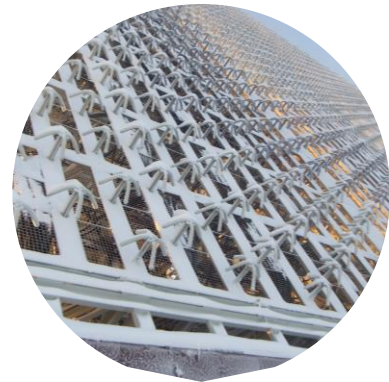




JOINT-STOCK FINANCIAL CORPORATION
SISTEMA



SISTEMA PJSFC IFRS FINANCIAL RESULTS

for the Fourth Quarter 2018 and Full Year 2018



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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 FY 2018 results.

To participate in the conference call, please dial:

Russia

+7 495 213 1767
8 800 500 9283 (toll-free)

UK

+44 330 336 9125
0800 358 6377 (toll-free)

US

+1 323 794 2588
888 394-8218 (toll-free)

Conference ID: 2565520

Link to webcast: <https://webcasts.eqs.com/sistema20190403>

Or quote the conference call title: "Sistema Fourth Quarter and Full Year 2018 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:

Investor Relations
Nikolai Minashin
Tel.: +7 (495) 730 66 00
n.minashin@sistema.ru

Public Relations
Sergei Kopytov
Tel.: +7 (495) 228 15 32
kopytov@sistema.ru



Moscow, Russia – 3 April 2019 – Sistema PJSC (“Sistema” or the “Company”, together with its subsidiaries, “the Group”) (LSE: SSA, MOEX: AFKS), a publicly-traded diversified Russian holding company, today announces its unaudited consolidated financial results in accordance with International Financial Reporting Standards (IFRS) for the fourth quarter 2018 and audited consolidated financial results in accordance with International Financial Reporting Standards (IFRS) for full year ended 31 December 2018.

SUCCESSFUL DELIVERY AGAINST STRATEGIC AND OPERATIONAL GOALS

- ✓ **Sustained revenue growth¹** due to strong results from the majority of portfolio companies.
- ✓ At least double digit **OIBDA growth** at MTS, Detsky Mir, Segezha Group, Agroholding Steppe, Medsi, RTI, BPGC and hospitality assets under new IFRS standards, driven by excellent operating results and financial discipline.
- ✓ **Added operational scale in real estate development and increased sector attractiveness for investors:** In February 2019, Sistema sold 51% of JSC Leader Invest to Etalon Group, while retaining a 49% stake in the company. Following this transaction, Sistema acquired 25% of Etalon Group for USD 226.6 million. The transactions create a top-3 player in the Moscow and St Petersburg markets, bring together complementary development portfolios, allow Leader Invest's projects to leverage Etalon's general contracting capacity and regional sales network to accelerate construction and sales, and realise significant synergies in construction as well as reduction of administrative expenses.
- ✓ **Increased and crystalized value of pharmaceuticals business:** In December 2018, Sistema acquired a stake in a leading pharmaceutical company, OBL Pharm, for RUB 1.83 billion. Sistema made the acquisition as a member of a consortium of investors that also included VTB Bank and members of the OBL Pharm management team. The strategic aim of the transaction is the merger of OBL Pharm with Sistema's pharmaceutical holding, Binnopharm, and utilisation of synergies in marketing and sales, combining R&D functions and reducing administrative costs. The medium-term goal of the combined company is to become a top-5 Russian pharmaceuticals producer in the non-state segment, the fastest-growing segment in the Russian pharma market.
- ✓ **Strengthened position in the fast-growing e-commerce market:** In February 2019, Sistema acquired 18.7% of Russia's leading multi-category online retailer, Ozon Holdings, from MTS for RUB 7.9 billion. The decision to increase the stake is based on Sistema's strategic bet on growth prospects for e-commerce and market consolidation through investments in the market leader.
- ✓ **MTS Bank divestment to maximise synergies between telecommunications and banking businesses:** In February 2019, Sistema sold 39.5% of PJSC MTS Bank to PJSC MTS for RUB 11.4 billion. As a result of the transaction, Sistema's stake in MTS Bank declined to 5.0% and MTS's stake increased from 55.2% to 94.7%. MTS's consolidation of MTS Bank will facilitate deeper integration of the bank with MTS and rapid development of an ecosystem of digital bank services.
- ✓ **Debt portfolio optimisation via an active presence on the public bond market:** In February-March 2019, Sistema successfully returned to the local capital market. The Corporation repurchased series 001P-07 bonds in the amount of RUB 482.2 million out of the total of RUB 10 billion during a tender offer, and completed a secondary placement of this amount, issued a RUB 10 billion 001P-090 series bond and successfully closed the books on a RUB 10 billion 001P-10 series issue. The placements generated significant investor interest in Sistema's debt securities and demonstrated positive market perception of the Corporation's investment case. The funds raised will be used to refinance existing debt.
- ✓ **Dividend payments:** In March 2019, Sistema's Board of Directors resolved to recommend to the Annual General Meeting of Shareholders to be held on 29 June 2019 to pay dividends based on 2018 results in the amount of RUB 1,061.5 million (which corresponds to RUB 0.11 per ordinary share or RUB 2.2 per GDR).

FY 2018 FINANCIAL RESULTS

- ✓ **Consolidated revenue¹ increased by 12.1%** year-on-year to RUB 777.4 billion.
- ✓ Excluding the impact of new IFRS standards,² Group revenue increased by 11.1% year-on-year to RUB 770.2 billion.
- ✓ **Adjusted OIBDA³ increased by 34.3%** year-on-year to RUB 265.3 billion; the adjusted OIBDA margin was 34.1%.
- ✓ Excluding the impact of new IFRS standards, adjusted OIBDA increased by 11.3% year-on-year to RUB 219.8 billion; the adjusted OIBDA margin was 28.5%.
- ✓ **Adjusted net profit attributable to Sistema was RUB 1.1 billion.**
- ✓ Excluding the impact of new IFRS standards, adjusted net profit attributable to Sistema declined by 98.5% to RUB 0.1 billion.

4Q 2018 FINANCIAL RESULTS

- ✓ **Group revenue increased by 15.5%** year-on-year to RUB 225.1 billion.
- ✓ Excluding the impact of new IFRS standards, Group revenue increased by 12.7% year-on-year to RUB 219.8 billion.
- ✓ **Adjusted OIBDA increased by 45.5%** year-on-year to RUB 66.8 billion; the adjusted OIBDA margin was 29.7%.
- ✓ Excluding the impact of new IFRS standards, adjusted OIBDA increased by 15.5% year-on-year to RUB 53.0 billion; the adjusted OIBDA margin was 23.8%.
- ✓ **Adjusted net profit attributable to Sistema was RUB 391 million.**

¹ Here and hereinafter, consolidated results of Sistema and its subsidiaries for the fourth quarter 2018 and for 2018 are presented in accordance with new accounting standards IFRS 9, 15 and 16 unless specified otherwise. Results for 4Q 2017 and full year 2017 are presented without the impact of new IFRS standards 9, 15 and 16. Results of Binnopharm are not presented excluding the impact of the new IFRS standards. However, Sistema estimates that the effect of the transition to the new standards at this subsidiary on the consolidated results of the Group is not material. Results of RTI and consolidated results of Sistema for the fourth quarter of 2018 and for 2018 are presented to reflect the reclassification of RTI's microelectronics assets as discontinued operations. Here and hereafter in this press release, consolidated results of Sistema for the fourth quarter of 2017 and for 2017 are restated to reflect the results of this reclassification. In February 2019 RTI Microelectronics, which is part of RTI Group, concluded a legally binding agreement envisaging the creation of a combined company in the field of microelectronics components. The parties will contribute to the combined company in total controlling stakes in 19 enterprises in the areas of development, production and design centres of microelectronics components.

² Here and hereinafter, new standards refer to IFRS 9, 15 and 16

³ Here and hereinafter see Appendix A for definitions and reconciliations of adjusted OIBDA, adjusted operating income, adjusted net profit attributable to Sistema, consolidated debt and consolidated net debt with IFRS financial performance.



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- ✓ Excluding the impact of new IFRS standards, the adjusted net loss attributable to Sistema was RUB 2.0 billion.
- ✓ Net financial liabilities^{4,5} at the Corporate Centre were RUB 213.4 billion as of 31 December 2018.
- ✓ Cash position⁵ at the Corporate Centre as of 31 December 2018 was RUB 9.8 billion.

SISTEMA'S CURRENT STRATEGIC IMPERATIVES

- ✓ Maximise shareholder value and reduce market capitalisation discount to NAV
- ✓ Attract third-party capital to enhance investment resources
- ✓ Reduce gross debt at the Corporate Centre to RUB 140-150 billion

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

"Sistema delivered impressive financial and operating results in 2018. Group's revenue for the year increased by 12% to RUB 777 billion on the back of robust growth of our key assets. Most assets grew at significantly above the average growth rates of the markets in which they operate. Notably, MTS, Detsky Mir, Segezha Group, Agroholding Steppe and Medsi strengthened their leadership positions in their respective industries. MTS is not only increasing revenue from mobile services and smartphone sales, but is also entering new, adjacent high-growth markets including IT outsourcing, Internet of Things, cloud services, e-sports and web-based event ticket sales. Detsky Mir continues to grow its business in Russia and Kazakhstan, and has expanded to Belarus and launched a pet supplies business – all while increasing profitability. Segezha Group continues to expand its product lines, focusing on demand from high-opportunity export markets. Agroholding Steppe is now a top-6 Russian grain exporter and continues to demonstrate strong growth across all its main business segments. Steppe also launched its own retail brand as it aims to grow closer to consumers. Based on FY 2018 performance, Medsi has established itself as the leading private healthcare business in Russia by revenue and one of the fastest-growing healthcare businesses globally.

