plywood per year, which together accounted for more than 81% of Segezha Group CAPEX in 2017. In 4Q 2017 a new paper machine was launched at the Segezha Mill, boosting output capacity to 319,000 tonnes per year. The Kirov Plywood Mill is expected to launch in the first half of 2018.

Significant events after the end of the reporting period

In March 2018 Mikhail Shamolin, previously President of Sistema, was appointed as President of Segezha Group.

Agroholding Steppe

<i>(RUB millions)</i>	4Q 2017	4Q 2016	Change	FY 2017	FY 2016	Change
Revenues	3,385	2,023	67.4%	10,210	8,358	22.2%
Adjusted OIBDA	128	1,124	(88.6%)	4,019	2,857	40.6%
Operating (loss)/income	(388)	784	-	2,647	2,941	(10.0%)
Adjusted (loss)/profit attributable to Sistema	(680)	623	-	1,130	871	29.7%

In 2017 Agroholding Steppe saw a record harvest of 1.4 million tonnes (including approximately 720,000 tonnes of wheat), a 30% increase versus 2016, driven by expansion of the land bank and implementation of modern agriculture technologies. A portion of the 2017 harvest was allocated for sale in 1Q 2018 to maximise revenue. The volume of carryover inventory at the end of 2017 was 152,000 tonnes, more than six times higher than a year earlier.

Steppe's milk production grew by 9.0% year-on-year to approximately 40,000 tonnes in 2017, driven by expansion of the herd and maintaining high yields. The total apple harvest increased by 37.4% year-on-year to 22,000 tonnes on the back of higher yields as well as younger orchards now achieving their fruit-bearing targets. Tomato production increased by 8.6% year-on-year to 23,200 tonnes, while cucumber production decreased by 11.2% year-on-year to 21,800 tonnes as a result of an amended production programme.

Strong operating results allowed Steppe to increase revenues by 22.2% in 2017, despite pressures stemming from lower global wheat prices and strengthening of the rouble.

Adjusted OIBDA in 2017 amounted to RUB 4.0 billion, a 40.6% increase year-on-year. The decline in adjusted OIBDA in 4Q 2017 and the net loss for the quarter were the result of a negative effect of revaluation of biological assets by RUB 0.7 billion (excluding the fair value loss, adjusted OIBDA was RUB 0.9 billion) and an increase in carryover inventory.

During 2017 Steppe continued to invest in renewal of the company's stock of equipment as well as construction of a new 1,800-head dairy farm. The new farm is expected to reach fully functioning capacity in 2021 and yield 20,000 tonnes of milk per year. In 2017 Steppe's land bank increased by 65,000 ha. to a total of 380,000 ha. CAPEX in 2017 totalled RUB 1.6 billion.

Medsi

<i>(RUB millions)</i>	4Q 2017	4Q 2016	Change	FY 2017	FY 2016	Change
Revenues	3,475	2,603	33.5%	11,670	9,409	24.0%
Adjusted OIBDA	303	222	36.3%	1,968	592	232.7%
Operating (loss)/income	(275)	(79)	-	1,142	(432)	-
Adjusted profit/(loss) attributable to Sistema	283	(95)	-	837	(720)	-

Medsi increased revenue by 33.5% year-on-year in 4Q 2017 and by 24.0% for the full year 2017. Revenue growth in the fourth quarter was driven by an increase in patient visits and a higher average check as Medsi delivered a broader array of integrated services and high-tech surgeries. Revenue from the mandatory medical insurance segment, derived primarily from high-tech services, increased more than five-fold in 2017 to RUB 1.2 billion.

The Clinical Diagnostic Centre at Krasnaya Presnya, which opened in December 2015, increased capacity utilisation to 23% in 2017 and delivered 8% of Medsi's total revenue, with an OIBDA margin of 21.8% in 4Q 2017. Assets acquired in 2017, including the MEDEM clinic in St. Petersburg and the Medlife chain in Perm, accounted for 7.8% of Medsi's revenue in the fourth quarter.

In 4Q 2017, adjusted OIBDA and the adjusted OIBDA margin increased year-on-year by 36.3% and 0.2 percentage points, respectively. For the full year 2017, the OIBDA margin was 16.9%, versus 6.3% in 2016.

Adjusted profit attributable to Sistema was RUB 837 million in 2017, versus a loss in 2016.

Medsi continues to invest in the expansion of its business in Moscow and in the Russian regions. In 2017 the company opened three new clinics in Moscow, completed the aforementioned regional acquisitions and sold or closed non-utilised facilities for a net increase in facility space of 12,800 square metres.

