



JOINT-STOCK FINANCIAL CORPORATION
SISTEMA

Sistema PJSFC Financial Results 2Q 2018

Andrey Dubovskov
President and CEO

Vladimir Travkov
Vice President and Chief Financial Officer

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DISCLAIMER

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.



NEW REPORTING STANDARDS

From January 1st 2018, Sistema has adopted new IFRS standards:

- IFRS 9, Financial Instruments;
- IFRS 15, Revenue from Contracts with Customers;
- IFRS 16, Leases.

In accordance with the accounting policy the financial results of previous comparative periods were not reconciled with the effect of new standards. Therefore, here and hereafter in this presentation Sistema's consolidated results and results of its subsidiaries for 2Q 2018 and 6M 2018 are presented in accordance with new accounting standards IFRS 9, 15 and 16 if not specified otherwise. The results for 2Q 2017 and 6M 2017 are presented without the impact of new IFRS standards 9, 15 and 16.

For comparison purpose, Sistema also presents 2Q 2018 and 6M 2018 financial results excluding the impact of new standards in all of the distribution materials. In this presentation we use the following terms:

Old IFRS standards – excluding impact of IFRS 9, 15 and 16;

New IFRS standards – including impact of IFRS 9, 15 and 16.

IFRS 9, Financial Instruments.

IFRS 9 regulates the classification and measurement of financial assets and liabilities and requires certain additional disclosures. The primary changes relate to the assessment of hedging arrangements and provisioning for potential future credit losses on financial assets as well as recognition of modification gain or loss for all revisions of estimated payments or receipts, including changes in cash flows arising from a modification or exchange of a financial liability, that does not result in its derecognition.

IFRS 15, Revenue from Contracts with Customers.

This standard provides a single, principles-based five-step model for the determination and recognition of revenue to be applied to all contracts with customers. It replaced the existing standards IAS 18, Revenue, and IAS 11, Construction Contracts. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under the standard, an entity recognizes revenue when (or as) a performance obligation is satisfied, i. e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios than exists in the current guidance. The main effect of the standard on the Group's consolidated financial statements related to the deferral of certain incremental costs incurred in acquiring or fulfilling a contract with a customer. Such contract costs are amortized over the period of benefit.

IFRS 16, Leases.

This standard principally requires lessees to recognize assets and liabilities for all leases and to present the rights and obligations associated with these leases in the statement of financial position. The standard also includes new provisions on the definition of a lease and its presentation, on disclosures in the notes, and on sale and leaseback transactions.



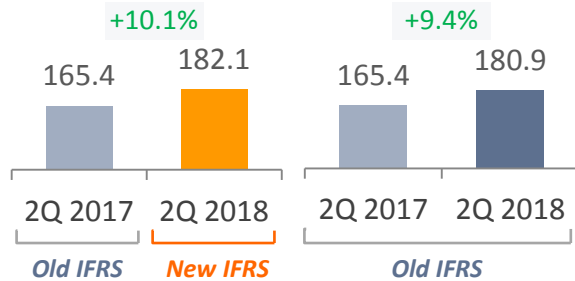
FINANCIAL REVIEW 2Q 2018



KEY HIGHLIGHTS 2Q 2018

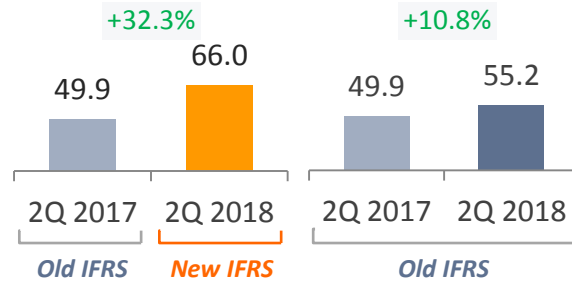
REVENUE¹

RUB bn



ADJ OIBDA

RUB bn

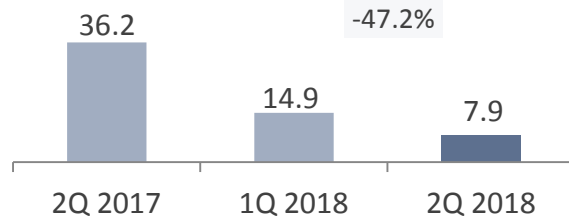


Strong portfolio performance in 2Q 2018

- Revenue growth driven by publicly-traded assets (MTS and Detsky Mir) and key non-public companies: Steppe, Segezha and Medsi, with modest positive impact from the adoption of the new IFRS 15 standard
- Significant increase in adj. OIBDA level reflecting healthy performance of the key assets and impact of the new IFRS 15 and IFRS 16 standards

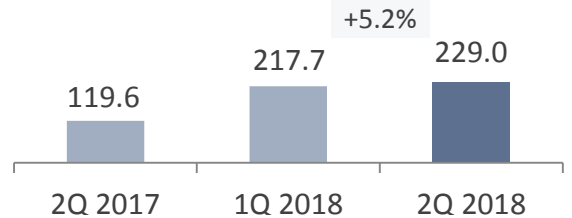
CASH POSITION AT CORPORATE CENTRE²

RUB bn



NET FIN LIABILITIES AT CORP CENTRE^{2,3}

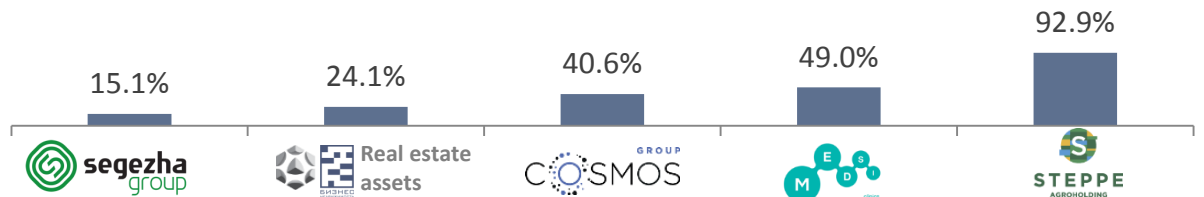
RUB bn



Net financial liabilities increase due to ruble depreciation

- Cash position at the Corp Centre declined by 47.2% QoQ, primarily due to interest expenses. Net financial liabilities increased by 5.2% due to revaluation of foreign currency liabilities.

FASTEST GROWING ASSETS (BY REVENUE, YOY)



Key highlights after the reporting period

- Three loans from Sberbank maturing in 2019-2020 totalling RUB 24 bn refinanced with a new three-year unsecured line of credit from Sberbank
- New loan attracted from Otkritie Bank: RUB 15 bn unsecured loan maturing in July 2021.
- Completed repayment of RUB 40 bn RDIF/Gazprombank loan extended in February 2018 for 180 days for the execution of obligations under the settlement agreement with PJSOC Bashneft, Rosneft and the Republic of Bashkortostan. The repayment completely removed the collateral arrangement related to Detsky Mir shares; RUB 5 bln of Sistema's own funds used to repay the loan in July 2018

¹Here and hereafter in this press-release Sistema's consolidated results for 2Q 2017 and 6M 2017 are restated to reflect deconsolidation of SG-Trading JSC and disposal of operating business of Sistema Shyam TeleServices Ltd. (SSTL) Here and hereafter 2Q 2018 and 6M 2018 results for MTS-Bank and Binnopharm are presented with the impact of the new standards only. However, Sistema estimates that the impact on the consolidated Group results of these subsidiaries' transition to the new IFRS standards is not material.

²Source: Management accounts

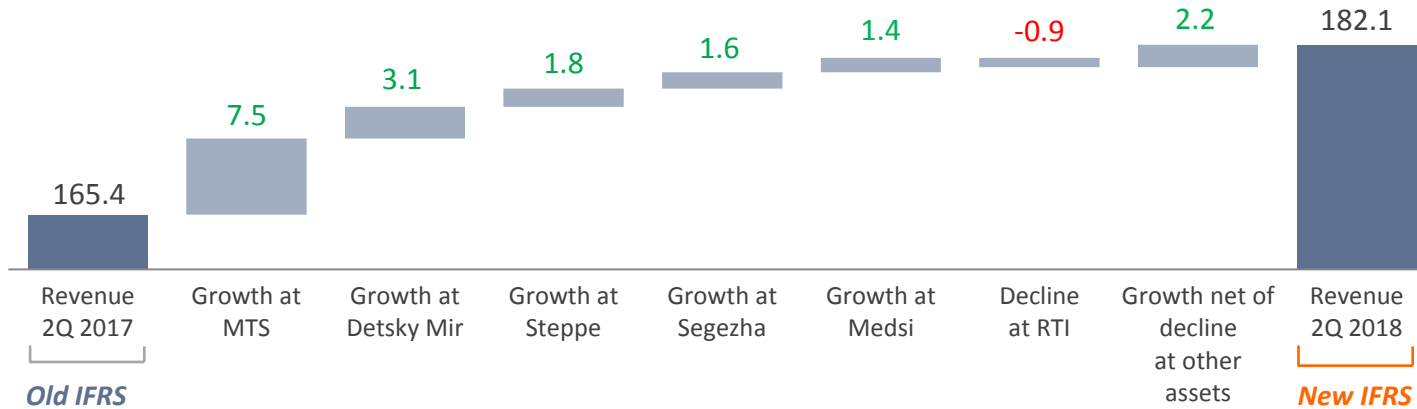
³Total borrowings, liability to Rosimushchestvo, liability to Rusnano (repaid at YE 2017), finance lease and liability under Settlement Agreement less cash at the Corporate Centre level