"Group adjusted OIBDA increased by 34% thanks to double-digit OIBDA growth at all key portfolio companies. The new IFRS accounting standards had a significant impact on the results of MTS and Detsky Mir, though on a like-for-like basis these companies also delivered strong OIBDA growth.

"In late 2018 and early 2019 we completed a number of strategic transactions, demonstrating that we continue to add value to our assets in an environment where we have limited investment resources. As part of a consortium of investors we acquired a leading Russian pharmaceutical company, OBL Pharm, and plan to merge it with our pharmaceutical holding, Binnopharm, significantly increasing the value of that business. In future we plan to bring the combined company to the public markets. As a result of transactions involving Leader Invest and Etalon Group, we have changed the landscape of the Russian residential property market, establishing a company that is a top-3 developer in the Moscow and St Petersburg markets by construction volumes and sales. Additionally, we continued to increase our exposure to Ozon, the leading multi-category online retailer. This transaction represents Sistema's strategic investment in the fast-growing e-commerce industry through a company that is poised to consolidate this highly fragmented market.

"We have somewhat modified the Group strategy adopted last year to reflect current market conditions, though our key objectives remain unchanged: maximise shareholder value and reduce the discount between market capitalisation and net asset value, attract third-party capital to diversify and expand our investment resources, and reduce gross debt to RUB 140-150 billion. In the coming years our focus will be on growing the value of four portfolio companies – Agroholding Steppe, Segezha Group, Medsi and Ozon. We are targeting valuations of USD 1-2 billion for each of these companies. We view these companies – which we ultimately contemplate to bring to capital markets – as catalysts to enhance Sistema's valuation and the key to reducing the discount.

"Given the need to strike a balance between decreasing debt, continuing to invest and delivering returns to shareholders, the Board of Directors has recommended that the General Meeting of Shareholders approve dividends for the full year 2018 in the amount of RUB 1.1 billion, or RUB 0.11 per share. As we previously stated, after the debt load has been substantially reduced, the Company will return to the question of dividend payments, with the aim of strengthening our investment case."

⁴ Including all borrowing and liabilities to Rosimuschestvo, finance leases and liabilities under the Settlement Agreement after deducting cash at the Corporate Centre level.

⁵ Management accounts



FINANCIAL SUMMARY AND GROUP OPERATING REVIEW

Excluding impact of new IFRS standards

(RUB million)	4Q 2018	4Q 2017	Change	FY 2018	FY 2017	Change	4Q 2018	Change	FY 2018	Change
Revenue	225,114	194,988	15.5%	777,405	693,424	12.1%	219,843	12.7%	770,196	11.1%
Adj. OIBDA	66,796	45,915	45.5%	265,273	197,558	34.3%	53,043	15.5%	219,829	11.3%
Operating income	32,664	13,524	141.5%	128,600	90,290	42.4%	25,127	85.8%	114,003	26.3%
Loss attributable to Sistema	(15,215)	(98,890)	-	(45,898)	(94,602)	-	(17,627)	-	(46,952)	-
Adjusted profit/(loss) attributable to Sistema	391	(2,167)	-	1,114	4,119	(73.0%)	(2,021)	-	60	(98.5%)

78%

percentage of BPGC's Smart Grid project completed

Medsi

became the leader by revenue among private healthcare companies in Russia

Agroholding Steppe

became one of Russia's top-6 grain exporters

RUB 10.1 bln

cash collections from sales of Leader Invest real estate, Q4 2018

GROUP CAPEX,

IFRS, RUB bln

At least 28.0 RUB/share

MTS's new dividend policy

83.4%

growth in adjusted OIBDA at Segezha in 2018, y-o-y

19.0%

adjusted OIBDA margin at Detsky Mir in 2018

62.5%

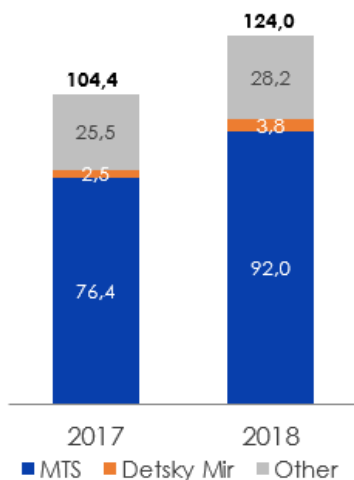
average occupancy rate at Cosmos Group in 2018

In 2018, Sistema's **consolidated revenue increased by 12.1%** year-on-year as a result of increased revenue from key assets: MTS, as the core telecoms business benefitted substantially from a better pricing environment in Russia, data usage increased, revenue from new business lines accelerated rapidly and smartphone sales were strong; Detsky Mir, on the back of new store openings, growth in like-for-like sales, growth in the e-commerce segment and increased traffic at previously opened stores; Segezha Group, as a result of increased sales volumes of paper and packaging, higher prices for paper and sawn timber, and weakening of the rouble; Agroholding Steppe, due to growth of the field crop segment as wheat prices have increased, strong growth of the agrotrading division and increased milk production; Medsi, due to increased capacity utilisation and as a result in-patient revenue, higher revenue from the CDC at Krasnaya Presnya and expansion of the chain of clinics; and real estate assets, driven by sales growth and earlier revenue recognition due to the adoption of the IFRS 15 standard.

Group adjusted OIBDA increased by 34.3% on the year, reflecting strong results at MTS, primarily due to the new accounting standards, increased revenue and strong performance of the Ukrainian business; Detsky Mir as a result of the new IFRS standards, optimisation of buying prices, efficient management of the product assortment and increased operational efficiency; Segezha Group, as a result of increased prices on most key products as well as the commissioning of a new papermaking machine in late 2017; Agroholding Steppe, due to increased operational efficiency in the field crop segment and increased contributions from the agrotrading segment; Medsi, as capacity utilisation of key assets ramped up and revenue per square metre of medical facilities rose. Excluding the effect of the new accounting standards, Group adjusted OIBDA increased by 11.3% versus 2017 primarily as a result of growth at MTS, Detsky Mir, Segezha, Agroholding Steppe and Medsi. The adjusted OIBDA margin increased by 5.6 p.p. to 34.1%, principally as a result of the new accounting standards. Without taking into account the new standards, the adjusted OIBDA margin was unchanged at 28.5%.

Group selling, general and administrative expenses (SG&A) for the full year 2018 **decreased by 7.5%** versus 2017 to RUB 141.6 billion, mainly due to the new IFRS standards. Without this effect, Group SG&A increased by 6.8% to RUB 163.5 billion. The SG&A/revenue ratio declined year-on-year from 22.1% to 18.2%; excluding the impact of new IFRS standards the SG&A/revenue ratio declined to 21.2%, reflecting Sistema's continued success in improving operational efficiency. SG&A at the Corporate Centre declined year-on-year by 10.3% to RUB 9.0 billion as a result of cuts in headcount, lower compensation expense and reduced administrative expenses.

Group capital expenditures increased by 18.8% year-on-year to RUB 124.0 billion in 2018, mainly in connection with increased capex at MTS as a consequence of increased investments in network development in Russia and a focus on providing the best LTE coverage in line with the company's strategy; and Detsky Mir, as the company executed on its expansion strategy.



OPERATING REVIEW⁶

⁶ 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.



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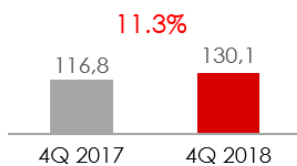


LEADING TELECOMMUNICATIONS OPERATOR AND DIGITAL SERVICES PROVIDER IN RUSSIA

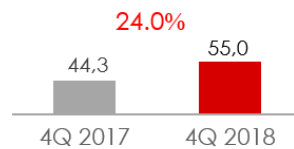
Excluding impact of new IFRS standards

(RUB million)	4Q 2018	4Q 2017	Change	FY 2018	FY 2017	Change	4Q 2018	Change	FY 2018	Change
Revenue	130,064	116,823	11.3%	480,292	442,910	8.4%	130,567	11.8%	482,469	8.9%
Adj. OIBDA	54,970	44,313	24.0%	218,833	178,358	22.7%	47,174	6.5%	188,795	5.9%
Operating income	28,445	22,066	28.9%	114,245	94,671	20.7%	25,912	17.4%	106,817	12.8%
Adj. profit attributable to Sistema	8,731	6,757	29.2%	32,951	29,926	10.1%	9,520	40.9%	34,118	14.0%

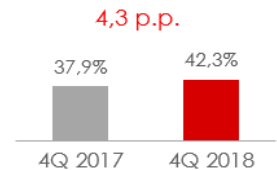
REVENUE, RUB bn



ADJUSTED OIBDA, RUB bn



ADJUSTED OIBDA MARGIN



In 4Q 2018 and FY 2018 **revenue at MTS rose by 11.3% and 8.4%** year-on-year, respectively, driven by robust performance of Russian operations as the core telecoms business benefitted substantially from a better pricing environment in Russia, data usage increased, revenue from new business lines accelerated rapidly, smartphone sales were strong, and as a result of the consolidation of MTS Bank. The new IFRS standards had a non-material negative effect on revenue.