Significant events after the end of the reporting period

In January 2018, Medsi opened a 1,250-square metre clinic in Moscow's Simonovsky Business Quarter.

MTS Bank⁷

<i>(RUB millions)</i>	4Q 2017	4Q 2016	Change	FY 2017	FY 2016	Change
Revenues	4,745	4,337	9.4%	18,106	18,268	(0.9%)
OIBDA	(356)	(2,396)	-	923	(2,345)	-
Operating (loss)/income	(492)	(2,541)	-	370	(3,034)	-
(Loss)/profit attributable to Sistema	(476)	(2,059)	-	169	(2,616)	-

In 2017 MTS Bank successfully delivered on its plan to return to profitability by pursuing a strategy of partnering with MTS and other Sistema portfolio companies.

For the full year, interest income decreased by 5.4% as a result of lower interest rates in Russia and a smaller loan book following the deconsolidation of East-West United Bank. This was partially mitigated by an 8.3% increase in higher-margin retail lending, with retail loans accounting for 59% of the total loan book at the end of the reporting period, versus 53% a year earlier.

In line with the Bank's strategy of building a leading digital bank, MTS Bank grew fee and commission income by 67.2% in the fourth quarter of 2017 and by 31.6% for the full year. The Bank is actively developing digital channels for servicing its clients, including in the online-loans segment. In 2017 sales of credit cards through digital channels grew from 0.1% to 14% of the total number of new cards issued. Digital sales accounted for 7% of total sales in 2017.

⁷ Excluding results of East-West United Bank (EWUB) and the result of the divestment of a 47% stake in EWUB

The Bank recorded a net profit for the year of RUB 169 million. The loss in the fourth quarter was due to the creation of loan-loss provisions. During the year the Bank significantly improved the quality of its loan book and the quality of newly issued loans.

MTS Bank continues to deepen its partnerships with MTS and other Sistema companies. In October 2017, the Bank signed an Internet Acquiring contract with Ozon, one of the largest multi-category online retailers in Russia.

Real Estate (Leader Invest, Business-Nedvizhimost)

<i>(RUB millions)</i>	4Q 2017⁸	4Q 2016	Change	FY 2017⁸	FY 2016	Change
Revenues	5,537	4,517	22.6%	15,267	12,810	19.2%
Adjusted OIBDA	2,955	1,488	98.6%	5,960	5,237	13.8%
Operating income	2,358	4,222	(44.1%)	4,998	7,757	(35.6%)
Adjusted profit attributable to Sistema	1,424	599	137.7%	2,452	2,877	(14.8%)

Leader Invest's sales volumes in Moscow amounted to approximately 10,000 square metres in 4Q 2017, while cash collections from sales amounted to RUB 1.9 billion.

Leader Invest's revenue in 4Q 2017 was RUB 3.1 billion, driven primarily by sales at the Dayev and Serpukhovskiy premium-class projects, which were launched during the period. A year-on-year decline was due to the high base effect as several large projects were delivered in 4Q 2016.

As of 31 December 2017, Leader Invest's sales portfolio amounted to approximately 209,700 square metres of real estate in Moscow.

In November 2017, Standard & Poor's assigned Leader Invest a B/Stable long-term credit rating, citing the company's high levels of profitability among Russian developers as one of the key factors supporting the rating.

In 4Q 2017, revenue of Sistema's rental assets (which include Business-Nedvizhimost and its subsidiary Mosdachrest) grew by 172.5% year-on-year to RUB 2.4 billion due to the sale of an asset during the period. Adjusted OIBDA increased 4.2x year-on-year to RUB 1.8 billion, and adjusted profit increased 46.8x to RUB 1.3 billion.

Significant events after the end of the reporting period

Leader Invest launched sales for its business-class project 120 Lobachevskiy St., which will have 1,473 apartments ranging in size from 45.5 to 135 square metres. Sberbank signed an agreement in 1Q 2018 to provide project finance lending of RUB 14.6 billion for the first stage of the project.

In 1Q 2018, Business-Nedvizhimost launched pilot projects to renovate former telephone switchboard buildings with a total area of 11,300 square metres for use as self-storage and other commercial purposes.

RTI⁹

<i>(RUB millions)</i>	4Q 2017	4Q 2016	Change	FY 2017	FY 2016	Change
Revenues	16,143	23,105	(30.1%)	50,579	52,628	(3.9%)
Adjusted OIBDA	3,613	1,845	95.8%	6,626	5,809	14.1%
Adjusted operating income	2,862	1,033	177.1%	3,708	3,014	23.0%
Adjusted income/(loss) attributable to Sistema	1,361	(2,701)	-	(2,563)	(4,730)	-

RTI saw a moderate decline in revenue in 2017 due to a 6.8% year-on-year decrease in revenue from the Radio-technical Systems business unit¹⁰, as well revenue volatility in relation to a major government contract. This was partially mitigated by a 15.7% year-on-year revenue growth in the Microelectronics business unit as a result of increased import substitution of electronic components and heightened demand for Mikron's products. A year-on-year decline in revenue in 4Q 2017 also reflects the non-uniform work stages as part of a major government contract.