FINANCIAL REVIEW: REVENUES

REVENUE 2Q 2018

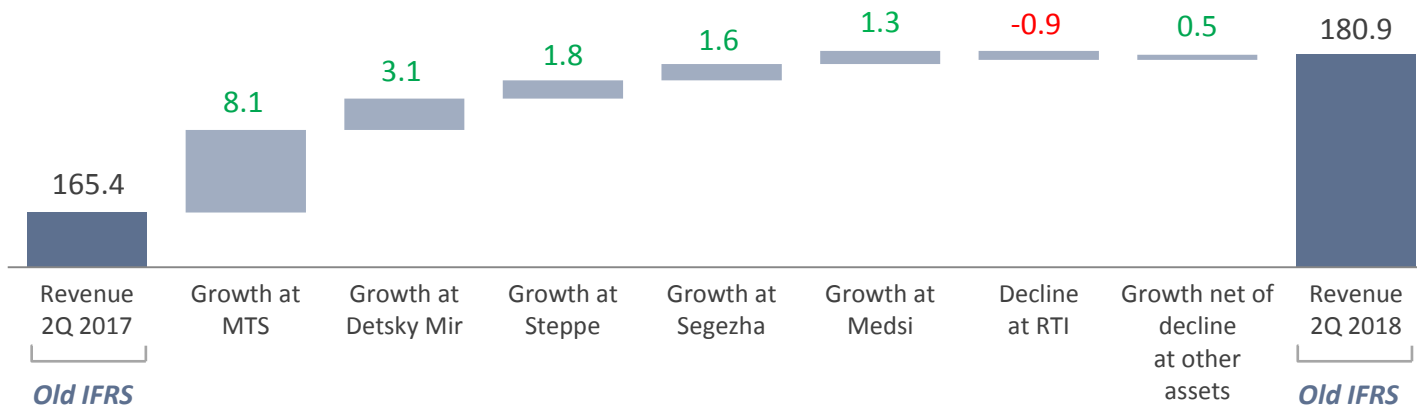
RUB bn



- **MTS:** revenue growth from mobile business in Russia on the back of increased data usage, strong handset sales and positive dynamics foreign subsidiaries
- **Detsky Mir:** 6.1% like-for-like sales growth thanks to competitive pricing policy and wide product range
- **Steppe:** increased sales of 2017 wheat inventory carryover and strong results of the Dairy division
- **Segezha Group:** growth in sales as well as higher prices of most Group products, and the impact of rouble weakening vs Euro and US dollar

REVENUE 2Q 2018

RUB bn

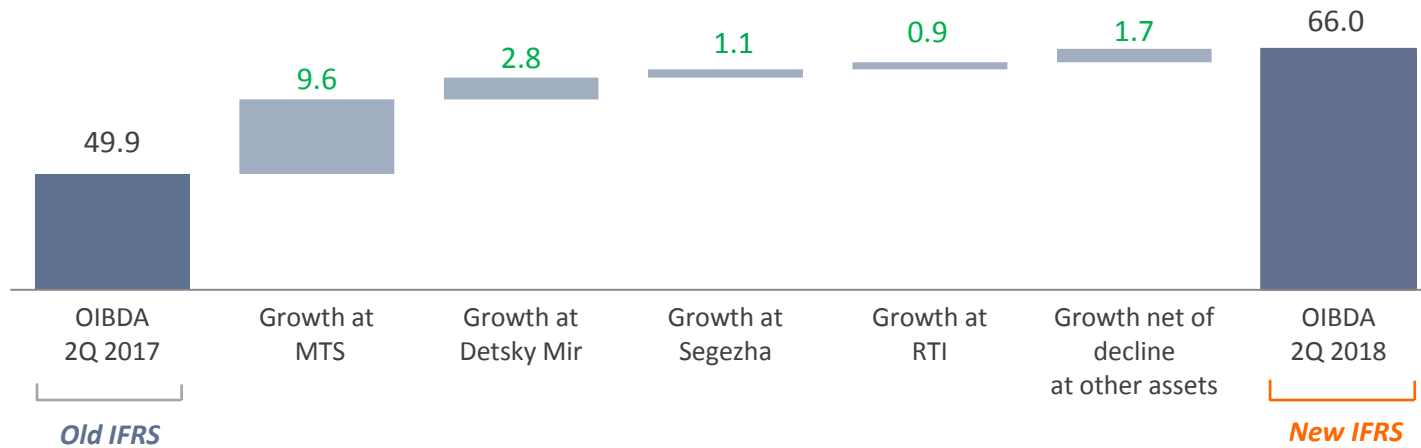


- **Medsi:** revenue growth thanks to higher capacity utilization in the in-patient segment, higher patient traffic at the CDC at Krasnaya Presnya as well as the impact of M&A
- **RTI:** Rescheduling of work in the Radar segment, which was partially offset by revenue growth in the Microelectronics segment



FINANCIAL REVIEW: OIBDA

ADJ. OIBDA 2Q 2018



- **MTS:** OIBDA growth thanks to higher revenue, cost discipline and the impact of the new IFRS standards
- **Detsky Mir:** increased OIBDA as a result of revenue growth as well as the impact of higher business efficiency and the IFRS 16 standard
- **Segezha Group:** OIBDA growth thanks to increased revenue and reduction of logistics and administrative expenses
- **RTI:** stronger cost control and 33.9% YoY reduction in SG&A

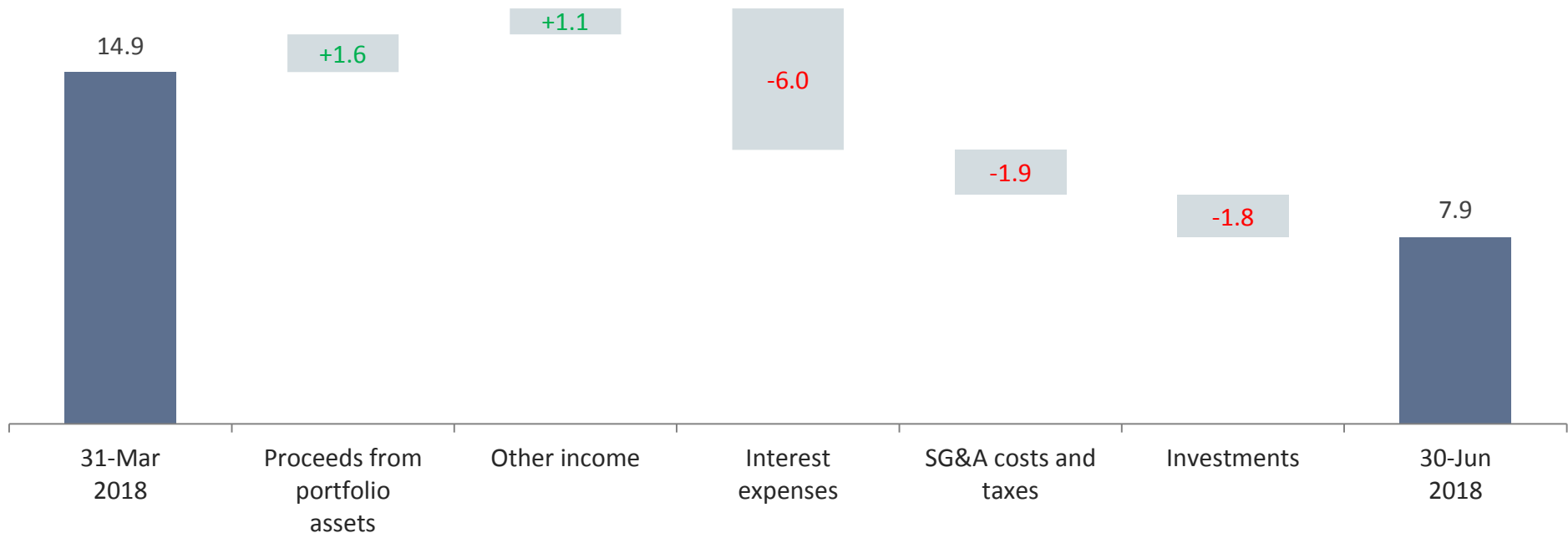
ADJ. OIBDA 2Q 2018





CASH FLOWS AT THE CORPORATE CENTRE IN 2Q 2018

Management accounts,
RUB bn



- Dividends and cash returns from portfolio assets in 2Q 2018 were mainly accounted for by dividends from Detsky Mir totalling RUB 1.3 bn
- Largest investments of 2Q 2018 included investments in high-tech, including via fund platforms
- Other income primarily consists of revaluation of cash denominated in foreign currencies
- Interest expenses consist of interest payments on amortised bank loans, coupons on local bonds and coupons on Eurobonds that are paid twice per year

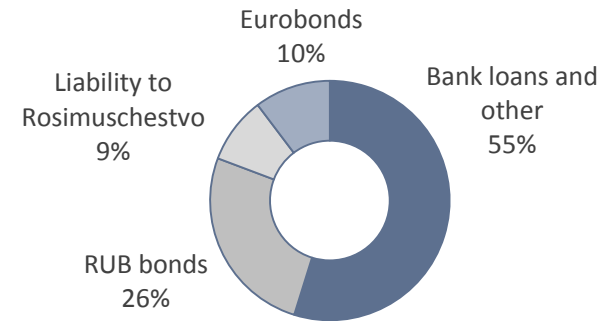
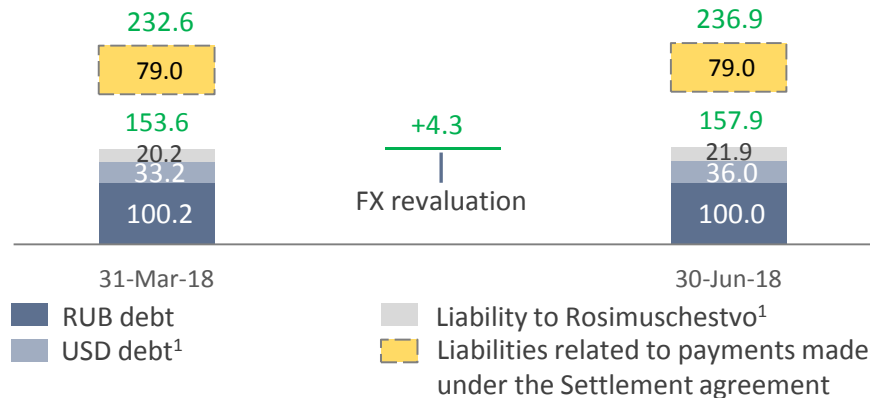
¹Numbers may not add up precisely to the outgoing balance due to rounding