Adjusted OIBDA grew by 24.0% and 22.7% in 4Q and FY 2018, respectively, due to the effect of new accounting standards, revenue growth, the consolidation of MTS Bank and strong performance of the Ukrainian business. The abolition of internal roaming and increased payments for frequency spectrum in Russia had a negative impact on OIBDA. Excluding the effect of the new standards, adjusted OIBDA increased by 6.5% and 5.9% in 4Q and FY 2018, respectively. **The adjusted OIBDA margin strengthened by 4.3 p.p. and 5.3 p.p. to 42.3% and 45.6%** in 4Q and FY 2018, respectively.

In 3Q 2018 MTS recorded a provision of RUB 55.8 billion as the potential liability in respect of an investigation by the US Securities and Exchange Commission (SEC) and the US Department of Justice (DOJ). On 7 March 2019 MTS announced a settlement with the SEC and DOJ under which MTS has agreed to pay USD 850 million.

Including the provision, MTS's net profit attributable to Sistema for FY 2018 was RUB 3.4 billion. Excluding the effect of this one-time factor, adjusted profit for FY 2018 was RUB 33.0 billion.

During calendar year 2018 **MTS paid dividends totalling RUB 52 billion**, or RUB 26.0 per ordinary share, in line with the company's dividend policy for 2016-2018.

OUTLOOK FOR 2019

MTS forecasts **revenue growth of above 3%**.

MTS **targets keeping OIBDA flat**, but expects Adjusted OIBDA dynamics to be slightly negative.

Excluding costs for compliance with the Yarovaya law, **MTS maintains its capex forecast** at around RUB 160 billion in 2018-2019. **MTS lowers its estimate of additional investment** required to comply with the Yarovaya law from RUB 60 billion to RUB 50 billion over five years. Taking into account expenditures due to the Yarovaya law, MTS expects capital expenditures to be approximately RUB 90 billion in 2019.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

On 21 March 2019, **MTS announced a new dividend policy for 2019-2021**. Under the new dividend policy, the company will seek to pay at least RUB 28.0 per ordinary MTS share per calendar year, distributed in two semi-annual payments.

In February 2019, MTS acquired a 39.48% stake in MTS Bank from Sistema for RUB 11.4 billion, bringing its share in MTS Bank to 95%.

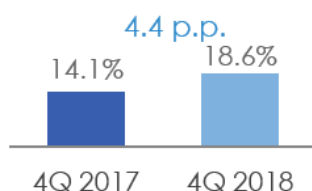
In March 2019, a class action lawsuit was filed in the US District Court for the Eastern District of New York against MTS and certain of its managers alleging certain securities-law violations relating to the MTS's recently announced resolution of US government investigations. MTS is reviewing the allegations and intends to defend its interests.

LARGEST CHILDREN'S GOODS RETAILER IN RUSSIA⁷

Excluding impact of new IFRS standards

(RUB million)	4Q 2018	4Q 2017	Change	FY 2018	FY 2017	Change	4Q 2018	Change	FY 2018	Change
Revenue	34,308	30,354	13.0%	110,874	97,003	14.3%	34,308	13.0%	110,874	14.3%
Adj. OIBDA	6,372	4,291	48.5%	21,115	10,664	98.0%	4,633	8.0%	12,666	18.8%
Operating income	4,813	3,682	30.7%	11,232	8,024	40.0%	3,732	1.3%	9,770	21.8%
Adj. profit attributable to Sistema	1,937	1,370	41.5%	3,292	2,871	14.6%	1,489	8.7%	3,765	31.1%

ADJ. OIBDA MARGIN



In FY 2018 and 4Q 2018 **Detsky Mir's revenue grew by 14.3% and 13.0%** year-on-year, respectively. Growth was driven by new store openings, an increase in like-for-like (LFL) sales and online sales, as well as the continued ramp-up of stores opened in 2017. LFL sales in Russia increased by 3.0% in 4Q year-on-year and by 4.3% for FY 2018. Growth of LFL sales in Kazakhstan increased by 30% year-on-year in KZT terms. The online segment⁸ remained the fastest-growing channel, with revenue growing by 82% to RUB 3.6 billion in 4Q 2018 and almost doubling for FY 2018 to RUB 8.8 billion. The online store accounted for 7.9% of total sales in FY 2018, compared to 4.8% in 2017.

Adjusted OIBDA increased by 48.5% year-on-year in 4Q 2018 to RUB 6.4 billion. Excluding the impact of new accounting standards, adjusted OIBDA rose by 8.0% to RUB 4.6 billion, due in large part to optimisation of purchasing costs, effective management of the assortment and increased operational efficiency. **The adjusted OIBDA margin increased by 8.1 p.p. for FY 2018 to 19.0%, and by 4.4 p.p. year-on-year for 4Q 2018 to 18.6%.** Excluding the effect of new accounting standards, the adjusted OIBDA margin for 4Q 2018 was 13.5%. With the new accounting standards, the adjusted SG&A to revenue ratio decreased from 21.4% to 15.8% year-on-year in 4Q and decreased from 22.8% to 14.1% in 2018. Excluding this effect, the ratio decreased by 0.6 p.p. year-on-year in 4Q and by 1.0 p.p. in FY 2018.

Adjusted profit attributable to Sistema increased substantially in 4Q and FY 2018 due to increased operational efficiency and a reduction in SG&A to RUB 5.4 billion and RUB 15.7 billion, respectively. Excluding the effect of the new accounting standards, profit increased by 31.1% in 2018.

100 new Detsky Mir stores were opened in 2018. As of 31 December 2018, the total number of stores⁹ stood at 743. In the medium term **the company intends to open at least 300 Detsky Mir stores** with a target IRR of approximately 40% in the next four years.

In December 2018, Detsky Mir opened the first Zoozavr branded store selling pet supplies. Zoozavr offers pet products including pet food (including medical), veterinary medicines, bath products, hygiene and grooming products and more. Developing the new chain will allow the company to diversify its business and apply its many years of experience and expertise in the retail sector.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

In February 2019, Detsky Mir opened its first store in Belarus, with total area of 1,690 sq m. In Belarus, Detsky Mir operates under the Detmir brand.

In March 2019, Detsky Mir acquired a building in central Moscow that will house the company's flagship store. The former Valday shopping complex building, with 3,624.5 sq m of space, is located at 11 New Arbat, building 1. The opening of the flagship store is planned for the second half of 2019.

In March 2019, Detsky Mir announced that management would recommend allocating 100% of net profit for 4Q 2018 under Russian Accounting Standards (RAS) as dividends, a total of RUB 3.3 billion. In March 2019, the Expert RA (RAEX) rating agency assigned Detsky Mir a long-term credit rating of ruA+ with a Stable outlook.

⁷ Results have been adjusted for additional accruals under the LTI programme (including related tax effects).

⁸ The segment includes online orders on the site www.detmir.ru including orders for collection at Detsky Mir stores.

⁹ The number of ELC and ABC stores increased to 66. Four Zoozavr stores were opened.

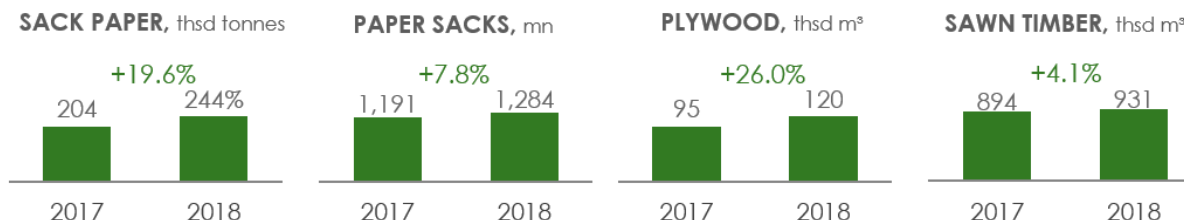


LEADING RUSSIAN VERTICALLY INTEGRATED FORESTRY HOLDING

Excluding impact of new IFRS standards

(RUB million)	4Q 2018	4Q 2017	Change	FY 2018	FY 2017	Change	4Q 2018	Change	FY 2018	Change
Revenue	15,872	11,370	39.6%	57,889	43,725	32.4%	15,872	39.6%	57,889	32.4%
Adj. OIBDA	3,915	2,056	90.4%	12,984	7,081	83.4%	3,673	78.6%	12,090	70.8%
Operating income	2,781	702	296.1%	8,178	3,132	161.1%	2,603	270.7%	7,703	145.9%
Adj. profit attributable to Sistema	840	310	170.7%	54	81	(33.9%)	880	183.6%	323	297.2%

SALES



Segezha Group's revenue grew by 39.6% and 32.4%, respectively, in 4Q and FY 2018. The main growth driver was revenue from the Paper and Packaging division, which accounted for 70% of total revenue. Revenue growth was driven by increased sales volumes and higher prices for paper. Revenue for the year was also positively affected by growth of prices for sawn timber through the first nine months of the year and the depreciation of the rouble by 13.8% against the US dollar and 10.4% against the euro in 4Q. In 2018 the average rouble rate decreased by 7.5% against the dollar and by 12.2% against the euro.

Adjusted OIBDA increased year-on-year by 90.4% and 83.4% for 4Q and FY 2018, respectively. Growth was driven by increased prices for most of Segezha's key products, as well as the commissioning of a new paper-making machine at the end of 2017, which added RUB 2.6 billion at the OIBDA level. The adjusted OIBDA margin increased by 6.6 p.p. year-on-year in 4Q and rose by 1.7 p.p. for FY 2018 to 24.7% and 19.8%, respectively, due to price increases. The introduction of the new IFRS 16 standard had a positive effect on adjusted OIBDA of RUB 242 million in 4Q 2018 and RUB 894 million in FY 2018.