Adjusted OIBDA for 2017 improved by 14.1% largely due to strong OIBDA dynamics in the Microelectronics business unit.

Net result for the year and quarter improved thanks to reduced financial expenses.

⁸ In this table Leader Invest results for 4Q 2017 and 2017 are presented in accordance with IFRS 15. 4Q 2016 and 2016 results are presented in accordance with IAS 18.

⁹ RTI's financial results in this press release are presented in accordance with IFRS 15 standards. In the consolidated accounts of Sistema Group, RTI's financial results are presented in accordance with IAS 18 standard.

¹⁰ Former Defence Solutions business unit

RTI's total debt decreased by 8.7% as of the end of the year mostly as a result of the Defence Ministry's gradual transition away from credit financing for defence procurements.

In 4Q 2017, RTI recorded one-off charges for provisions on receivables related to an uncompleted project and lawsuit in the total amount of RUB 6.0 billion.

Bashkirian Power Grid Company (BPGC)

<i>(RUB millions)</i>	4Q 2017	4Q 2016	Change	FY 2017	FY 2016	Change
Revenues	5,067	4,608	10.0%	17,671	16,052	10.1%
OIBDA	1,107	1,699	(34.8%)	5,259	5,636	(6.7%)
Operating income	501	1,154	(56.5%)	2,926	3,404	(14.0%)
Profit attributable to Sistema	384	908	(57.7%)	2,369	2,706	(12.5%)

BPGC's revenue grew by 10.1% and 10.0% year-on-year in 2017 and 4Q 2017, respectively, mainly as a result of the indexation of tariffs for electricity transmission services that came into effect on 1 July 2017. In the fourth quarter, revenue growth was also supported by an increase in paid capacity (up 13.7% year-on-year including the effect of changes between tariff plans) and productive supply of electricity (up 0.8% year-on-year).

In the fourth quarter, OIBDA declined by 34.8% year-on-year and profit declined by 57.7% year-on-year due to the release of provisions related to potential disputes with counterparties in the same period in 2016 as well as due to an increase in the cost of network losses as the market price for electricity rose.

Network losses as a percentage of electricity supplied decreased year-on-year in the fourth quarter due to on-going implementation of an automated electricity metering system, as well as increased control over risks and uncontracted use of electricity.

In 2017, as part of the modernisation of Ufa's electricity grid using Smart Grid technologies, BPGC completed the reconstruction of 87 distribution points and transformer substations, routed 20.3 kilometres of cabling and installed a new metering system, as well as approximately 8,700 individual meters.

In 4Q 2017, BPGC put into operation three major new substations in Bashkortostan – Kustarevskaya, Spartak and Alekseevka.

Binnopharm

<i>(RUB millions)</i>	4Q 2017	4Q 2016	Change	FY 2017	FY 2016	Change
Revenues	1,020	827	23.3%	2,363	1,939	21.8%
OIBDA	330	322	2.5%	482	415	16.3%
Operating income	292	284	2.9%	323	219	47.7%
Profit attributable to Sistema	117	140	(16.1%)	14	11	31.8%

In 2017 Binnopharm successfully delivered on its strategy to grow the commercial segment, with commercial sales accounting for 63% of total revenue, versus 34% in 2016. In the fourth quarter of 2017 Binnopharm's revenue increased by 23.3% to RUB 1.0 billion on the back of a 13.7% increase in sales of its own products and an 87.8% increase in commercial distribution sales.

In the fourth quarter and the full year 2017 the OIBDA margin declined by 6.6 percentage points and 1.0 percentage point, respectively, as government sales of higher-margin drugs fell, though this trend was partially offset by an increase in OIBDA from sales of the company's own products as well as distribution products in the commercial segment.

In 4Q 2017 pricing was approved for Binnopharm products Neurocholine and Erythropoietin 500, and Moxifloxacin received registration. Sales of these products began at the end of 1Q 2018.

In 2018 Binnopharm plans to continue developing its own product portfolio: the company anticipates it will bring four new drugs to market, receive registration of an additional 10 new drugs and complete development of a number of other new products.