CORPORATE CENTRE'S FINANCIAL LIABILITIES

CORPORATE CENTRE'S FINANCIAL LIABILITIES

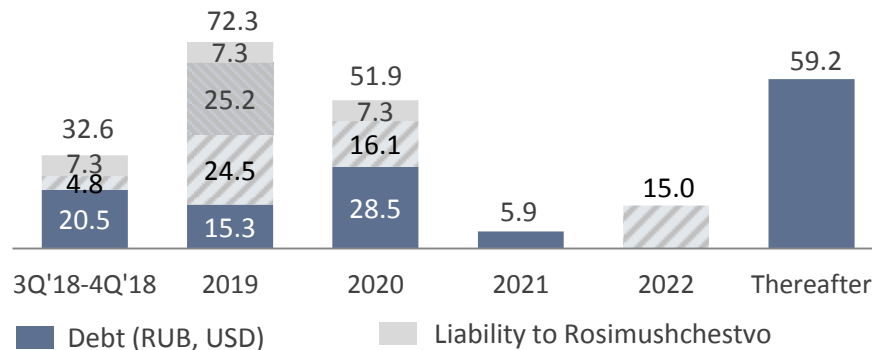
Management accounts, RUB bn



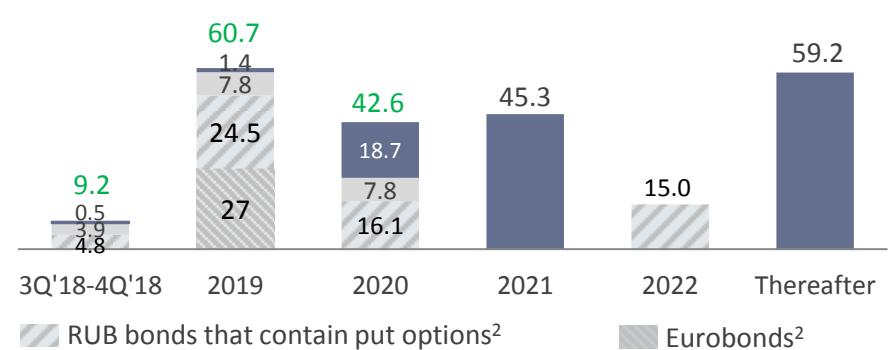
MATURITY PROFILE OPTIMISATION

Management accounts, RUB bn

As of 30 June 2018



As of 21 August 2018³



Due to efficient optimisation of the debt portfolio, following the end of the reporting period Sistema was able to complete repayment of the RDIF/Gazprombank loan ahead of schedule, increase portfolio duration and establish a more manageable debt repayment schedule

¹FX-Debt and USD-denominated liability to Rosimuschestvo are presented at RUB/USD exchange rate as of 30 June 2018. FX-Debt includes finance lease

²Eurobonds with maturity in May 2019, as of 21 August Sistema has hedged Eurobond liabilities in the amount of 250 USD mln.

RUB bonds 001P-01 contain put options that as of October 2018; 001P-07 and 001P-08 as of February and September 2019, respectively; 001P-04 and 001P-05 as of 2020; 001P-06 as of 2022

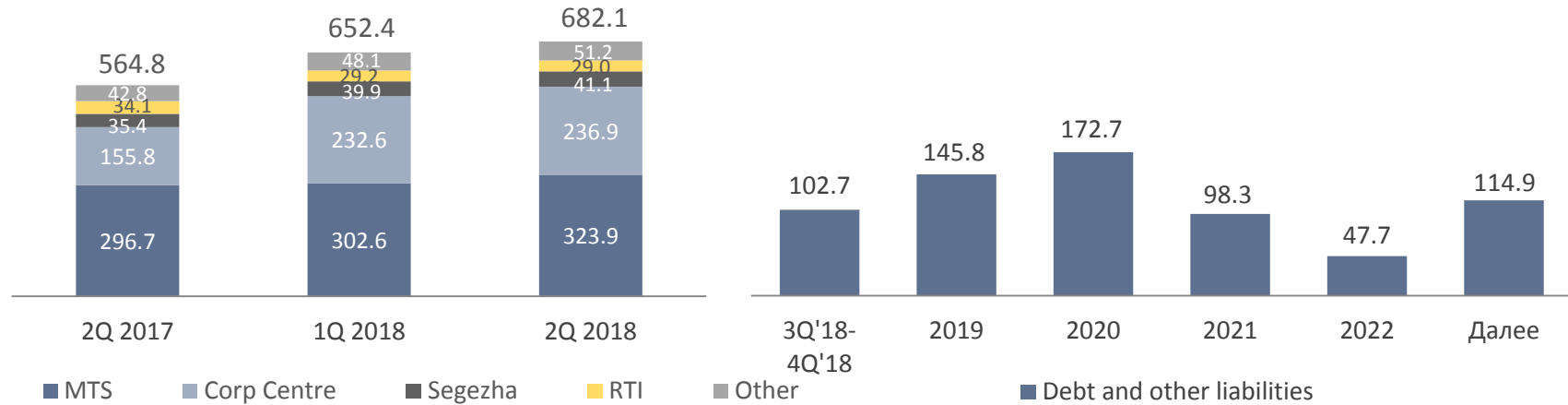
³FX-Debt and USD-denominated liability to Rosimuschestvo are presented at RUB/USD exchange rate as of 21 August 2018.



CONSOLIDATED FINANCIAL LIABILITIES

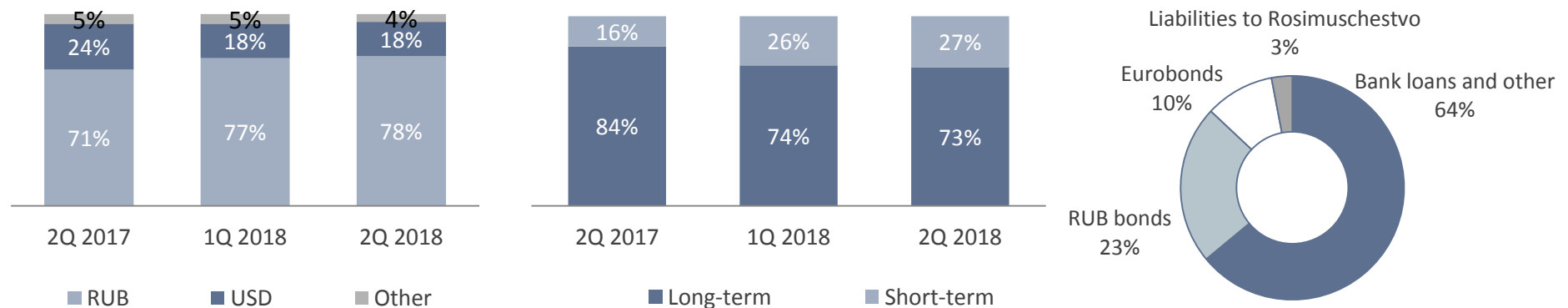
CONSOLIDATED FINANCIAL LIABILITIES¹: COMPOSITION BY BORROWERS AND MATURITY PROFILE

Management accounts, RUB bn



STRUCTURE ANALYSIS

Management accounts, RUB bn

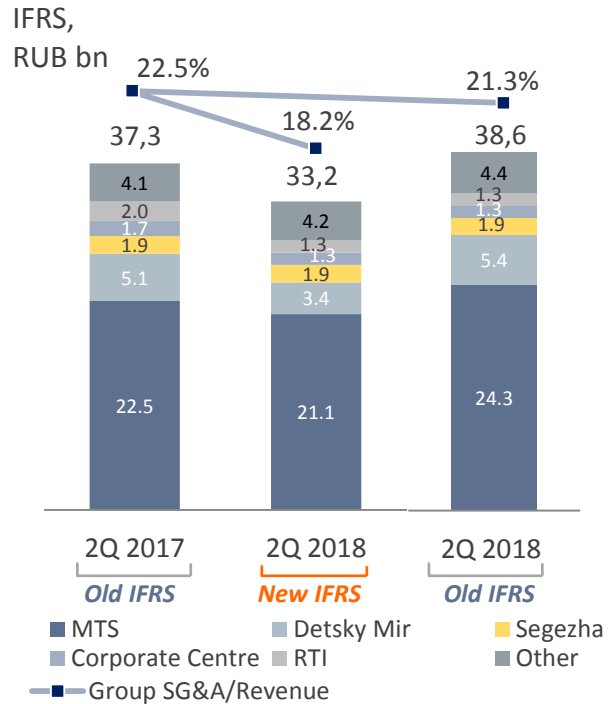


¹Include financial liabilities at Corporate Centre, finance lease and total borrowings at portfolio companies in accordance with IFRS. Data as of 30 June 2018



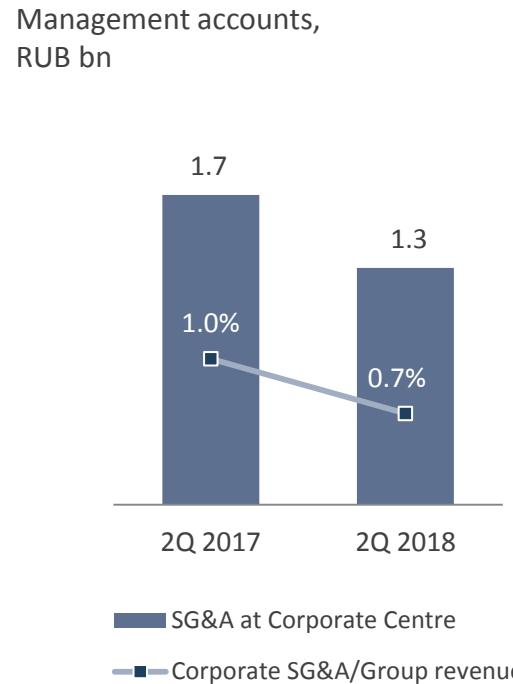
SG&A EXPENSES AND CAPEX

GROUP SG&A EXPENSES



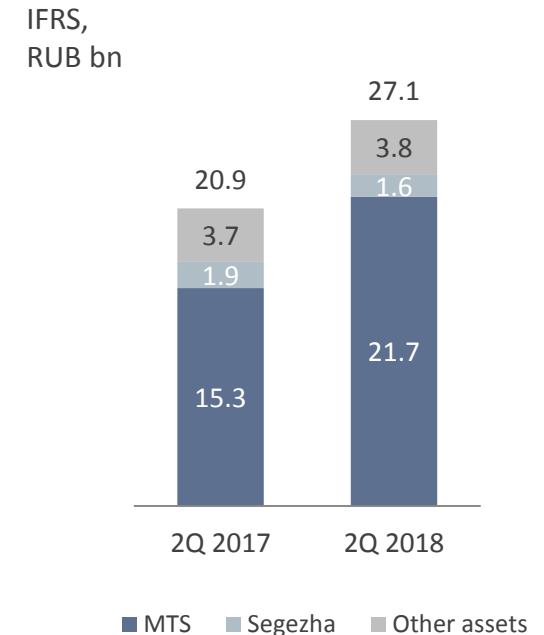
- SG&A/Revenue ratio declined YoY from 22.5% to 18.2% driven by the impact of the new IFRS standards. On a like-for-like basis, the SG&A/Revenue ratio declined by 1.2 p.p. to 21.3% due to strict cost control.
- Including the impact of the new IFRS standards the SG&A/Revenue ratio:
 - Detsky Mir: decreased to 14.2% from 24.1%
 - MTS Bank: decreased to 30.9% from 38.4%
 - RTI: decreased to 16.3% from 22.3%
 - MTS: decreased to 18.4% from 21.0%
 - Segezha: decreased to 15.1% from 17.7%