Paper output increased by 18% year-on-year to 375.4¹⁰ thousand tonnes due to the commissioning and ramp-up of the new paper-making machine at the Segezha Pulp & Paper Mill. Segezha Group's sales of sack paper increased by 19.6% to 244.0 thousand tonnes, driven by increased shipment volumes under current contracts and expansion of the client portfolio.

In 2018 Segezha sold 1,284 million paper sacks, an increase of 7.8% versus the year prior. Growth in production volumes was driven by the launch of the second Triumph 5 QT SK paper-bag production line at Salsk, with total capacity of 25

million bags per year. Higher production volumes year-on-year were also supported by improved order planning and as a result increased productivity at existing facilities.

Birch plywood sales volumes increased by 26.0% to 119.8 thousand cu m in 2018. Output growth was driven by the launch of the new plywood production facility in the Kirov region in July 2018. Higher production volumes drove an expansion of the client portfolio in the transport and formwork segments.

Sawn timber output increased by 3.1% to 924 thousand cu m in 2018 compared to 2017 due to increased production efficiency at Lesosibirsk. Sales volumes grew by 4.1% on the back of higher production volumes, and also due to optimisation of rail transport and new shipment channels.

In December 2018, a pelleting plant with capacity of 70 thousand tonnes of pellets per year was commissioned at Lesosibirsk. The facility is used to process sawdust and wood chippings generated as waste during timber production processes.

In 4Q 2018 a multi-fuel boiler running on bark and wood waste was launched at Segezha facility. The boiler will increase heat production at the facility by 25% and reduce the use of expensive fuel oil.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

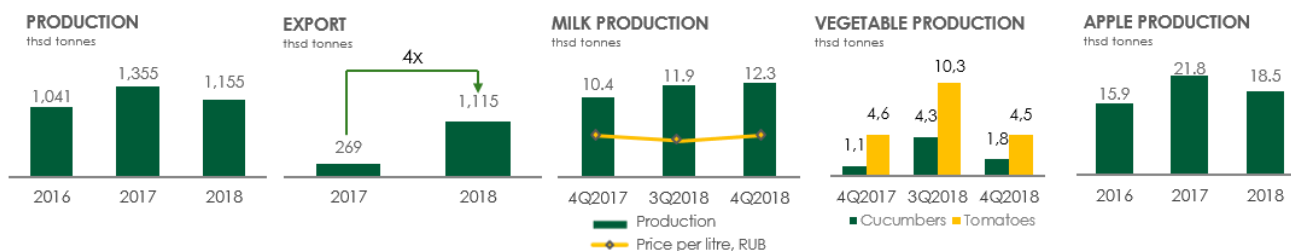
In January 2019 an energy efficiency project was launched at the Vyatsk Plywood Plant to utilise wood waste instead of natural gas. The project will reduce the plant's costs by RUB 43.5 million.

¹⁰ 37% of paper output was delivered to the company's own conversion facilities for producing paper packaging

MAJOR AGRICULTURE HOLDING AND ONE OF RUSSIA'S LARGEST LAND OWNERS

Excluding impact of new IFRS standards

(RUB million)	4Q 2018	4Q 2017	Change	FY 2018	FY 2017	Change	4Q 2018	Change	FY 2018	Change
Revenue	9,612	3,385	183.9%	24,161	10,210	136.6%	9,612	183.9%	24,161	136.6%
OIBDA	179	128	39.7%	4,909	4,019	22.1%	72	(43.8%)	4,617	14.9%
Operating (loss)/profit	(411)	(388)	-	3,261	2,647	23.2%	(438)	-	3,147	18.9%
Net (loss)/profit attributable to Sistema	(1,038)	(680)	-	1,095	1,130	(3.1%)	(924)	-	1,243	10.0%



Agroholding Steppe delivered significant revenue growth of 136.6% year-on-year in 2018, to RUB 24.2 billion. The revenue increase was driven by growth in the field crop segment, the intensive development of agotrading and entry into sugar and groceries trading segments, as well as increased production volumes in the Dairy segment.

OIBDA grew by 22.2% year-on-year to RUB 4.9 billion for FY 2018 as a result of higher operational efficiency in the field crop segment and the impact of growth in the Agotrading segment.

Capex increased by 18.8% to RUB 1.9 billion for 2018 due to the beginning of new projects implementation in the Dairy segment and logistics which provide for production increase and vertical integration of the business.

The increase in net debt was due to purchases of grain from third parties as part of Steppe's agotrading activities, as well as the start of financing of new investment projects in line with the capex programme.

The results of the field crop segment came under pressure from dry conditions in grain producing Russia's regions, which led to a slight decrease in the gross wheat crop during the 2018 season. The average export price for Steppe's wheat increased by more than 15% year-on-year; combined with the high proportion of high-quality wheat and growth of export volumes offset the decrease in harvesting volumes.

Steppe's land bank increased to 401 thousand hectares as of the end of 2018 following acquisitions of new agricultural assets in the Rostov region. Grain export volumes in 2018 exceeded 1.1 million tonnes, a fourfold increase year-on-year, putting Steppe among Russia's

six largest exporters of grain for the first half of the 2018 grain season.

The Dairy segment delivered stable growth of operational results. Gross milk yield for 2018 increased by 18.3% to more than 46.5 thousand tonnes, while productivity per cow increased by 5.4% year-on-year. As of the end of the year the herd numbered approximately 4,800 cows.

The gross vegetable harvest in 2018 increased by 2.7% to 46.3 thousand tonnes, which is a record for this segment of Steppe's business.

In December 2018 Steppe launched its own retail brand for the company's produce in the fresh segment across the whole of Russia. Vegetables and fruit will be sold under a single brand, along with dozens of grains and sugar from the Investprom-opt trading house, which Steppe acquired in November 2018.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

In February 2019, Steppe and the Government of the Rostov region signed an Agreement on Cooperation with the aim of building a grain terminal in the town of Azov. Steppe plans to build a grain terminal with trans-shipment capacity of more than 2 million tonnes. Total investment in the project will amount to roughly RUB 1.1 billion.

LEADING PRIVATE HEALTHCARE OPERATOR IN RUSSIA

Excluding impact of new IFRS standards

(RUB million)	4Q 2018	4Q 2017	Change	FY 2018	FY 2017	Change	4Q 2018	Change	FY 2018	Change
Revenue	5,571	3,475	60.3%	17,747	11,670	52.1%	5,571	60.3%	17,747	52.1%
Adj. OIBDA	1,639	303	440.3%	3,600	1,968	82.9%	1,528	403.8%	3,151	60.1%
Operating income	836	(275)	-	693	1,142	(39.3%)	799	-	557	(51.2%)
Adj. profit attributable to Sistema	909	283	220.6%	1,061	837	26.7%	929	227.6%	1,189	42.1%

Number of facilities ¹	Out-patient visits ²	Capacity ²	Number of doctors
42	8.5 mn	17.9 mn	3.3 thsd

Medsi's revenue increased by 60.3% year-on-year in 4Q 2018 to RUB 5.6 billion due to a fourfold increase in in-patient treatments under the Mandatory Health Insurance programme (MHI), revenue growth of 26% to RUB 1.9 billion in the Voluntary Health Insurance segment (VHI), and an increase in revenue from individual patients of 15% to RUB 1.5 billion. **Revenue for 2018 increased by 52.1% to RUB 17.7 billion** due to increased capacity utilisation and, as a result, revenue from in-patient services increased 27.7% to RUB 5.4 billion, higher revenue from the CDC at Krasnaya Presnya in Moscow as well as the expansion of the clinic network following acquisitions of clinics in St Petersburg and Perm and the opening of three new clinics in Moscow. The average cheque increased by 43.4% to RUB 2,100, primarily due to the increased proportion of complex procedures in the in-patient segment and the diagnostic segment, and also due to the effect of higher prices in line with market trends.

Adjusted OIBDA increased by 440.3% and 82.9% in 4Q and FY 2018, respectively, due to the continued ramp-up of facilities and increase in revenue per sq m of medical space.

The new IFRS standards had an impact of RUB 200 million and RUB 449 million in the fourth quarter and full year 2018, respectively. **The adjusted OIBDA margin grew by 20.7 p.p. and 3.4 p.p. to 29.4% and 20.3% in 4Q and FY 2018, respectively** thanks to growth in capacity utilisation and an increase in efficiency per sq m.

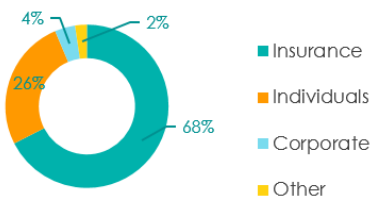
Adjusted net profit increased by 220.6% in 4Q 2018 and 26.7% in FY 2018. Excluding the effect of new accounting standards, adjusted net profit increased by 227.6% and 42.1% in 4Q and FY 2018, respectively.

Revenue at the CDC at Belorusskaya in 4Q 2018 increased by 17% year-on-year, to RUB 622 million. OIBDA increased by 20% to RUB 264 million and the OIBDA margin grew by 1.2 p.p. to 42.4%.