Hospitality assets

<i>(RUB millions)</i>	4Q 2017	4Q 2016	Change	FY 2017	FY 2016	Change
Revenues	1,093	784	39.4%	4,318	2,794	54.5%
OIBDA	(12)	36	-	849	487	74.5%
Operating (loss)/income	(189)	(85)	-	198	182	8.7%

Loss attributable to Sistema	(371)	(265)	-	(517)	(252)	-
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During 2017, Sistema's hospitality business continued to successfully integrate the hotels of Regional Hotel Chain (RHC) acquired in 4Q 2016. Revenue for 2017 increased by 54.5% driven by consolidation of RHC, as well as by a higher occupancy rate at Hotel Cosmos, the largest of Sistema's hospitality assets. In 4Q 2017, revenue increased by 39.4% year-on-year following the opening of the new 243-room Holiday Inn Express Paveletskaya and the addition of rooms at the Emerald Forest eco-hotel in the Moscow region.

Losses on the OIBDA and profit lines in the fourth quarter were due to seasonal factors in the hospitality sector. For the full year 2017 OIBDA increased by 74.5% and the OIBDA margin added 2.2 percentage points thanks to the consolidation of the RHC properties and improved efficiency at Hotel Cosmos.

A number of initiatives under the new Cosmos Group strategy are planned for 2018, including renaming the Onego Palace hotel in Petrozavodsk and the Intourist Kolomenskoe in Moscow with the Cosmos brand, and likewise using the Cosmos Collection brand for the Emerald Forest eco-hotel and Altai Resort. Also in 2018, Cosmos Group plans to open three new Ramada and Ibis Budget hotels with a total of 434 rooms as well as the group's first two CosmoStay-branded apartment hotels in Moscow with a total of 258 units.

Significant events after the end of the reporting period

In February 2018, Christian Meyer was promoted to the position of President of Cosmos Group. Mr. Meyer has more than 25 years of experience in hospitality industry, proceeded his career working with industry leaders such as Marriott Hotels International, InterContinental Hotels Group, Le Meridien Hotels & Resorts, and The Rezidor Hotel Group in Germany, England and Russia.

Corporate

<i>(RUB millions)</i>	4Q 2017	4Q 2016	Change	FY 2017	FY 2016	Change
Adjusted OIBDA	(6,313)	(6,603)	-	(12,103)	(13,864)	-
Adjusted loss	(7,948)	(8,285)	-	(21,495)	(18,720)	-
Indebtedness	123,974	97,025	27.8%	123,974	97,025	27.8%

The Corporate segment comprises companies that control and manage Sistema's interests in its subsidiaries.

Improvement of adjusted OIBDA both in 2017 and 4Q 2017 was mainly due to lower SG&A expenses.

In 1Q 2018, Sistema completed payment of interim dividend for the first nine months of the year totalling RUB 2.3 billion. Dividends totalling RUB 4.2 billion were not paid to majority shareholder Vladimir Evtushenkov at his request.

Net financial liabilities at the Corporate Centre level amounted to RUB 213.4 billion as of 31 December 2017.

KEY GROUP HIGHLIGHTS IN 4Q 2017 AND AFTER THE REPORTING PERIOD

In March 2018, the Arbitration Court of the Republic of Bashkortostan satisfied a motion by Bashneft, Rosneft and the Republic of Bashkortostan regarding the withdrawal of claims totalling RUB 131.6 billion that were filed against Sistema and Sistema-Invest in December 2017, and terminated the proceedings on the case. Sistema and Sistema-Invest have also withdrawn previously filed claims as per the terms of the Settlement Agreement between Sistema, Sistema-Invest, Bashneft, Rosneft and the Republic of Bashkortostan. The Settlement Agreement has thus been fully and duly performed.

In March 2018, Sistema transferred to Bashneft the final tranche of RUB 40 billion under the Settlement Agreement reached with Bashneft, Rosneft and the Ministry of Land and Property Relations of the Republic of Bashkortostan. Sistema thus fulfilled in full all of its financial obligations under the Settlement Agreement, having made payments totalling RUB 100 billion.

In March 2018, Sistema successfully placed its series 001P-08 exchange-traded bond issue with a nominal value of RUB 15 billion and 1-3 coupons of 9.25% p.a. The bonds mature in 10 years. Bondholders are provided with a put option exercisable 1.5 years after the date of placement. The coupon period is 182 days.

In March 2018, Sistema's Board of Directors appointed Andrey Dubovskov as President of Sistema. Mr. Dubovskov, formerly President of MTS, assumed his new position at Sistema on 13 March 2018.