CORPORATE CENTRE'S SG&A EXPENSES



- SG&A at the Corp Centre decreased by 20.1% YoY. In 2Q 2017 SG&A included accruals for the management LTI programme for 2017 and 2016
- The SG&A/Revenue ratio at the Corp Centre declined from 1.0% in 2Q 2017 to 0.7% in 2Q 2018

GROUP CAPEX



- Group CAPEX increased by 29.5% YoY primarily due to higher CAPEX at MTS (+41.8%) – increased investments in developing the network in Russia



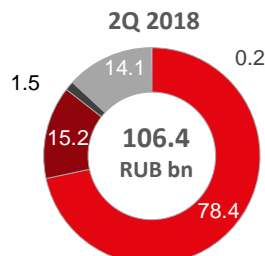
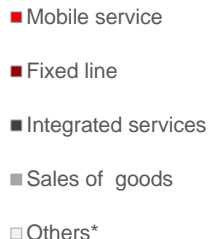
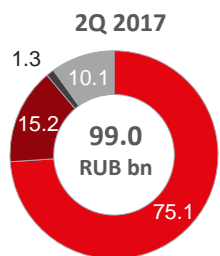
KEY PORTFOLIO ASSETS

MTC: IMPRESSIVE REVENUE GROWTH AND PROGRESS IN IMPLEMENTATION OF DIGITAL STRATEGY



STRUCTURE OF REVENUE IN RUSSIA

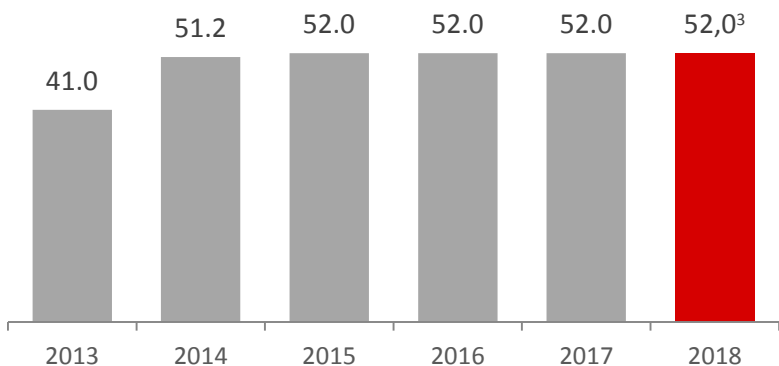
RUB bn



*Including revenue from event e-ticketing operators and e-sport

DIVIDENDS PAID IN CALENDAR YEAR

RUB bn



¹Here and hereafter profit is presented in Sistema's share

²Here and hereafter net debt includes finance lease

³In case of the approval of the dividends recommended by the BoD to EGM on 28.09.2018

| | New IFRS | | | Old IFRS | | New IFRS | | | Old IFRS | |
|-----------------------|----------|---------|---------|----------|-----------|----------|---------|---------|----------|---------|
| RUB bn | 2Q 2018 | 2Q 2017 | YoY | 2Q 2018 | YoY | 6M 2018 | 6M 2017 | YoY | 6M 2018 | YoY |
| Revenue | 114.3 | 106.8 | 7.0% | 114.9 | 7.6% | 222.3 | 211.5 | 5.1% | 223.4 | 5.6% |
| OIBDA | 53.4 | 43.8 | 22.0% | 45.7 | 4.5% | 105.5 | 85.3 | 23.6% | 90.2 | 5.8% |
| OIBDA margin | 46.7% | 41.0% | 5.7p.p. | 39.8% | (1.2p.p.) | 47.4% | 40.3% | 7.1p.p. | 40.4% | 0.1p.p. |
| Profit ¹ | 7.1 | 7.4 | (3.1%) | 7.5 | 2.2% | 14.9 | 13.6 | 9.1% | 15.8 | 15.9% |
| Net debt ² | 236.5 | 262.5 | (15.3%) | | | 236.5 | 262.5 | (15.3%) | | |
| CAPEX | 21.7 | 15.3 | 41.8% | | | 39.8 | 26.4 | 50.5% | | |

Strong operating and financial results

- > Impressive revenue growth in 2Q 2018 of 7.0% YoY due to higher revenue from the mobile business in Russia as a result of higher data usage for digital services, strong revenue growth from smartphone sales and contributions from subsidiaries outside Russia. Without the impact of the new IFRS standards, revenue in 2Q 2018 increased by 7.6%.
- > OIBDA growth (+22.0%) as result of the adoption of new IFRS standards as well as higher revenue and stricter cost control. Without the effect of the new IFRS standards, OIBDA growth was 4.5% YoY.

Upgraded FY 2018 forecast

- > In August 2018, MTS upgraded its FY2018 forecast to 2-4% revenue growth and ~ 2% increase in Group OIBDA excluding the impact of the new IFRS standards. MTS estimates that the adoption of the new IFRS standards will increase OIBDA by at least RUB 25 bn.

Digital strategy

- > In July 2018, MTS increased its stake in MTS Bank to 55.2% to boost synergies between the telecommunications and banking businesses, simplify governance and accelerate entry into the market for new fintech products.
- > In August 2018, MTS entered the IT outsourcing market, leveraging the expertise of its subsidiary NVision Group as well as MTS's staff of more than 5,000 IT specialists across Russia.

Stable dividend flow and increased shareholder return

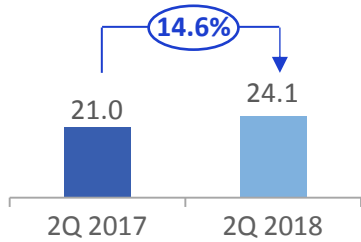
- > In June 2018, the AGM approved a 2017 dividend of RUB 46.762 bln, or RUB 23.4 per ordinary share (RUB 46.8 per ADR).
- > In August 2018, the BoD recommended an EGM (to be held 28 Sept 2018) approve interim dividends of RUB 5.196 bn, or RUB 2.6 per share (RUB 5.2 per ADR)
- > in July 2018, announced the launch of a share and ADR repurchase programme totaling RUB 30 bn and running through July 2020.

DETSKY MIR: DOUBLE-DIGIT PACE OF GROWTH AND UPWARD FORECAST REVISION



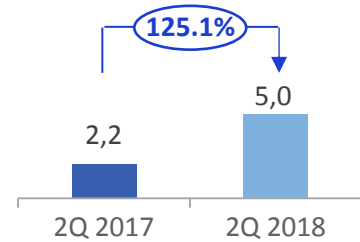
REVENUE

RUB bn

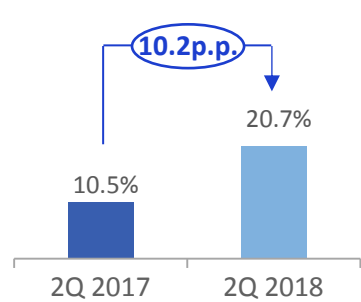


ADJ. OIBDA

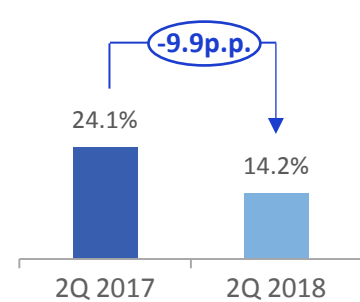
RUB bn



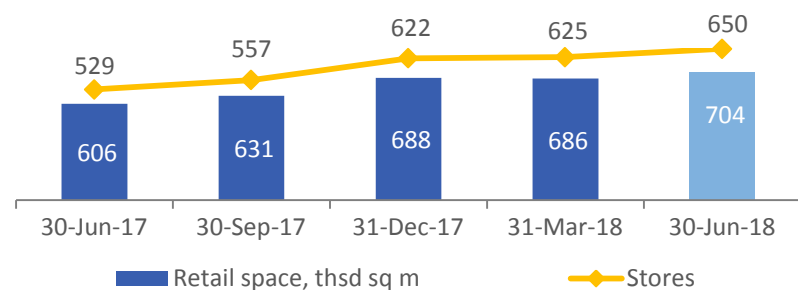
ADJ. OIBDA MARGIN



ADJ. SG&A/REVENUE



SELLING SPACE AND NUMBER OF STORES¹



¹In 1H 2018, Detsky Mir closed 4 stores

²Like-for-like (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

³Dividend yield is calculated as the ratio of dividends per share paid in the amount of RUB 5.1 bn for FY2017, and the average market price of the share for the last 12 calendar months

| RUB bn | New IFRS | | | Old IFRS | | New IFRS | | | Old IFRS | |
|-----------------------------------|----------|---------|-----------|----------|-----------|----------|---------|------------|----------|-----------|
| | 2Q 2018 | 2Q 2017 | YoY | 2Q 2018 | YoY | 6M 2018 | 6M 2017 | YoY | 6M 2018 | YoY |
| Revenue | 24.1 | 21.0 | 14.6% | 24,1 | 14,6% | 48.1 | 42.1 | 14.3% | 48.1 | 14.3% |
| Adj. OIBDA | 5.0 | 2.2 | 125.1% | 3,0 | 34,4% | 8.5 | 3.3 | 154.9% | 4.4 | 32.9% |
| Adj. OIBDA margin | 20.7% | 10.5% | 10.2p.p. | 12,4% | 1,9п.п. | 17.6% | 7.9% | 9.7p.p. | 9.2% | 1.3p.p. |
| Adj. profit | 0.5 | 0.4 | 8.9% | 0,9 | 101,2% | 0.7 | 0.5 | 28.1% | 1.1 | 116.9% |
| SGA/revenue | 14.2% | 24.1% | (9.9p.p.) | 22,6% | (1.5п.п.) | 14.6% | 24.7% | (10.1p.p.) | 23.1% | (1.7p.p.) |
| Net debt | 18.9 | 15.1 | 24.8% | | | 18.9 | 15.1 | 24.8% | | |
| Like-for-like growth ² | 6.1% | 4.8% | 1.3p.p. | | | 5.6% | 7.9% | (2.3p.p.) | | |
| Traffic growth | 8.9% | 10.7% | (1.8p.p.) | | | 8.9% | 12.0% | (3.1p.p.) | | |
| Average ticket dynamics | (2.6%) | (5.4%) | 2.8p.p. | | | (3.0%) | -3.7% | 0.7p.p. | | |
| CAPEX | 0.4 | 0.3 | 25.8% | | | 0.7 | 0.6 | 25.8% | | |