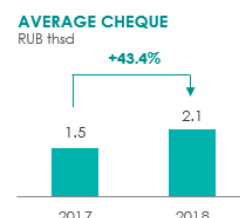
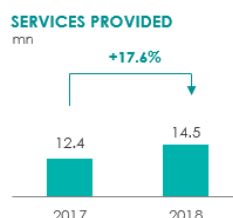
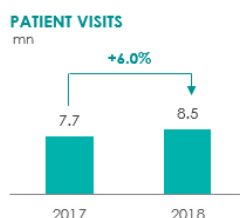
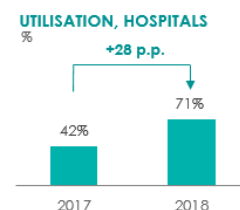
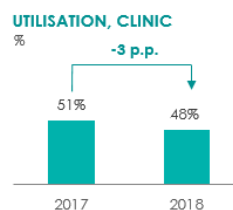
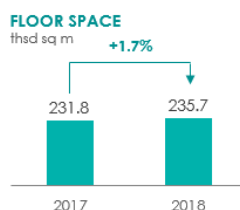
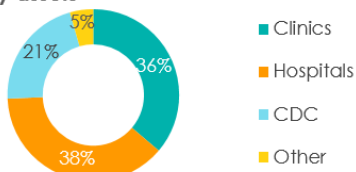
In 4Q 2018 capacity utilisation at the Krasnaya Presnya CDC increased by 9 p.p. to 39%, which helped drive a twofold increase in revenue to RUB 500 million and a 4.8 p.p. increase in the OIBDA margin to 28.3%.

Revenue, 4Q 2018

By clients



By assets



^{1,2} Indicator includes new clinics and M&A. Clinic utilization in 2018 IFl was 14.7 million, patients visits: 7.4 million, utilization: 50%.

(Leader Invest and Business Nedvizhimost)

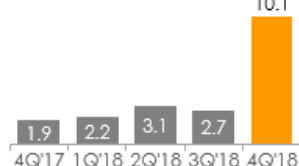
FULL-CYCLE MOSCOW DEVELOPMENT COMPANY AND RENTAL ASSETS WITH A UNIQUE POOL OF PROPERTIES

Leader Invest

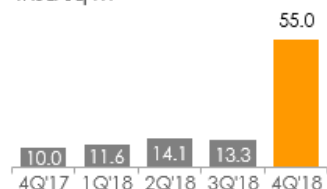
Excluding impact of new IFRS standards

(RUB million)	4Q 2018	4Q 2017	Change	FY 2018	FY 2017	Change	4Q 2018	Change	FY 2018	Change
Revenue	6,366	2,521	152.5%	12,676	6,308	100.9%	435	(82.8%)	2,978	(52.8%)
OIBDA	2,026	(301)	-	3,129	415	654.6%	(731)	-	(1,038)	-
Operating income / (loss)	2,011	(288)	-	2,990	221	1,253.3%	(746)	-	(1,178)	-
Profit/(loss) attributable to Sistema	1,007	91	1,011.8%	772	164	372.2%	(1,256)	-	(2,104)	-

CASH COLLECTIONS FROM REAL-ESTATE SALES
RUB bn



SALES,
thsd sq m

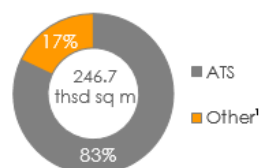


Rental assets: Business Nedvizhimost

Excluding impact of new IFRS standards

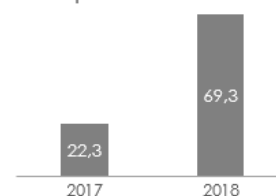
(RUB million)	4Q 2018	4Q 2017	Change	FY 2018	FY 2017	Change	4Q 2018	Change	FY 2018	Change
Revenue	4,551	2,416	88.4%	7,887	6,019	31.0%	4,551	88.4%	7,887	31.0%
OIBDA	3,298	1,769	86.4%	4,598	2,887	59.3%	3,283	85.6%	4,553	57.7%
Operating income	3,132	1,712	83.0%	4,184	2,629	60.9%	3,111	81.7%	4,229	59.1%
Profit attributable to Sistema	2,587	1,307	98.0%	3,147	1,655	90.1%	2,597	98.7%	3,163	91.1%

PORTFOLIO OF ASSETS UNDER OWNERSHIP



¹Residential properties in central Moscow, warehouses

COMMERCIAL REAL ESTATE SALES
thsd sq m





JOINT-STOCK FINANCIAL CORPORATION
SISTEMA

Leader Invest

In 4Q 2018 **Leader Invest's sales of real estate in Moscow grew 5.5x** year-on-year to 55 thousand sq m. Cash collections from sales reached RUB 10.1 billion thanks to increased sales at a number of sites, primarily the business-class developments at

Leader Invest's revenue grew by 152.5% and 100.9% year-on-year to RUB 6.4 billion and RUB 12.7 billion in 4Q and FY 2018, respectively. The main sources of revenue recognition in 4Q were the Vsevolozhsky, Pokrovsky, Chertanovskaya and Michurinsky developments. Other developments that made a substantial contribution to revenue in 2018 were Daev, Demyana Bednogo, Kavkazky Plyus, Yana Rainisa and Fabritsiusa.

Revenue in 4Q and FY 2018 was driven primarily by **an increased level of completion of projects under construction and higher volumes of NSA available for sale**, primarily due to 120 Lobachevsky, as well as previously recognised revenue due to the introduction of the IFRS 15 standard.

Excluding the effect of new accounting standards, revenue decreased in 2018 due to the decrease in deliveries of new developments – in 2017 the premium class Daev and Serpukhovskiy projects were delivered, while in 2018 one business class project was delivered, the Schastye v Mnevnikakh residential complex at 15 Ul. Demyana Bednogo.

Positive trends in OIBDA and the OIBDA margin in 4Q and FY 2018 were due to higher sales volumes and supply dynamics, as well as the impact of new IFRS standards.

Factors driving the net loss for FY 2018 excluding the effect of new standards were the decrease in revenue due to a lower number of project deliveries, and also increased advertising spend.

Rental assets: Business Nedvizhimost

In 4Q 2018 **revenue from Sistema's rental assets** (Business Nedvizhimost and its Mosdachrest subsidiary) **increased by 88.4%** year-on-year to RUB 4.6 billion, primarily due to sales of real estate. In 4Q 32 thousand sq m of commercial real estate was sold, and in FY 2018 69.3 thousand sq m was sold. Revenue in 4Q 2018 year-on-year was also positively impacted by growth of average rental rates.

OIBDA increased by 86.4% year-on-year in 4Q to RUB 3.3 billion, in line with revenue and due to optimisation of a number

120 Lobachevskogo and 4 Bulvar Yana Rainisa, the premium class developments at 5 Pokrovsky Bulvar and the comfort class site at 14 Mishina as well as sale of the Decart Business Centre.

As of the end of 2018 the sales portfolio including commercial real-estate and parking spaces totalled 209.3 thousand sq m. of costs. The slight decrease in the OIBDA margin to 72.5% in 4Q 2018 was due to the increased share of revenue attributable to real-estate sales. Net profit increased in line with OIBDA to RUB 2.6 billion and RUB 3.1 billion in 4Q and FY 2018, respectively.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

In early 2019 Leader Invest delivered four projects: 59 Chertanovskaya, 18 Fabritsiusa, 20 Sofya Kovalevskaya, and 18 Veshnyakovskaya.

In February 2019, Sistema divested a 51% stake in Leader Invest to ETALON GROUP PLC (Etalon) for RUB 15.2 billion. In a separate transaction, Sistema acquired 25% in Etalon for USD 226.6 million from Viacheslav Zarenkov, Etalon Group's founder, and his family. The transactions created a top-3 residential real estate player in Moscow and St Petersburg.

The unified company has a unique opportunity to consolidate the markets in Moscow and St Petersburg and add value through synergies. Etalon and Leader Invest have complementary portfolios that focus on business-, comfort- and premium-class segments in Moscow and St Petersburg. Both companies have attractive profitability across project portfolio and generate significant return on investments.

Utilisation of Etalon's general contracting and subcontractor capacities should accelerate Leader Invest projects, while Etalon's design bureau should help increase efficiency of new Leader Invest projects in Moscow. Etalon's sales network, covering 58 cities across Russia, will support sales of Leader's Moscow projects. In addition, economies of scale will optimise construction costs and administrative expenses.

Two Sistema representatives joined Etalon's Board. Sistema signed a relationship agreement confirming commitment to the highest standards of disclosure and transparency and ensuring that transactions, if any, between Sistema and Etalon will be conducted on an arm's length basis and representatives of Sistema at the Company's Board will abstain from voting on any such transactions.



LEADING RUSSIAN HIGH-TECH COMPANY¹¹

Excluding impact of new IFRS standards

(RUB million)	4Q 2018	4Q 2017	Change	FY 2018	FY 2017	Change	4Q 2018	Change	FY 2018	Change
Revenue	8,695	12,161	(28.5%)	22,886	30,793	(25.7%)	8,695	(28.5%)	22,886	(25.7%)
Adj. OIBDA	3,500	869	302.7%	4,919	1,835	168.1%	3,256	274.7%	4,611	151.3%
Operating income / (loss)	1,911	(4,869)	-	921	(5,772)	-	1,885	-	825	-
Adjusted profit/(loss) attributable to Sistema	1,888	(917)	-	(531)	(4,178)	-	1,741	-	(546)	-

In 4Q and FY 2018 RTI's revenue decreased year-on-year due to the high-base effect: In 2017 a large volume of work was done as part of long-term contracts under the government contracts.

The 302.7% year-on-year increase in adjusted OIBDA in 4Q 2018 was a result of strict control administrative expenses. For the full year adjusted OIBDA increased by 168.1% as SG&A expenses declined by 31.5% year-on-year to RUB 3.7 billion.