In March 2018, Sistema subsidiary Sistema Finance sold 3,053,716 ordinary shares of MTS to a subsidiary of MTS, Stream Digital, as part of the MTS share buyback programme in a transaction totalling approximately RUB 0.93 billion. In February 2018, Sistema Finance sold 4,712,756 ordinary shares of MTS to Stream Digital in a transaction totalling approximately RUB 1.36 billion. In January 2018, Sistema Finance sold 9,573,376 ordinary shares of MTS Stream Digital in a transaction totalling

approximately RUB 2,526.5 million. In November 2017, Sistema Finance sold 8,138,237 ordinary shares of MTS to Stream Digital in a transaction totalling RUB 2.3 billion. In October 2017, Sistema Finance sold an additional 8,456,757 ordinary shares of MTS to Stream Digital in a transaction totalling RUB 2.4 billion.

In February 2018, Sistema signed a loan agreement with Sberbank for the execution of the Corporation's obligations under the Settlement Agreement. Sberbank extended a line of credit to Sistema for a five-year period in the amount of up to RUB 105 billion.

In February 2018, Sistema signed an agreement on financing arranged by the Russian Direct Investment Fund for the execution of the Corporation's obligations under the Settlement Agreement. The RDIF and Gazprombank granted Sistema a targeted credit facility in the amount of RUB 40 billion for a period of 180 days.

In January 2018, Sistema successfully placed its series 001P-07 exchange-traded bond issue with a nominal value of RUB 10 billion. The rates for coupons 1-2 were set at 9.80% p.a. The bonds mature in 10 years. Bondholders are provided with a put option exercisable one year after the date of placement. The coupon period is 182 days.

In January 2018, Sistema completed payment of an interim dividend for the first nine months of 2017 of RUB 2,349 million. Dividends totalling RUB 4,213 million were not paid to the majority shareholder and Chairman of the Board of Directors, Vladimir Evtushenkov, at his request.

On 31 October 2017, Sistema completed the merger of the telecommunications business of Sistema Shyam TeleServices with Reliance Communications (RCom). SSTL may become entitled to an earn-out payment from RCom if India's Department of Telecommunications and the courts of India confirm that SSTL's spectrum can be used for deployment of 4G networks without any additional payments.

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Sistema PJSFC is a publicly-traded diversified Russian holding company serving over 150 million customers in the sectors of telecommunications, children's goods retail, paper and packaging, healthcare services, agriculture, high technology, banking, real estate, pharmaceuticals and hospitality. The company was founded in 1993. Its revenue in 2017 was RUB 704.6 bn; its total assets equalled RUB 1.1 trn as of 31 December 2017. Sistema's global depositary receipts are listed under the "SSA" ticker on the London Stock Exchange. Sistema's ordinary shares are listed under the "AFKS" ticker on Moscow Exchange. Website: www.sistema.com.

The Company is not an investment company, and is not and will not be registered as such, under the U.S. Investment Company Act of 1940.

Some of the information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of Sistema. You can identify forward looking statements by terms such as "expect," "believe," "anticipate," "estimate," "intend," "will," "could," "may" or "might" the negative of such terms or other similar expressions. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. In addition, there is no assurance that the new contracts entered into by our subsidiaries referenced above will be completed on the terms contained therein or at all. We do not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, general economic 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.

SISTEMA PJSFC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEARS AND THREE MONTHS ENDED 31 DECEMBER 2017 AND 2016
(Amounts in millions of Russian roubles, except for per share amounts)

	Year ended December 31, (audited)		Three months ended December 31, (unaudited)	
	2017	2016	2017	2016
Revenue	704,551	680,864	198,594	183,280
Cost of sales	(337,996)	(337,687)	(101,149)	(95,728)
Selling, general and administrative expenses	(154,538)	(152,110)	(43,707)	(43,545)
Depreciation and amortisation	(96,159)	(95,687)	(23,872)	(23,998)
Impairment of long-lived assets	(8,061)	(2,714)	(6,326)	(2,374)
Impairment of financial assets	(5,745)	(11,323)	(2,498)	(3,453)
Taxes other than income tax	(5,906)	(5,541)	(1,572)	(1,205)
Share of the profit or loss of associates and joint ventures	3,030	3,147	720	(61)
Other income	6,256	8,107	1,257	3,471
Other expenses	(14,210)	(4,887)	(7,530)	(2,295)
OPERATING INCOME	91,222	82,169	13,917	14,092
Finance income	8,069	9,435	2,320	1,561
Finance costs	(48,983)	(51,850)	(12,855)	(11,035)
Cost under Settlement agreement	(100,000)	-	(100,000)	-
Currency exchange (loss)/gain	(398)	6,564	224	(1,076)
(LOSS)/PROFIT BEFORE TAX	(50,090)	46,318	(96,394)	3,542
Income tax expense	(11,443)	(21,565)	3,402	(6,795)
(LOSS)/PROFIT FROM CONTINUING OPERATIONS	(61,533)	24,753	(92,992)	(3,253)
Loss from discontinued operations	(4,995)	(15,594)	(126)	(7,400)
(LOSS)/PROFIT FOR THE PERIOD	(66,528)	9,159	(93,118)	(10,653)
Profit/(loss) attributable to:				
Shareholders of Sistema PJSFC	(94,603)	(11,758)	(98,890)	(15,944)
Non-controlling interests	28,075	20,917	5,772	5,291
	(66,528)	9,159	(93,118)	(10,653)
Earnings per share (basic and diluted), Russian Rubles:				
From continuing and discontinued operations	(10.01)	(1.25)	(10.48)	(1.70)