Improvement in revenue and OIBDA margin

- > Strong YoY revenue growth in 2Q 2018 driven by a competitive pricing policy and wide product range.
- > E-commerce revenue increased by 93.1% YoY. Online sales accounted for 6.6% of total sales.
- > Adj. OIBDA increased by 125.1% as a result of the adoption of the new IFRS 16 standard. Excluding this effect, adj. OIBDA increased by 34.4%.
- > Adj. OIBDA margin improved YoY driven by improvements to operational efficiency including reductions in marketing expenses. Adj. SG&A/revenue ratio declined by 9.9 p.p. to 14.2%. Excluding the effect of the accounting change, adj. SG&A/revenue ratio declined by 1.5 p.p. to 22.6%.
- > Adj. net profit was affected by a reduction in the cost of borrowing and optimisation of working capital. Without the effect of the IFRS 16 Lease accounting standard, adj. net profit in 2Q 2018 more than doubled YoY.

Dividend yield

- > In May 2018, Detsky Mir paid a final dividend for 2017 of RUB 2.9 bn (RUB 3.88 per ordinary share). Dividends paid for the nine months and full year 2017 totalled RUB 5.1 bn, representing a dividend yield of 7.2%³.

Expansion plans

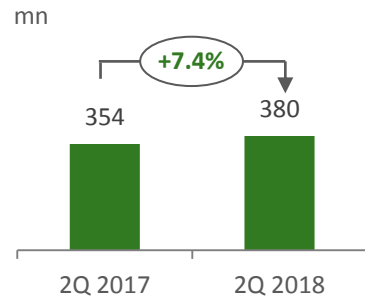
- > Detsky Mir plans to open no fewer than 100 stores in 2018 (previously the company had forecast 70 store openings). The medium-term expansion target was also revised upwards: in 2018-2021 the company plans to open at least 300 stores (previous target: 250 openings).
- > Detsky Mir is targeting entry into the Belorussian market with the aim of becoming a key market player in the medium term. The company plans to open its first store in Belarus in 2019.

SEGEZHA GROUP: SIGNIFICANT IMPROVEMENT IN REVENUE AND OIBDA DRIVEN BY PRODUCTION AND PRICES INCREASE

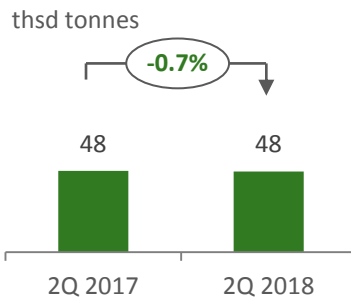


SALES

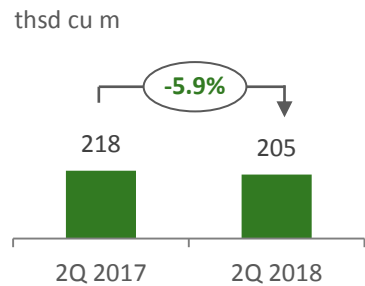
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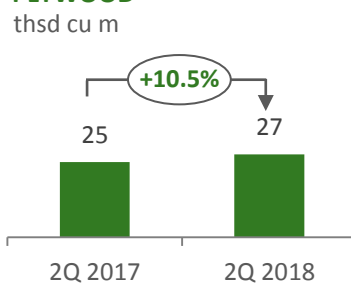
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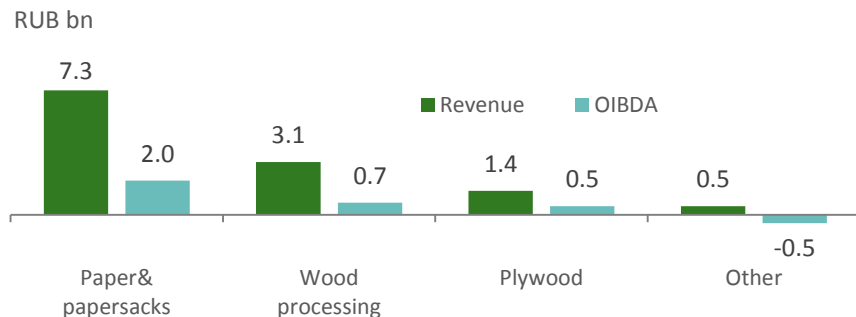
SAWN TIMBER



PLYWOOD



REVENUE AND OIBDA BY BUSINESS SEGMENTS IN 2Q 2018



¹Including sales of craft paper and artificial parchment

²Metrics in the tables hereinafter are presented as of 30 June 2018

| RUB bn | New IFRS | | | Old IFRS | | New IFRS | | | Old IFRS | |
|-------------------------------------|----------|---------|------------|----------|---------|----------|---------|---------|----------|---------|
| | 2Q 2018 | 2Q 2017 | YoY | 2Q 2018 | YoY | 6M 2018 | 6M 2017 | YoY | 6M 2018 | YoY |
| Revenue | 12.4 | 10.8 | 15.1% | 12.4 | 15.1% | 24.0 | 20.3 | 18.2% | 24.0 | 18.2% |
| OIBDA | 2.6 | 1.6 | 67.9% | 2.4 | 57.3% | 4.8 | 2.8 | 69.3% | 4.4 | 55.7% |
| OIBDA margin | 21.0% | 14.4% | 6.6p.p. | 19.7% | 5.3p.p. | 20.0% | 13.9% | 6.1p.p. | 18.4% | 4.5p.p. |
| Loss/(profit) | (0.8) | (0.8) | n/a | (0.7) | n/a | (1.3) | (0.7) | n/a | (1.1) | n/a |
| Net debt | 38.3 | 28.1 | 36.3% | | | 38.3 | 28.1 | 36.3% | | |
| CAPEX | 1.6 | 1.9 | (16.7%) | | | 3.0 | 4.0 | (25.5%) | | |
| FX-denom. revenues | 69.7% | 66.6% | 3.1p.p. | | | 69.1% | 66.3% | 2.8p.p. | | |
| Own consumption | 53.9% | 68.1% | (14.2p.p.) | | | 54.1% | 63.1% | 9.0p.p. | | |
| Total forestry, '000 m ³ | 771.2 | 648 | 19.0% | | | 2,157.1 | 1,992.8 | 8.2% | | |

| Leased forest fund ² | Exports destinations | Capacity in sack paper | Capacity in paper sacks | Capacity in plywood |
|---------------------------------|----------------------|------------------------|-------------------------|-------------------------|
| 6.8 mln ha | 88 countries | 360 thsd tonnes | 1.5 bn pcs | 192 thsd m ³ |

- > 2Q 2018 revenue increased YoY due to increased sales volumes, as well as higher prices across most key products. The 17.5% weakening of the RUB against the EUR also had a positive impact on revenue (60% of the Group's revenue is denominated in EUR).
- > OIBDA and the OIBDA margin improved in 2Q 2018 as a result of the revenue increase as well as strict cost control including reduction of logistics and administrative expenses.
- > The net loss in 2Q 2018 was mainly due to exchange rate fluctuations.
- > Paper production volumes increased by 4.7% YoY to 83.9 mln tonnes thanks to the launch in late 2017 of the paper-making machine No.11 at Segezha Pulp & Paper Mill.
- > Paper sack production in 2Q 2018 increased by 1.0% (to 357.5 mln units) as a result of more effective sales.
- > Plywood production in 2Q 2018 increased by 11.7% YoY to 29,100 cu m primarily due to the roll-out of new equipment – the second production line at the Vyatsky Plywood Mill.
- > Sawn timber production decreased by 5.8% to 213,200 cubic metres in 2Q 2018 driven by the reallocation of capacity in the Vologda region (Sokol Wood Processing Plant) from sawn timber to higher-margin laminated products and pre-fabricated homes (34.5% and 52.1% YoY, respectively)
- > In July 2018, Segezha officially launched the second production line at the Vyatsky Plywood Mill, which will increase plywood production to 192,000 cu m and expand the product line to include extra large long-grain plywood.

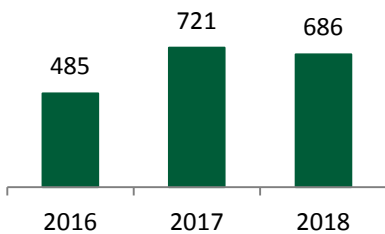
AGROHOLDING STEPPE: STRONG OPERATING RESULTS AND DEVELOPMENT OF ARGROTRADING DIVISION



Field crop production

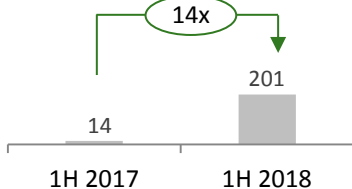
- Land bank of 380,000 hectares:
 - Steppe: 274,000 hectares
 - RZ Agro: 106,000 hectares
- Advanced technologies and high business standards

WHEAT PRODUCTION¹



Agrotrading

CROP EXPORT



¹Including the results of both Afroholding Steppe and RZ Agro

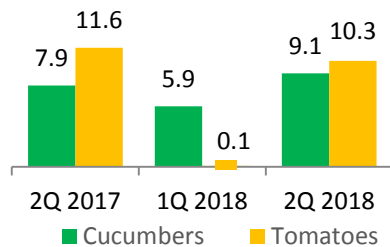
²RZ Afro results are reported in Agroholding Steppe's IFRS results on the basis of joint venture