In 4Q and FY 2018 **the OIBDA margin rose by 33.1 p.p. and 15.5 p.p. to 40.2% and 21.5%, respectively** due to the decrease in SG&A expenses and the increased share of work done in-house in the cost of sales structure.

As of 31 December 2018 net debt was RUB 29.0 billion¹². RTI also has on its accounts additional funds earmarked for government contracts amounting to RUB 8.6 billion that are not included in the net debt calculation.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

In February 2019, RTI Microelectronics, an RTI Group company, signed a legally binding agreement with State Corporation Rostec and JSC Roselectronica to create a combined microelectronics components company. The parties will combine under the new company controlling stakes in 19 microelectronics component development, production and design companies.

¹¹ Results of RTI for 4Q 2018 and for 2018 FY are presented to reflect the reclassification of RTI's microelectronics assets as discontinued operations. Results for 4Q and FY 2017 are restated to reflect the results of this reclassification.

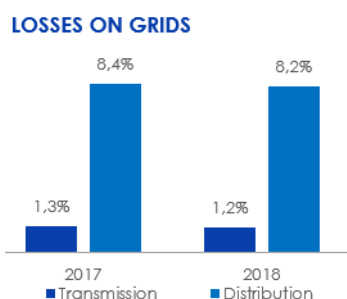
¹² Net debt includes financial leasing.



ONE OF RUSSIA'S BIGGEST POWER GRID COMPANIES

Excluding impact of new IFRS standards

(RUB million)	4Q 2018	4Q 2017	Change	FY 2018	FY 2017	Change	4Q 2018	Change	FY 2018	Change
Revenue	5,329	5,067	5.2%	19,130	17,671	8.3%	5,486	8.3%	19,569	10.7%
OIBDA	2,186	1,107	97.5%	6,369	5,259	21.1%	1,351	22.1%	5,741	9.2%
Operating income	1,560	501	211.1%	3,872	2,926	32.3%	731	45.7%	3,273	11.8%
Profit attributable to Sistema	1,127	384	193.6%	2,930	2,369	23.7%	477	24.2%	2,492	5.2%



In 4Q 2018 and FY 2018 **BPGC's revenue grew by 5.2% and 8.3% to RUB 5.3 billion and RUB 19.1 billion, respectively.** Revenue growth in 4Q 2018 year-on-year resulted from indexation of tariffs for electricity transmission services that came into effect from 1 July 2018 and an increase in lease payments for deployment of fibre-optic cables on electricity pylons. Revenue growth in 2018 was also driven by tariff indexation and an increase in electricity consumption and capacity as consumers switched to two-part tariffs.

OIBDA growth of 95.5% in 4Q 2018 was driven by the impact of new IFRS standards, the rise in revenue, lease payments from PJSC Bashinformsvyaz for 2018, and also one-off settlements to resolve disputes. **OIBDA growth of 21.1% for 2018** followed revenue and was also due to reduced expenses on network losses and the introduction of new accounting standards.

The OIBDA margin increased by 19.2 p.p. to 41.0% in 4Q 2018 as revenue increased and costs fell and due to the effect of

operations to resolve differences. **Excluding the effect of the new accounting standards, the OIBDA margin grew by 2.8 p.p. to 24.6%.** The OIBDA margin for 2018 increased by 3.5 p.p. versus 2017 to 33.3% as a result of the new IFRS standards. Excluding the effect of the new accounting standards, the OIBDA margin for 2018 decreased by 0.3 wp.p. as a result of an increase in costs for services provided by PJSC Federal Grid Company of Unified Energy System due to an increase in paid-for capacity. The net profit increased following OIBDA.

In 2018 BPGC paid RUB 2 billion in dividends.

As of the end of 2018, BPGC had completed 78% of its project to introduce Smart grid technologies. The project aims to reduce electricity losses and power outages to consumers in emergency situations, to reduce costs for servicing and repair of network equipment, and increase capacity for technological connections to the grid. In 2018 101 distribution and transformer sub-stations and seven power substations were reconstructed, 14.6 km of cable was laid, and 21.8 thousand smart meters installed as part of an organized metering system.

Since installation of the automated commercial electricity metering system began in 2011, 251 thousand meters have been installed. **In 2018, including the Smart Grid project, 56.5 thousand meters were installed – the highest in the eight year history of the project.** Smart meters thus accounted for 31% of the total at LLC Bashkirenergo. Automated meter reading is being introduced to reduce commercial losses of electricity and support reliable metering in order to ensure that electricity transmission and capacity volumes meet those required.



JOINT-STOCK FINANCIAL CORPORATION
SISTEMA

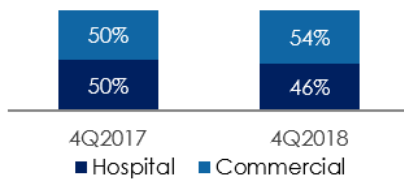


BINNOPHARM
company of JSFC Sistema

ONE OF RUSSIA'S LARGEST FULL-CYCLE BIOPHARMACEUTICAL ENTERPRISES

(RUB million)	4Q 2018	4Q 2017	Change	FY 2018	FY 2017	Change
Revenue	940	1,020	(7.8%)	2,122	2,363	(10.2%)
OIBDA	236	330	(28.5%)	508	482	5.3%
Operating income	181	292	(37.9%)	342	323	5.8%
Profit/(loss) attributable to Sistema	47	117	(60.0%)	(10)	14	-

GROWTH OF COMMERCIAL SEGMENT IN REVENUE



Revenue in 4Q 2018 and for the full year 2018 declined by 7.8% and 10.2% year-on-year to RUB 0.9 billion and RUB 2.1 billion, respectively, after Binnopharm ceased commercial distribution of some low-margin third-party products. Sales of Binnopharm's own products grew by 18.5% in 2018. **Revenue from sales of Binnopharm's own products rose to 97% of the total in 4Q 2018 from 92% in 3Q 2018** due to the gradual sell-down of remaining inventory of third-party products. Binnopharm is continuing to pursue its strategy to reduce the share of the hospital segment in revenue; the share of the commercial segment in revenue increased by 4 p.p. year-on-year to 54% in 4Q 2018.

OIBDA decreased year-on-year in 4Q, following revenue. OIBDA growth in 2018 of 5.3% was driven by the launch of sales of new products, as well as savings on commercial expenses. This was reflected in **OIBDA margin growth of 3.5 p.p. to 23.9%**.

In 2018 Binnopharm completed the registration of a record number of new products – 14, including Hydroxyethyl starch, Maxifloxacin, Levofloxacin, two forms of Inspirax, and a Lidocain-Tolperison combination. More than 30 products are currently being developed, and are expected to come to market in 2019-2021.

In December 2019, Sistema, as part of a consortium of investors, acquired a leading pharmaceutical company, OBL Pharm. The strategic goal of the transaction is to merge OBL Pharm with Binnopharm, which will allow for efficient use of Binnopharm's production capacity to produce OBL Pharm medicines, generate significant synergies in marketing, sales and R&D and reduce administrative costs. The combined company is expected to be created in the first half of 2019. The medium term goal of the combined company is to become a top-5 pharmaceuticals manufacturer in the commercial segment, the fastest-growing segment in the high-growth Russian pharma market.



JOINT-STOCK FINANCIAL CORPORATION
SISTEMA

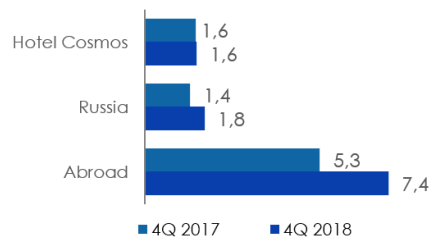


COSMOS GROUP – ONE OF RUSSIA’S LEADING HOTEL MANAGEMENT COMPANIES

Excluding impact of new IFRS standards

(RUB million)	4Q 2018	4Q 2017	Change	FY 2018	FY 2017	Change	4Q 2018	Change	FY 2018	Change
Revenue	1,204	1,093	10.2%	5,301	4,318	22.8%	1,204	10.2%	5,301	22.8%
OIBDA	13	(9)	-	1,314	849	54.7%	(1)	-	1,272	49.7%
Operating (loss)/profit	(176)	(186)	-	555	198	180.3%	(185)	-	530	167.7%
(Loss) attributable to Sistema	(549)	(371)	-	(532)	(517)	-	(545)	-	(524)	-

REVPAR¹, RUB thsd



¹Revenue per available room per day

Revenue growth from hospital assets of 22.8% year-on-year was driven by higher occupancy rates and an increase in the average daily rate (ADR), as well as by the World Cup. **Revenue in 4Q 2018 grew by 10.2%** year-on-year due to higher occupancy rates and the opening of Holiday Inn Express at Paveletskaya in November 2017.

Revenue from hotels outside Russia accounted for 20.7% of the total in 2018, down by 2.1 p.p., due to the faster pace of revenue growth at Russian assets. **In 4Q 2018 revenue from hotels outside Russia grew by 1.6% to 18.4% of the total**, primarily due to the depreciation of the rouble.

The OIBDA in the hospitality segment in 2018 increased by 54.7% compared to 2017 on the back of revenue growth and due to effective cost control. The OIBDA margin for the year increased by 5.1 p.p. to 24.8%. **The hospitality assets achieved profitability at the OIBDA level in 2018** compared with a loss in the year-ago period.

The average occupancy rate in 2018 was 62.5%, an increase of 6.3 p.p. on the previous year. The leader in terms of growth was the Cosmos hotel, where the rate increased by 11.1 p.p. to 69.8%. **Average occupancy in 4Q 2018 increased by 9.3 p.p. year-on-year**, with the fastest growth seen at the Cosmos Petozaovodsk hotel, rising 18.1 p.p. to 55.5%.