SISTEMA PJSFC AND SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2017 AND 31 DECEMBER 2016
(Amounts in millions of Russian roubles)

	31 December	31 December
	2017	2016
ASSETS		
NON-CURRENT ASSETS:		
Property, plant and equipment	411,467	408,130
Investment property	24,664	22,647
Goodwill	54,081	52,224
Other intangible assets	97,666	107,716
Investments in associates and joint ventures	20,783	19,537
Deferred tax assets	35,809	24,185
Loans receivable and other financial assets	104,395	100,023
Deposits in banks	-	27,274
Other assets	18,169	15,711
Total non-current assets	<u>767,034</u>	<u>777,447</u>
CURRENT ASSETS:		
Inventories	81,401	81,366
Accounts receivable	54,836	60,888
Advances paid and prepaid expenses	15,324	19,389
Current income tax assets	3,274	2,580
Other taxes receivable	17,190	18,176
Loans receivable and other financial assets	99,798	62,588
Deposits in banks	28,068	9,173
Restricted cash	8,591	10,098
Cash and cash equivalents	59,959	60,190
Other assets	2,174	2,194
Total current assets	<u>370,615</u>	<u>326,642</u>
TOTAL ASSETS	<u>1,137,649</u>	<u>1,104,089</u>

SISTEMA PJSFC AND SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2017 AND 31 DECEMBER 2016 (CONTINUED)
(Amounts in millions of Russian roubles)

	31 December 2017	31 December 2016
LIABILITIES AND EQUITY		
SHAREHOLDERS' EQUITY:		
Share capital	869	869
Treasury shares	(5,816)	(6,575)
Additional paid-in capital	67,856	87,369
Retained earnings	(17,375)	91,290
Accumulated other comprehensive loss	2,332	(13,752)
Equity attributable to shareholders of Sistema	47,866	159,201
Non-controlling interests	74,957	57,770
TOTAL EQUITY	122,823	216,971
NON-CURRENT LIABILITIES:		
Borrowings	393,651	395,017
Bank deposits and liabilities	33,419	6,432
Deferred tax liabilities	38,160	40,753
Provisions	3,399	3,411
Liability to Rosimushchestvo	13,427	21,282
Other financial liabilities	6,514	25,580
Other liabilities	7,537	8,742
Total non-current liabilities	496,107	501,217
CURRENT LIABILITIES:		
Borrowings	142,168	83,109
Liability under Settlement agreement	80,000	-
Accounts payable	114,402	110,879
Bank deposits and liabilities	83,873	99,888
Advances received	30,171	26,069
Subscriber prepayments	18,618	17,900
Income tax payable	1,833	962
Other taxes payable	14,378	16,391
Dividends payable	4,578	249
Provisions	13,038	10,752
Liability to Rosimushchestvo	9,601	11,783
Other financial liabilities	6,059	7,919
Total current liabilities	518,719	385,901
TOTAL LIABILITIES	1,014,826	887,118
TOTAL LIABILITIES AND EQUITY	1,137,649	1,104,089