Apple orchards

- Planted orchard land: 780 hectares
- Fruit storage of 21,000 tonnes

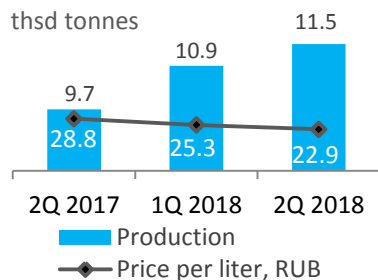
Vegetable production

thsd tonnes



Dairy farming

MILK PRODUCTION



| RUB bn | New IFRS | | | Old IFRS | | New IFRS | | | Old IFRS | |
|--------------|----------|---------|------------|----------|------------|----------|---------|------------|----------|------------|
| | 2Q 2018 | 2Q 2017 | YoY | 2Q 2018 | YoY | 6M 2018 | 6M 2017 | YoY | 6M 2018 | YoY |
| Revenue | 3.8 | 2.0 | 92.9% | 3.8 | 92.9% | 6.3 | 3.2 | 99.6% | 6.3 | 99.6% |
| OIBDA | 2.1 | 2.1 | 1.9% | 2.1 | 1.6% | 2.8 | 2.2 | 28.4% | 2.8 | 27.9% |
| OIBDA margin | 55.7% | 105.4% | (49.7p.p.) | 55.5% | (49.9p.p.) | 44.2% | 68.8% | (24.6p.p.) | 44.0% | (24.8p.p.) |
| Profit | 1.5 | 1.3 | 11.2% | 1.5 | 16.3% | 1.4 | 1.1 | 34.2% | 1.6 | 47.1% |
| Net debt | 13.7 | 11.8 | 16.3% | | | 13.7 | 11.8 | 16.3% | | |
| CAPEX | 0.4 | 1.0 | (59.6%) | | | 0.6 | 1.0 | (34.9%) | | |

| Total land bank | Dairy cows herd | Apple orchards | Greenhouses area |
|-----------------|-----------------|----------------|------------------|
| 380 thsd ha | ≈4,450 | 780 ha | 144 ha |

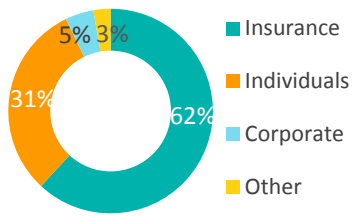
- Agroholding Steppe's results in 2Q 2018 reflect the seasonal nature of the agriculture industry (the majority of revenues are generated in the second half of the year).
- Revenue increased by 92.9% YoY on the back of increased sales of carryover inventory from 2017, strong growth in the Dairy division and the launch of the Agrotrading division. These factors drove significant growth in OIBDA in the first half of the year (+28.4% YoY).
- Robust development of the Agrotrading division in 2Q 2018 drove a significant increase in crop exports to 201,000 tonnes in 2Q 2018 (more than 14x YoY growth).
- A shift in world wheat prices is currently underway: current contract prices for delivery in the second half of 2018 are more than 20% above equivalent contracts in 2017. Higher sales prices and the high quality of the harvest offset the modest reduction in the wheat harvest in 2018 (less than 5% YoY) that came as a result of a drought during formation and filling of the grain crop.
- The Dairy division demonstrated positive results in 2Q 2018: milk production per cow increased by +6.7% YoY and the herd expanded by 11.4% YoY. The new dairy farm that opened in 1Q 2018, which will accommodate 1,800 cows, is posting strong operating results (average milk production per cow is more than 35 l per day, more than double the average indicator in Russia).
- The Vegetable division demonstrated stable results in the reporting quarter, maintaining production at last year's level of 19,400 tonnes.

MEDSI: INCREASED PATIENT TRAFFIC AND UTILISATION AT THE KEY FACILITIES

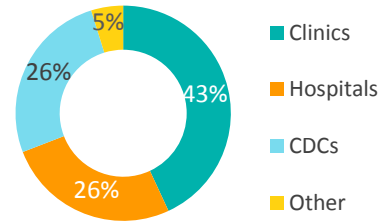


REVENUE IN 2Q 2018

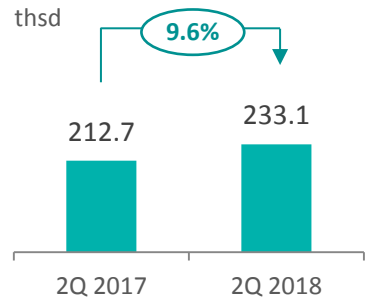
By clients



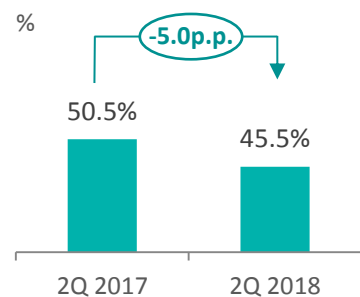
By assets



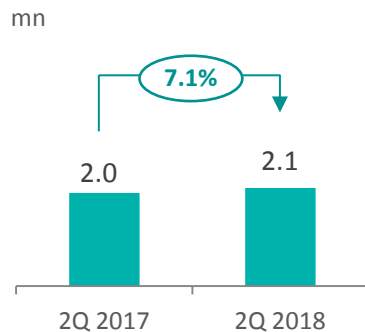
FLOOR SPACE



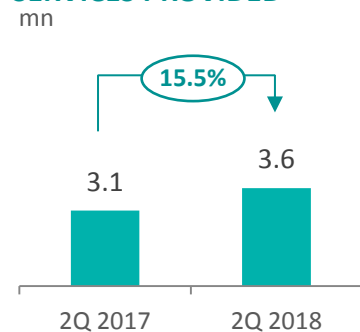
UTILISATION



PATIENT VISITS



SERVICES PROVIDED



| RUB bn | New IFRS | | | Old IFRS | | New IFRS | | | Old IFRS | |
|-------------------------|----------|---------|-----------|----------|-----------|----------|---------|-----------|----------|------------|
| | 2Q 2018 | 2Q 2017 | YoY | 2Q 2018 | YoY | 6M 2018 | 6M 2017 | YoY | 6M 2018 | YoY |
| Revenue | 4.1 | 2.8 | 49.0% | 4.1 | 49.0% | 7.6 | 5.3 | 44.0% | 7.6 | 44.0% |
| Adj. OIBDA | 0.5 | 0.4 | 32.7% | 0.4 | 5.3% | 1.0 | 1.1 | (11.8%) | 0.8 | (31.7%) |
| Adj. OIBDA margin | 12.8% | 14.4% | (1.6p.p.) | 10.2% | (4.2p.p.) | 13.0% | 21.2% | (8.2p.p.) | 10.1% | (11.1p.p.) |
| Adj. (Loss)/Profit | (0.1) | 0.1 | n/a | (0.1) | n/a | (0.2) | 0.3 | n/a | (0.4) | n/a |
| Net debt/(cash) | 1.4 | (1.0) | n/a | | | 1.4 | (1.0) | n/a | | |
| Patient visits, '000 | 2,096 | 1,957 | 7.1% | | | 4,102 | 3,813 | 7.6% | | |
| Services provided, '000 | 3,573 | 3,094 | 15.5% | | | 6,739 | 6,020 | 11.9% | | |
| Average bill, '000 RUB | 1,931 | 1,400 | 37.9% | | | 1,836 | 1,379 | 33.1% | | |

| Number of facilities ¹ | Out-patient visits ² | Services provided (capacity) | Doctors employed |
|-----------------------------------|---------------------------------|------------------------------|------------------|
| 40 | 11,033 thsd | 17,200 thsd | 2.5 thsd |

> Revenue increased in 2Q 2018 on the back of increased capacity utilisation at in-patient facilities (hospitals in Otradnoe and Botkinsky Passage), higher patient traffic at the CDC at Krasnaya Presnya and new clinics (Leninsky Avenue, 3rd Khoroshevsky Passage and Leninskaya Village) as well as the impact of the facilities outside Moscow acquired in 2017 that added 8.6% YoY to the revenue growth. Payments by insurance companies accounted for 61.9% of revenue, with 20.4% of revenue coming from the mandatory health insurance programme (MHI) and 41.5% coming from voluntary health insurance (VHI). The share of services delivered under MHI continues to rise – in 2Q 2018 Medsi increased revenue by 209% in that segment.

> The biggest contributors to growth of adj. OIBDA were increased capacity utilisation and a higher average check at the CDC on Krasnaya Presnya and Moscow in-patient and out-patient facilities.

> Adj. OIBDA margin declined primarily due to an increased proportion of revenue coming from material-intensive high-tech treatments as well as an increase in marketing expenses in 2Q 2018.

> Medsi's net loss was due to increased amortisation charges as a result of the clinic openings in 2017, as well as higher interest payments.

> Revenue from the CDC on Belorusskaya increased by 10% and its OIBDA margin increased to 43.7% (+0.6 p.p. YoY). The CDC on Krasnaya Presnya increased capacity utilisation to 30.1% (+7.2 p.p.), which drove revenue 2.3x higher and the OIBDA margin improved to 33.1% (+13 p.p.).

> In July 2018, the Medsi Centre for Patient Support was established with the mission of researching the satisfaction of patients and rolling out best practices in patient-centred medicine.

> In June 2018, Medsi and South Korea's Severance Hospital, in partnership with Sistema and RDIF, signed an agreement to build a modern multidisciplinary diagnostic centre in Moscow.