CORPORATE

Excluding impact of new IFRS standards

(RUB million)	4Q 2018	4Q 2017	Change	FY 2018	FY 2017	Change	4Q 2018	Change	FY 2018	Change
Adjusted OIBDA	(7,350)	(6,313)	-	(11,381)	(12,103)	-	(7,350)	-	(11,381)	-
Adjusted net loss	(12,689)	(7,948)	-	(34,869)	(21,495)	-	(12,689)	-	(34,869)	-
Corporate Centre's financial liabilities ¹³	223,240	227,001	(1.7%)	223,240	227,001	(1.7%)				

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

costs. The SG&A/revenue ratio at the Corporate Centre declined from 1.4% to 1.2%.

In 4Q 2018 SG&A at the Corporate Centre declined by 10.3% year-on-year to RUB 9.0 billion, due to headcount optimisation, reduction in compensation and a decrease in administrative

The Corporate Centre's financial liabilities stood at RUB 223.2 billion as of 31 December 2018.

KEY GROUP HIGHLIGHTS IN 4Q AND AFTER THE END OF THE REPORTING PERIOD

In March 2019, Sistema's Board of Directors resolved to recommend that the General Meeting of Shareholders approve payment of dividends for 2018 totalling RUB 1,061.5 million (RUB 0.11 per share or RUB 2.2 per GDR).

In March 2019, Sistema Asia Fund, a Sistema venture capital fund, sold its holding of Qwikcilver, an Indian technology company specialising in gift cards and stored-value solutions. The transaction is the first exit for the Sistema Asia Fund. Sistema Asia Fund invested in Qwikcilver in 2016 and after three years exited having achieved a high return on invested capital.

In March 2019, Sistema acquired 18.7% of Ozon Holdings Limited, the leading Russian multi-category online retailer, from MTS for RUB 7.9 billion. Payment will be made in three tranches with the final tranche in July 2021. As a result of the transaction, Sistema's direct ownership stake in Ozon amounted to 19.3%. Additionally, Sistema venture capital fund Sistema_VC holds a 16.3% stake in Ozon. Sistema has an 80% equity interest in Sistema_VC.

In March 2019, Sistema successfully closed the order book on its RUB 10 billion series 001P-10 bond. The coupon was set at 9.90%, representing a yield to the put option of 10.14%. Term to maturity is 3,640 days. The term of the issue is 3.5 years. The coupon period is 182 days.

In February 2019, Sistema successfully placed its series 001P-09 RUB 10 billion exchange-traded bond. The coupon was set at 9.90%, representing a yield to the put option of 10.14%. Term to maturity is 3,640 days. The term of the issue is 3 years. The coupon period is 182 days.

In February 2019, Sistema sold 51% of Leader Invest to Etalon Group (LSE: ETLN), one of the Russia's largest property developers and construction companies, for RUB 15.2 billion. Following the transaction Sistema retained 49% of Leader Invest. Sistema additionally acquired a 25% stake in Etalon Group from its founder and largest shareholder Viacheslav Zarenkov and his family for USD 226.6 million.

In February 2019, Sistema and its 100% subsidiary OOO Sistema Telecom Aktivy sold 39.5% of PJSC MTS Bank to Mobile TeleSystems B.V., a 100% subsidiary of PJSC MTS, for RUB 11.4 billion. As a result of the transaction Sistema's direct stake in MTS Bank's equity capital declined to 5% and MTS's stake increased from 55.2% to 94.7%.

In February 2019, construction was completed on OBL Pharm's new solid dosage form production facility. Total invested capital in the new facility was RUB 3 billion. The production complex occupies six hectares. Production capacity is 120 million packages: 1.6 billion pills, 120 million capsules and 15 million sachets per year.

In February 2019, Sistema successfully completed a secondary placement of its exchange-traded series 001P-07 bond. During the tender offer on February 06, 2019, the Corporation repurchased bonds in the amount of RUB 482.4 million out of the total of RUB 10 billion in the issue. Bonds repurchased during the tender offer were sold in the open market through secondary placement at the price of 100.5% of the nominal value. The nominal value of one bond is RUB 1,000. The bonds have a put option exercisable in 2 years. The maturity date is January 21, 2028. The coupon period is 182 days. The rate for coupons 3-6 is set at 10%.

In December 2018, Sistema acquired a stake in PSJ Pharmaceutical Enterprise Obolonskoe (OBL Pharm), a leading Russian pharmaceutical company. The acquisition was made jointly with VTB Bank and members of the management team of OBL Pharm from

¹³ Including liability to Rosimushchestvo and finance lease.



JOINT-STOCK FINANCIAL CORPORATION
SISTEMA

Alvansa Ltd, whose main shareholders are Gazprombank and UFG Private Equity. Sistema invested RUB 1.83 billion in OBL Pharm. The consortium of investors – Sistema, VTB and OBL Pharm managers – together acquired 95.14% of OBL Pharm for a total of RUB 15.5 billion. The partners invested via a joint holding company, Ristango Holding Limited. Sistema and VTB have signed an agreement whereby Sistema will buy out VTB's stake in Ristango Holding Limited in no less than three years from the day the transaction closed.

In October 2018, rating agency Expert RA (RAEX) upgraded Sistema's credit rating from ruBBB+ to ruA- and removed the 'Under Review' status. The outlook of the rating is Positive.

Between the beginning of October 2018 and the end of March 2019, Sistema subsidiary Sistema Finance S.A. sold a total of 35,054,752 ordinary shares of PJSC MTS to MTS subsidiary LLC Bastion for a total consideration of RUB 9.18 billion. The transactions took place as part of MTS's share repurchase programme.

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

Investor Relations
Nikolai Minashin
Tel: +7 (495) 730 66 00
n.minashin@sistema.ru

Public Relations
Sergey Kopytov
Tel.: +7 (495) 228 15 32
kopytov@sistema.ru

Sistema PJSC is a publicly-traded diversified Russian holding company serving over 150 million customers in the sectors of telecommunications, high technology, financial services, retail, paper and packaging, agriculture, real estate, tourism and medical services. The company was founded in 1993. Revenue in 2018 was RUB 777.4 bn; total assets equalled RUB 1.1 trn as of 31 December 2018. Sistema's global depository receipts are listed under the "SSA" ticker on the London Stock Exchange. Sistema's ordinary shares are listed under the "AFKS" ticker on the 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 PJSC AND SUBSIDIARIES: AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEARS AND THREE MONTHS ENDED DECEMBER 31, 2018 AND 2017
(Amounts in millions of Russian roubles, except for per share amounts)**

	Year ended December 31, (audited)		Three months ended December 31, (unaudited)	
	2018	2017	2018	2017
Revenue	777,405	693,424	225,114	194,988
Cost of sales	(366,021)	(330,597)	(112,025)	(98,490)
Selling, general and administrative expenses	(141,605)	(153,162)	(41,635)	(43,329)
Depreciation and amortisation ¹⁴	(130,941)	(95,100)	(32,430)	(23,590)
Impairment of long-lived assets	(1,360)	(8,011)	(455)	(6,326)
Impairment of financial assets	(5,934)	(5,748)	(2,702)	(2,507)
Taxes other than income tax	(6,411)	(5,781)	(1,655)	(1,491)
Share of the profit or loss of associates and joint ventures	1,715	3,030	(628)	720
Other income	7,540	5,625	988	3,231
Other expenses	(5,786)	(13,394)	(1,906)	(9,686)
OPERATING INCOME	128,602	90,286	32,666	13,520
Finance income	8,421	8,056	2,928	2,315
Finance costs ¹⁵	(68,024)	(48,852)	(18,617)	(12,827)
Cost under Settlement agreement		(100,000)		(100,000)
Currency exchange (loss)/gain	(16,771)	(411)	(4,018)	225
PROFIT/(LOSS) BEFORE TAX	52,228	(50,921)	12,959	(96,766)
Income tax expense	(32,809)	(11,199)	(16,685)	3,356
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	19,419	(62,120)	(3,726)	(93,410)
(Profit)/loss from discontinued operations	(57,723)	(4,408)	(2,056)	289
LOSS FOR THE PERIOD	(38,304)	(66,528)	(5,782)	(93,121)
Loss attributable to:				
Shareholders of Sistema PJSC	(45,896)	(94,602)	(15,212)	(98,890)
Non-controlling interests	7,592	28,074	9,430	5,768
	(38,304)	(66,528)	(5,782)	(93,122)
Earnings per share (basic and diluted), Russian Rubles:				
From continuing operations	(1,84)	(9,72)	(1,40)	(10,52)
From continuing and discontinued operations	(4,84)	(10,01)	(1,60)	(10,48)

¹⁴ Including 28,152 of lease rights amortization for 12 months 2018 out of which 27,157 relate to lease that would have been classified as operating under «old» standards

¹⁵ Including 18,383 of lease interest expense for 12 months 2018 out of which 16,959 relate to lease that would have been classified as operating under «old» standards



SISTEMA PJSFC AND SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND DECEMBER 31, 2017
(Amounts in millions of Russian roubles)