SISTEMA PJSFC AND SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016
(Amounts in millions of Russian roubles)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Loss)/profit for the period	(66,528)	9,159
Adjustments for:		
Expense under the Settlement agreement	100,000	-
Depreciation and amortization	96,490	100,546
Share of the profit or loss of associates and joint ventures, net	(3,030)	(3,147)
Finance income	(8,069)	(9,851)
Finance costs	48,983	57,368
Income tax expense	11,443	21,575
Currency exchange loss/(gain)	398	(6,035)
Loss from discontinued operations	(593)	7,614
Change in fair value adjustment of financial instruments through profit or loss	(997)	(110)
(Profit)/loss on disposal of property, plant and equipment	(251)	109
Amortization of connection fees	(2,876)	(2,287)
Impairment loss on loans receivable	360	6,063
Dividends received from associates and joint ventures	4,218	2,955
Non-cash compensation to employees	1,653	2,522
Impairment of long-lived assets	8,061	2,896
Impairment of financial assets	5,745	11,803
Other non-cash items	9,416	3,092
	<u>204,423</u>	<u>204,272</u>
Movements in working capital:		
Bank loans to customers and interbank loans due from banks	(12,432)	11,253
Bank deposits and liabilities	7,938	(16,484)
Restricted cash	1,507	(10,098)
Financial assets/liabilities at fair value through profit or loss	(5,834)	(2,401)
Accounts receivable	(1,795)	11,224
Advances paid and prepaid expenses	1,553	863
Other taxes receivable	(1,840)	2,964
Inventories	(12,648)	(8,862)
Accounts payable	(630)	(3,838)
Subscriber prepayments	4,025	(435)
Other taxes payable	(1,531)	2,720
Advances received and other liabilities	11,025	(7,358)
Payment in accordance with the Settlement agreement	(20,000)	-
Interest paid	(46,261)	(59,791)
Income tax paid	(28,898)	(19,344)
	<u>98,602</u>	<u>104,685</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	98,602	104,685

SISTEMA PJSFC AND SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016 (CONTINUED)
(Amounts in millions of Russian roubles)

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchases of property, plant and equipment and investment property	(78,441)	(89,958)
Proceeds from sale of property, plant and equipment	7,745	4,516
Payments for purchases of intangible assets	(26,003)	(32,920)
Payments for businesses, net of cash acquired	(4,132)	(13,956)
Payments for investments in associates and joint ventures	(5,260)	(3,235)
Proceeds from sale of investments in affiliated companies	5,181	6,118
Payments for purchases of financial assets, long-term	(30,100)	(28,212)
Proceeds from sale of financial assets, long-term	11,081	15,774
Payments for financial assets, short-term	(28,139)	(23,489)
Proceeds from disposal of subsidiaries, net of cash disposed	811	(2,576)
Proceeds from sale of financial assets, short-term	34,594	95,294
Interest received	8,011	10,197
Other	(2,550)	(1,588)
NET CASH USED IN INVESTING ACTIVITIES	(107,202)	(64,035)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	215,956	209,963
Principal payments on borrowings	(150,357)	(249,126)
Debt issuance costs	(111)	(428)
Acquisition of non-controlling interests in existing subsidiaries	(24,726)	(26,816)
Payments to purchase treasury stock	(1,601)	(2,082)
Proceeds from capital transactions with non-controlling interests	13,607	19,099
Dividends paid	(38,792)	(37,725)
Proceeds from sale of own shares	120	-
Cash outflow under credit guarantee agreement related to foreign-currency hedge	(1,766)	(2,985)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	12,330	(90,100)
Effect of foreign currency translation on cash and cash equivalents	(3,961)	(13,135)
Net decrease in cash and cash equivalents	(231)	(62,585)
Cash and cash equivalents at the beginning of the period	60,190	122,775
Cash and cash equivalents at the end of the period	59,959	60,190

SISTEMA PJSFC AND SUBSIDIARIES
SEGMENTAL BREAKDOWN FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016
(Amounts in millions of Russian roubles)

	<u>External revenues</u>		<u>Inter-segment revenue</u>		<u>Segment operating income</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
MTS	440,242	433,972	2,668	1,720	94,324	86,227
Detsky mir	96,985	79,532	18	15	8,024	6,620
RTI	41,769	44,433	150	156	(4,839)	275
MTS Bank	16,626	17,032	1,480	1,236	370	(3,034)
Corporate	1,763	1,737	877	1,115	(12,670)	(24,042)
Total reportable segments	597,385	576,706	5,193	4,242	85,209	66,046
Other	107,166	104,158	1,509	3,621	5,160	16,004
	704,551	680,864	6,702	7,863	90,369	82,050
Inter-segment eliminations					853	119
Operating income					91,222	82,169
Finance income					8,069	9,435
Finance costs					(48,983)	(51,850)
Settlement agreement expenses					(100,000)	-
Foreign currency exchange gain					(398)	6,564
Profit before tax					(50,090)	46,318

	<u>Additions to non-current assets</u>		<u>Depreciation and amortisation</u>		<u>Other non-cash items</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
MTS	86,748	80,630	79,912	81,582	6,698	2,698
Detsky mir	2,501	1,760	1,818	1,591	121	26
RTI	3,014	3,091	2,640	2,539	926	1,643
MTS Bank	2,704	1,840	554	689	360	6,063
Corporate	1,538	6,488	566	564	1,402	8,967
Other	33,647	50,056	10,669	8,722	4,660	962
	130,152	143,865	96,159	95,687	14,167	20,359