¹Metrics in the tables hereinafter are presented as of 30 June 2018

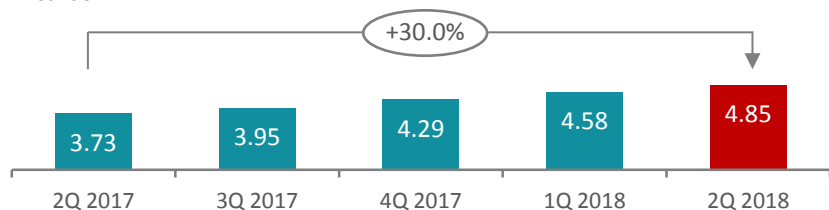
²Capacity metric, calculated as the number of possible ambulance visits of Medsi's facilities

MTS-BANK: SUSTAINED GROWTH IN CONSUMER LENDING AND ONGOING DIGITAL TRANSFORMATION

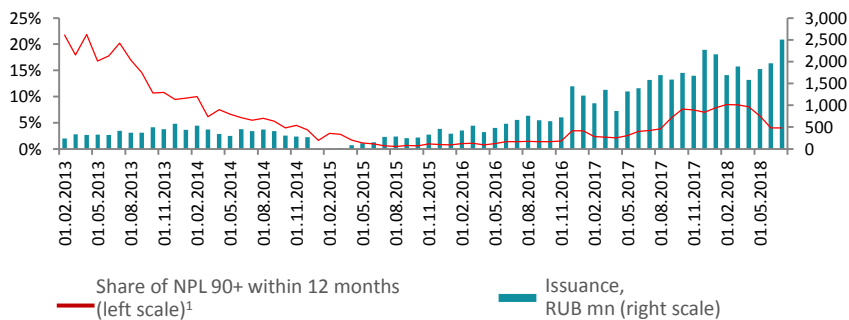


MTS MONEY CARDS ISSUANCE (ALL TYPES OF CARDS)

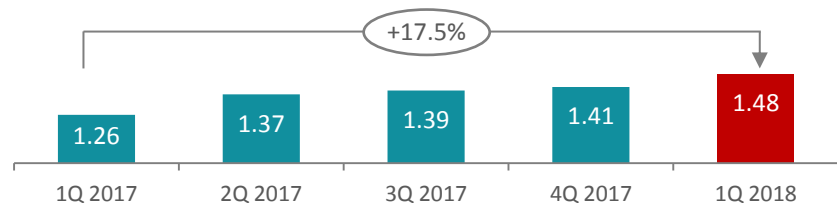
mn cards



ISSUANCE OF POS LOANS: ENHANCED RISK MANAGEMENT IN PLACE



ACTIVE RETAIL CUSTOMERS (not including digital channels)



| RUB bn ² | New IFRS | | | Old IFRS | | |
|-------------------------------|----------|---------|----------|----------|---------|----------|
| | 2Q 2018 | 2Q 2017 | YoY | 6M 2018 | 6M 2017 | YoY |
| Profit | 0.005 | 0.129 | (96.2%) | 0.3 | 0.2 | 50.8% |
| Interest income | 4.0 | 3.4 | 19.2% | 7.8 | 6.7 | 15.8% |
| Commission income | 1.4 | 1.0 | 42.9% | 2.5 | 1.9 | 34.7% |
| Net assets | 20.0 | 20.9 | (4.3%) | 20.0 | 20.9 | (4.3%) |
| Capital adequacy ratio (N1.1) | 8.7% | 8.7% | 0.02p.p. | 8.7% | 8.7% | 0.02p.p. |

| Total assets ³ | Total loan book, gross | Customer deposits | Retail deposits |
|---------------------------|------------------------|-------------------|-----------------|
| RUB 150.8 bn | RUB 62.8 bn | RUB 124.9 bn | RUB 77.8 bn |

- > Interest income in 2Q 2018 increased YoY on the back of the growing consumer credit portfolio.
- > The increase in fee and commission income YoY in 2Q 2018 was the result of the higher number of active cards and the launch of a new mobile banking app, which has supported an increase in the number of commission transactions undertaken by clients.
- > The decline in net income in 2Q 2018 was due to the creation of additional loan loss provisions following refining of the calculation methodology in relation to the transition to IFRS 9. At the same time, the bank's net income in 1H 2018 rose by more than 50% YoY.
- > The cost of risk (CoR) remained at a comfortable level of 3-4%.
- > In July 2018 Sistema sold to MTS a 28.63% stake in MTS Bank, which brought Sistema's stake in the bank down to 43.24%, while the stake owned by MTS increased from 26.61% to 55.24%. The transaction allows MTS Bank to continue its development and its digital transformation, while enabling MTS to more effectively leverage the synergies between the banking and telecommunications businesses.
- > In July 2018, the rating agency Expert RA raised MTS Bank's credit rating to ruBBB- with a Stable outlook.

¹Loans classified as 90 days+ NPLs within 12 months after issuance (2018 numbers are based on the model forecast)

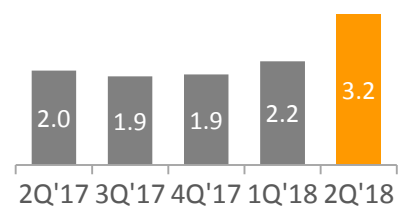
²Metrics in the table exclude results of East-West United Bank (EWUB). 2Q 2018 and 6M 2018 results for MTS-Bank are not presented excluding the impact of the new IFRS standards

³Metrics hereinafter are presented as of 30 June 2018 in accordance with IFRS

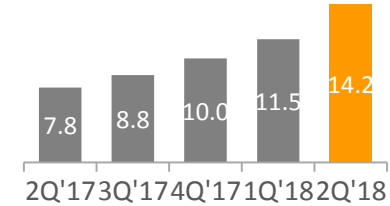
REAL ESTATE ASSETS: SUBSTANTIAL SALES GROWTH


LEADER INVEST

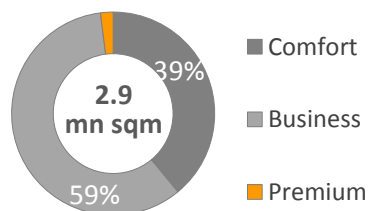
Cash generation from real estate sales RUB mn



Leader Invest sales thsd m²

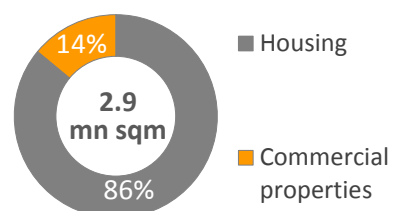


Portfolio by class¹ 2%



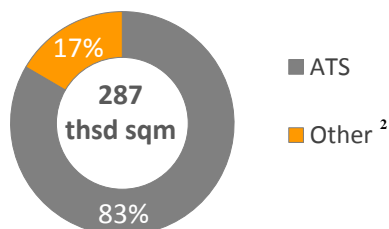
¹100% of Zil-South included

Portfolio by segment¹



RENTAL ASSETS

Ownership



²Housing in the center of Moscow, storages

Leader Invest

| RUB bn | New IFRS | | | Old IFRS | | New IFRS | | | Old IFRS | |
|---------------|----------|---------|----------|----------|---------|----------|---------|-----------|----------|---------|
| | 2Q 2018 | 2Q 2017 | YoY | 2Q 2018 | YoY | 6M 2018 | 6M 2017 | YoY | 6M 2018 | YoY |
| Revenue | 2.3 | 0.7 | 214.2% | 0.6 | (24.2%) | 3.8 | 3.1 | 22.2% | 1.2 | (61.8%) |
| OIBDA | 0.6 | 0.1 | 630.2% | (0.1) | n/a | 0.7 | 0.8 | (14.2%) | (0.3) | n/a |
| OIBDA margin | 24.9% | 10.7% | 14.2p.p. | n/a | n/a | 18.4% | 26.1% | (7.7p.p.) | n/a | n/a |
| Profit/(Loss) | 0.1 | (0.2) | n/a | (0.2) | n/a | (0.2) | 0.3 | n/a | (0.6) | n/a |
| Net debt | 2.0 | 0.9 | 118.8% | | | 2.0 | 0.9 | 118.8% | | |

> Leader Invest's sales volumes in Moscow grew by 82.1% year-on-year to 14,200 sq m in 2Q 2018, and cash collections from sales reached RUB 3.2 bn due to the strengthening of the sales function and introduction of marketing innovations.

> Revenue for Leader Invest in 2Q 2018 was RUB 2.3 bn, primarily from sales at comfort-class projects in Moscow on Yan Rainis Street, Kavkazskiy Boulevard, Krasnogvardeyskiy Boulevard and Chertanovskaya Street, as well as business-class projects on Demyana Bednogo Street, Mishina Street and Lobachevskogo Street. Leasing of commercial premises also contributed to revenue. The increase in revenue and OIBDA resulted from earlier recognition of revenue under IFRS 15. Without the effect of IFRS 15, decline in revenue and OIBDA for the period was driven by the high base effect – results of the first half of 2017 were impacted by the commissioning at the end of 2016 of two houses (Rogozhsky and Nagatinsky) with total saleable area of 25,000 sq m.

> The net profit in 2Q 2018 vs a net loss in the same period a year earlier was driven by growth in OIBDA and declining interest expense. The company continued to focus on optimisation of its debt portfolio, and reduced its average interest rate from 13.11% as of 31 December 2017 to 11.52% as of 1 July 2018.

Rental assets (Business-Nedvizhimost, Mosdachtrest)


| RUB bn | New IFRS | | | Old IFRS | | New IFRS | | | Old IFRS | |
|--------------|----------|---------|----------|----------|----------|----------|---------|----------|----------|----------|
| | 2Q 2018 | 2Q 2017 | YoY | 2Q 2018 | YoY | 6M 2018 | 6M 2017 | YoY | 6M 2018 | YoY |
| Revenue | 1.2 | 2.1 | (44.4%) | 1.2 | (44.4%) | 2.0 | 2.8 | (27.3%) | 2.0 | (27.3%) |
| OIBDA | 0.6 | 0.7 | (11.9%) | 0.6 | (16.3%) | 0.8 | 0.8 | 12.2% | 0.8 | 8.1% |
| OIBDA margin | 53.4% | 33.7% | 19.7p.p. | 50.7% | 19.7p.p. | 42.3% | 27.4% | 14.9p.p. | 40.8% | 14.9p.p. |
| Profit | 0.33 | 0.30 | 8.7% | 0.31 | 3.3% | 0.4 | 0.1 | 157.8% | 0.4 | 162.2% |
| Net cash | 0.9 | 1.4 | (35.0%) | | | 0.9 | 1.4 | (35.0%) | | |

> The decline in revenue in 2Q 2018 primarily resulted from the high base effect from the sale of an automated switching station in 2Q 2017.

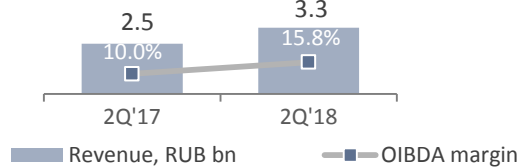
> OIBDA declined in 2Q 2018 following the revenue decrease. Net income in 2Q 2018 increased YoY driven by lower interest expense and income tax payments.