Attachment A

Operating Income Before Depreciation and Amortisation (OIBDA) and OIBDA margin. OIBDA represents operating income before depreciation and amortisation. OIBDA margin is defined as OIBDA as a percentage of our net revenues. Our OIBDA may not be similar to OIBDA measures of other companies; is not a measurement under accounting principles generally accepted under IFRS and should be considered in addition to, but not as a substitute for, the information contained in our consolidated statement of profit and loss. We believe that OIBDA provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures, acquisitions of businesses and other investments and our ability to incur and service debt. While depreciation and amortization are considered operating costs under IFRS, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. OIBDA is commonly used as one of the bases for investors, analysts and credit rating agencies to evaluate and compare the periodic and future operating performance and value of companies.

Adjusted OIBDA, operating income and profit attributable to Sistema shareholders. The Company uses adjusted OIBDA, adjusted operating income and adjusted profit/(loss) attributable to Sistema shareholders to evaluate financial performance of the Group. These represent underlying financial measures adjusted for a number of one-off gains and losses. We believe that adjusted measures provide investors with additional useful information to measure our underlying financial performance, particularly from period to period, because these measures are exclusive of certain one-off gains and losses.

Adjusted operating income and adjusted OIBDA can be reconciled to our consolidated statements of profit and loss as follows:

<i>RUB millions</i>	2017	2016	4Q 2017	4Q 2016
Operating income	91,222	82,169	13,917	14,092
Provisions for litigation and amounts due under contracts with clients at RTI	6,025	-	6,025	-
Impairment of long-lived assets (Segezha Group and other)	672	2,422	672	2,422
Impairment of long-lived assets (MTS)	3,775	-	2,628	-
Impairment of other financial assets	-	5,634	-	1,000
Gain on acquisitions at Agroholding Steppe	-	(1,175)	-	-
Gain on a penalty payment by a counterparty (Medsi)	-	(221)	-	-
Gain on investments at Medsi	(730)	-	-	-
Impairment of goodwill (Segezha Group)	-	241	-	-
Accruals related to LTI program at Detsky Mir	821	-	121	-
Other non-recurring (gains) / losses, net	1,605	43	57	44
Adjusted operating income	103,390	89,113	23,420	17,558
Depreciation and amortisation	96,159	95,687	23,872	23,998
Adjusted OIBDA	199,549	184,800	47,292	41,555

Adjusted loss attributable to Sistema shareholders can be reconciled to our consolidated statements of profit and loss as follows:

<i>RUB millions</i>	2017	2016	4Q 2017	4Q 2016
Loss attributable to Sistema	(94,602)	(11,758)	(98,890)	(15,944)
Loss on Settlement Agreement net of deferred tax	90,000	-	90,000	-
Provisions for litigation and amounts due under contracts with clients at RTI	5,242	-	5,242	-
Impairment of long-lived assets (Segezha Group and other)	672	2,263	672	2,263
Impairment of long-lived assets (MTS)	1,887	-	1,314	-
Gain on acquisitions at Agroholding Steppe	-	(1,175)	-	-
Impairment of other financial assets	-	5,634	-	1,000
Loss on disposal of Targin	-	4,889	-	4,889
Gain on a penalty payment by a counterparty (Medsi)	-	(221)	-	-
Gain on investments at Medsi	(730)	-	-	-
Impairment of goodwill (Segezha Group)	-	241	-	-
Accruals related to LTI program at Detsky Mir	366	-	50	-
Other non-recurring (gains) / losses, net	1,285	1,608	56	1,608
Adjusted profit attributable to Sistema	4,119	1,481	(1,556)	(6,184)

Net financial liabilities at the Corporate Centre level. We define net financial liabilities as indebtedness less cash, cash equivalents and other liquid deposits and financial instruments. The indebtedness is defined as long-term debt, including its current portion, short-term debt, liabilities to the Federal Agency for State Property Management (Rosimushchestvo) and RUSNANO as well as liability under the Settlement Agreement. We believe that the presentation of net financial liabilities at the Corporate Centre level provides useful information to investors because we use this measure in our management of the Corporate Centre's liquidity, financial flexibility, capital structure and leverage.

Net financial liabilities at the Corporate Centre level can be reconciled to the indebtedness of our Corporate segment as follows:

<i>RUB millions</i>	4Q 2017	4Q 2016
Indebtedness	123,974	97,025
Liabilities to Rosimushchestvo and RUSNANO	23,028	36,291
Liability under the Settlement Agreement	80,000	-
Cash and cash equivalents	(13,298)	(7,100)
Liquid deposits and financial instruments	(271)	(6,380)
Net financial liabilities	213,433	119,836