HIGH-TECH (RTI) AND POWER GRID (BPGC)


| RTI  | New IFRS | | | Old IFRS | | New IFRS | | | Old IFRS | |
|---|----------|---------|------------|----------|----------|----------|---------|------------|----------|---------|
| | 2Q 2018 | 2Q 2017 | YoY | 2Q 2018 | YoY | 6M 2018 | 6M 2017 | YoY | 6M 2018 | YoY |
| RUB bn | | | | | | | | | | |
| Revenue | 8.0 | 8.8 | (9.7%) | 8.0 | (9.7%) | 14.6 | 16.9 | (13.5%) | 14.6 | (13.5%) |
| OIBDA | 0.9 | 0.03 | 3248% | 0.8 | 30.4x | 1.1 | 0.2 | 4.3x | 0.9 | 265.2% |
| OIBDA margin | 11.5% | 0.3% | 11.2p.p. | 10.4% | 10.1p.p. | 7.3% | 1.5% | 5.8p.p. | 6.2% | 4.7p.p. |
| Loss | (0.9) | (1.6) | n/a | (0.9) | n/a | (2.2) | (3.0) | n/a | (2.3) | n/a |
| Net debt | 27.6 | 30.2 | (8.5%) | | | 27.6 | 30.2 | (8.5%) | | |
| Share of debt related to state defence contracts ¹ | 0% | 12.7% | (12.7p.p.) | | | 0.0% | 12.7% | (12.7p.p.) | | |

Results of Microelectronics segment

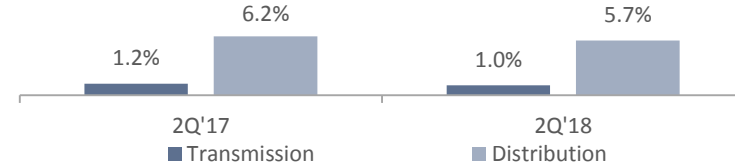


- > Revenue declined in 2Q 2018 due to work schedules being shifted across a number of contracts in the Radar segment, though this was partially offset by revenue growth in the Microelectronics segment.
- > The significant increase in OIBDA came as a result of stricter cost control and a significant reduction of SG&A expenses (by 33.9% YoY). The OIBDA margin increased as cost of sales decreased by bringing an increasing number of work activities in-house, but also as a result of more high-margin projects and products (in the area of technical and architectural supervision of previously constructed facilities).
- > The share of debt related to state defence contracts declined to zero as a result of the Defence Ministry's transition away from credit financing for defence procurements. RTI also has on its accounts additional funds earmarked for state defence orders amounting to RUB 12.5 bln that are not included in the net debt calculation.
- > In August 2018, the Yaroslavl Radio Factory opened a new modular payload assembly workshop. The commissioning of this production unit makes the factory a key link in the production chain of advanced spacecraft.

¹Debt relating to government procurement (effectively zero interest rate)

| BPGC  | New IFRS | | | Old IFRS | | New IFRS | | | Old IFRS | |
|--|----------|---------|-----------|----------|-----------|----------|---------|-----------|----------|-----------|
| | 2Q 2018 | 2Q 2017 | YoY | 2Q 2018 | YoY | 6M 2018 | 6M 2017 | YoY | 6M 2018 | YoY |
| RUB bn | | | | | | | | | | |
| Revenue | 4.3 | 3.9 | 9.0% | 4.3 | 10.5% | 9.3 | 8.5 | 9.3% | 9.4 | 10.4% |
| OIBDA | 1.257 | 1.240 | 1.4% | 1.2 | 0.3% | 3.0 | 2.8 | 5.3% | 3.1 | 7.3% |
| OIBDA margin | 29.4% | 31.6% | (2.2p.p.) | 28.7% | (2.9p.p.) | 32.2% | 33.6% | (1.4p.p.) | 32.5% | (1.1p.p.) |
| Profit | 0.5 | 0.6 | (7.4%) | 0.5 | (6.2%) | 1.4 | 1.3 | 3.9% | 1.5 | 9.9% |
| CAPEX | 1.0 | 0.6 | 58.9% | | | 1.6 | 1.3 | 26.0% | | |
| New connections, '000 | 4,093 | 4,133 | (1.0%) | | | 8,154 | 7,924 | 2.9% | | |
| Connected power, MVt | 82.5 | 70.7 | 16.7% | | | 152 | 137 | 10.6% | | |

Losses on distribution and transmission grids



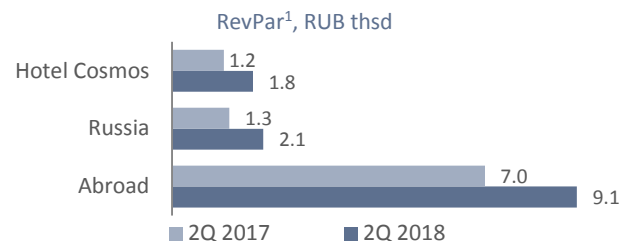
- > Revenue increased in 2Q 2018 due to indexation of tariffs for electricity transmission services that came into effect on 1 July 2017.
- > OIBDA grew in 2Q 2018 on the back of increased revenue and a one-off effect from the resolution of disputes with counterparties.
- > The OIBDA margin declined in 2Q 2018 due to higher costs for services provided by PJSC Federal Grid Company of Unified Energy System, higher tax rates and the abolition of preferential tax treatment for movable property.
- > Net profit declined YoY in 2Q 2018 as a result of an increase in amortisation as the company implements its investment programme and a decrease in income from placement of free cash.
- > Capital expenditure rose YoY in 1H and 2Q 2018 due to realisation of major construction projects: (the 35 kV Kubyazy-Karaidel overhead transmission line and f the Novoufimsky power distribution zone as well increased work volumes related to technical connections of consumers.
- > On 27 June 2018, the AGM approved dividend payments totalling RUB 1.3 bn.

HOSPITALITY ASSETS (COSMOS GROUP) AND PHARMACEUTICALS (BINNOPHARM)



Hospitality assets

| RUB bn | New IFRS | | | Old IFRS | | | New IFRS | | | Old IFRS | | |
|---------------|----------|---------|---------|----------|---------|---------|----------|---------|---------|----------|-----|--|
| | 2Q 2018 | 2Q 2017 | YoY | 2Q 2018 | YoY | 6M 2018 | 6M 2017 | YoY | 6M 2018 | 6M 2017 | YoY | |
| Revenue | 1.5 | 1.1 | 40.6% | 1.5 | 40.6% | 2.5 | 1.9 | 30.1% | 2.5 | 30.1% | | |
| OIBDA | 0.6 | 0.3 | 76.0% | 0.6 | 76.0% | 0.6 | 0.4 | 62.4% | 0.6 | 60.5% | | |
| OIBDA margin | 37.2% | 29.7% | 7.5p.p. | 37.2% | 7.5p.p. | 25.8% | 20.7% | 5.1p.p. | 25.5% | 4.8p.p. | | |
| Profit/(Loss) | 0.1 | (0.1) | n/a | 0.1 | n/a | (0.3) | (0.2) | n/a | (0.3) | n/a | | |
| Net debt | 4.2 | 3.8 | 10.2% | | | 4.2 | 3.8 | 10.2% | | | | |
| Room capacity | 4,049 | 3,771 | 7.4% | | | 4,049 | 3,771 | 7.4% | | | | |



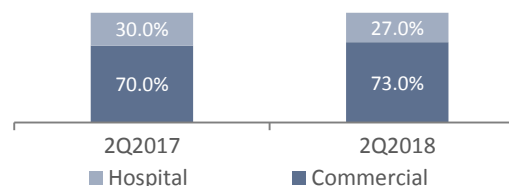
- > Increased revenue YoY at the hospitality assets in 2Q 2018 was due to the opening of the Holiday Inn Express Paveletskaya and higher occupancy rates on the back of Russia hosting the World Cup.
- > The average occupancy rate in 2Q 2018 was 61.9%, an increase of 8.3 p.p. versus the same period in 2017. Hotels in World Cup host cities saw significantly higher sales: the Park Inn properties in Sochi, Kazan and Volgograd as well as Moscow hotels, notably Hotel Cosmos, where occupancy rates in the reporting quarter were 73.4% versus 57.3% in 2Q 2017.
- > The significant growth of OIBDA and OIBDA margin were driven by an increase in the average daily rate (ADR) to RUB 6,900 in 2Q 2018, an increase of 23.7% versus 2Q 2017.
- > Sistema plans to rebrand its Russian hotels (with the exception of Holiday Inn Express and Park Inn hotels) under the brand Cosmos Hotels & More, which will include 4 sub-brands: urban budget hotels, MyCosmos; business hotels, Cosmos; premium properties, Cosmos Collection; and apartment hotels and apartment complexes, CosmosStay.

¹ Revenue per available room per day

Binnopharm

| RUB bn¹ | New IFRS | | | Old IFRS | | |
|---------------|----------|---------|-----------|----------|---------|-----------|
| | 2Q 2018 | 2Q 2017 | YoY | 6M 2018 | 6M 2017 | YoY |
| Revenue | 0.3 | 0.6 | (47.3%) | 0.7 | 0.9 | (21.8%) |
| OIBDA | 0.05 | 0.15 | (63.5%) | 0.17 | 0.18 | (7.6%) |
| OIBDA margin | 16.2% | 23.4% | (7.2p.p.) | 23.0% | 19.5% | (3.5p.p.) |
| (Loss)/Profit | (0.04) | 0.02 | n/a | (0.04) | (0.02) | n/a |
| Net debt | 1.8 | 1.7 | 3.5% | 1.8 | 1.7 | 3.5% |

Growth of commercial segment in revenue



- > Revenue declined YoY in 2Q 2018 due to the lack of seasonal growth for antiviral medicines due to more favourable epidemiologic situation as well as the termination of several commercial distribution contracts.
- > Binnopharm continues to implement its strategy of reducing the share of revenue accounted for by the hospital segment: the share of revenue generated by the commercial segment increased by 2.8 p.p. to 73.0% in 2Q 2018. The share of revenue generated by the company's own products increased from 57% in the 2Q 2017 to 90% in 2Q 2018, in part due to the start of new product sales in 2018.
- > OIBDA declined YoY in 2Q 2018 as a result of the revenue decline, though over 1H 2018 OIBDA was in line with 1H 2017 results thanks to an increase in the share of high-margin sales of the company's own products.
- > Over the past several months the company has been granted registration of 5 products – Binnoferon, Ciprofloxacin, Levofloxacin, and solutions of HES and Metronidazole – which will significantly increase the production volume and proportion of sales accounted for by the company's own products.

¹ Results for Binnopharm are presented in accordance to the standards IAS 18, IAS 17 and IAS 39



JOINT-STOCK FINANCIAL CORPORATION
SISTEMA

IR Department
Tel. +7 (495) 730 66 00
www.sistema.ru