	December 31,	December 31,
	2018	2017
ASSETS		
NON-CURRENT ASSETS:		
Property, plant and equipment	422,321	411,467
Investment property	23,310	24,664
Goodwill	59,488	53,832
Other intangible assets	112,125	97,915
Right-of-use-asset	194,247	-
Investments in associates and joint ventures	34,507	20,783
Deferred tax assets	32,648	35,809
Loans receivable and other financial assets	95,557	104,395
Deposits in banks	186	-
Other assets	15,618	18,169
Total non-current assets	<u>990,007</u>	<u>767,034</u>
CURRENT ASSETS:		
Inventories	97,131	81,401
Contract asset	7,297	-
Accounts receivable	63,517	54,836
Advances paid and prepaid expenses	16,984	15,324
Current income tax assets	4,195	3,274
Other taxes receivable	18,641	17,190
Loans receivable and other financial assets	106,329	99,798
Deposits in banks	15,506	28,068
Restricted cash	8,614	8,591
Cash and cash equivalents	114,183	59,959
Assets held for sale	19,911	-
Other assets	3,090	2,174
Total current assets	<u>475,398</u>	<u>370,615</u>
TOTAL ASSETS	<u>1,465,405</u>	<u>1,137,649</u>



SISTEMA PJSC AND SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND DECEMBER 31, 2017 (CONTINUED)
(Amounts in millions of Russian roubles)

	December 31 2018	December 31 2017
LIABILITIES AND EQUITY		
SHAREHOLDERS' EQUITY:		
Share capital	869	869
Treasury shares	(4,759)	(5,816)
Additional paid-in capital	73,375	67,856
Retained earnings	(63,572)	(17,375)
Accumulated other comprehensive (loss)/income	11,204	2,332
Equity attributable to shareholders of Sistema	17,117	47,866
Non-controlling interests	45,911	74,957
TOTAL EQUITY	63,028	122,823
NON-CURRENT LIABILITIES:		
Borrowings	592,442	381,561
Lease liabilities	183,161	12,090
Bank deposits and liabilities	3,414	33,419
Deferred tax liabilities	40,161	38,160
Provisions	4,368	3,399
Liability to Rosimushchestvo	8,097	13,427
Other financial liabilities	1,473	6,514
Other liabilities	6,546	7,537
Total non-current liabilities	839,662	496,107
CURRENT LIABILITIES:		
Borrowings	105,893	139,403
Lease liabilities	24,206	2,765
Liability under Settlement agreement	-	80,000
Accounts payable	126,917	114,402
Bank deposits and liabilities	129,872	83,873
Contract liabilities and other non-financial liabilities	50,141	48,789
Income tax payable	2,775	1,833
Other taxes payable	20,409	14,378
Dividends payable	4,415	4,578
Provisions	73,244	13,038
Liability to Rosimushchestvo	8,113	9,601
Liabilities directly associated with assets classified as held for sale	6,826	-
Other financial liabilities	9,904	6,059
Total current liabilities	562,715	518,719
TOTAL LIABILITIES	1,402,377	1,014,826
TOTAL LIABILITIES AND EQUITY	1,465,405	1,137,649



**SISTEMA PJSC AND SUBSIDIARIES: AUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Amounts in millions of Russian roubles)**

CASH FLOWS FROM OPERATING ACTIVITIES:

	2018	2017
(Loss)/profit for the period	(38,304)	(66,528)
Adjustments to reconcile net income to net cash provided by operations (including discontinued operations):		
Expense under the Settlement Agreement	-	100,000
Provision related to SEC investigation	55,752	-
Depreciation and amortization	132,019	96,490
Share of the profit or loss of associates and joint ventures, net	(1,715)	(3,030)
Finance income	(8,421)	(8,069)
Finance costs	68,024	48,983
Income tax expense	32,809	11,443
Currency exchange loss/(gain)	20,069	398
Profit from discontinued operations	-	(593)
Profit on disposal of property, plant and equipment	(5,173)	(251)
Amortization of connection fees	(3,904)	(2,876)
Impairment of loans to customers	704	360
Dividends received from associates and joint ventures	3,777	4,218
Non-cash compensation to employees	1,511	1,653
Impairment of long-lived assets	1,360	8,061
Impairment of financial assets	5,935	5,744
Other non-cash items	5,299	8,420
	<u>269,742</u>	<u>204,423</u>
Movements in working capital:		
Bank loans to customers and interbank loans due from banks	(2,995)	(12,432)
Bank deposits and liabilities	14,136	7,938
Restricted cash	(23)	1,507
Financial assets/liabilities at fair value through profit or loss	2,974	(5,834)
Accounts receivable and contract assets	(8,174)	(1,795)
Advances paid and prepaid expenses	(1,679)	1,553
Other taxes receivable	(2,386)	(1,840)
Inventories	(27,402)	(12,648)
Accounts payable	9,997	(630)
Subscriber prepayments	3,500	4,025
Other taxes payable	6,288	(1,531)
Advances received and other liabilities	(537)	11,025
Payment in accordance with the Settlement agreement	(80,000)	(20,000)
Interest paid ¹⁶	(67,421)	(46,261)
Income tax paid	(27,392)	(28,898)
	<u>88,628</u>	<u>98,602</u>

¹⁶ Including 18,150 of lease interest paid out of which 16,725 relate to lease that would have been classified as operating under «old» standards



SISTEMA PJSFC AND SUBSIDIARIES: AUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (CONTINUED) (AMOUNTS IN MILLIONS OF RUSSIAN ROUBLES)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchases of property, plant and equipment and investment property	(93,754)	(78,441)
Payments for Data Center MTS	(7,559)	-
Proceeds from sale of property, plant and equipment	6,533	7,745
Payments to obtain and fulfill contracts	(5,645)	-
Payments for purchases of intangible assets	(30,286)	(26,003)
Payments for businesses, net of cash acquired	(4,324)	(4,132)
Payments for investments in associates and joint ventures	(12,036)	(5,260)
Proceeds from sale of investments in affiliated companies	113	5,181
Payments for purchases of financial assets, long-term	(17,316)	(30,100)
Proceeds from sale of financial assets, long-term	10,155	11,081
Payments for financial assets, short-term	(23,514)	(28,139)
Proceeds from sale of financial assets, short-term	43,280	34,594
Interest received	9,356	8,011
Other	(2,938)	(1,739)
	<u>(127,935)</u>	<u>(107,202)</u>
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	398,905	215,956
Principal payments on borrowings	(234,937)	(150,357)
Debt issuance costs	(702)	(111)
Lease liabilities payments ¹⁷	(21,044)	-
Acquisition of non-controlling interests in existing subsidiaries	(21,424)	(24,726)
Payments to purchase treasury stock	-	(1,601)
Proceeds from capital transactions with non-controlling interests	740	13,607
Dividends paid	(29,952)	(38,792)
Proceeds from sales of own shares	-	120
Cash outflow under credit guarantee agreement related to foreign-currency hedge	(981)	(1,766)
	<u>90,605</u>	<u>12,330</u>
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		
Effect of foreign currency translation on cash and cash equivalents	3,408	(3,961)
	<u>54,706</u>	<u>(231)</u>
Net decrease in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	59,959	60,190
Cash and cash equivalents at the end of the year, of discontinued operations	(482)	-
Cash and cash equivalents at the end of the year	114,183	59,959

¹⁷ Including 20,543 of payments under lease that would have been classified as operating in accordance with «old» standards



SISTEMA PJSFC AND SUBSIDIARIES
SEGMENTAL BREAKDOWN FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017
(Amounts in millions of Russian roubles)

	<u>External revenues</u>		<u>Inter-segment revenue</u>		<u>Segment operating income</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
MTS	486,385	456,868	4,576	4,148	112,379	94,046
Detsky Mir	110,871	96,985	3	18	11,232	8,024
RTI	22,701	30,704	185	89	921	(5,772)
Corporate	2,351	1,763	845	877	(11,946)	(12,670)
Total reportable segments	622,308	586,320	5,609	5,132	112,586	83,628
Other	155,097	107,104	3,582	1,509	18,611	5,160
	777,405	693,424	9,191	6,641	131,197	88,788
Inter-segment eliminations					(2,595)	1,498
Operating income					128,602	90,286
Finance income					8,421	8,056
Finance costs					(68,024)	(48,852)
Settlement agreement expenses					-	(100,000)
Foreign currency exchange gain					(16,771)	(411)
Profit before tax					52,228	(50,921)

	<u>Capital expenditures</u>		<u>Depreciation and amortization</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
MTS	139,913	89,452	104,858	80,466
Detsky Mir	6,674	2,501	9,100	1,818
RTI	2,496	3,014	1,739	1,582
Corporate	-	1,538	565	566
Other	13,581	33,647	14,679	10,668
	162,664	130,152	130,941	95,100

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:

RUB millions	4Q 2018	4Q 2017	2018	2017	Excluding impact of new IFRS standards	
					4Q 2018	2018
Operating income	32,664	13,524	128,600	90,290	25,127	114,003
Impairment of long-lived assets in Turkmenistan (MTS)	0	2,628	-	3,775	-	-
Gain on investments at Medsi	-	-	-	(730)	-	-
Accruals related to LTI program at portfolio companies	519	121	1,651	821	519	1,651
Impairment of long-lived assets (Segezha Group and others)	-	672	-	672	-	-
Provisions for litigation and amounts due under contracts with clients at RTI	1,183	5,323	2,260	6,025	1,183	2,260
Other non-recurring (gains) / losses, net	-	55	1,821	1,604	-	1,821
Adjusted operating income	34,366	22,324	134,332	102,457	26,829	119,735
Depreciation and amortisation	32,430	23,591	130,941	95,100	26,214	100,094
Adjusted OIBDA	66,796	45,915	265,273	197,558	53,043	219,829

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

RUB millions	4Q 2018	4Q 2017	2018	2017	Excluding impact of new IFRS standards	
					4Q 2018	2018
Loss attributable to Sistema	(15,215)	(98,890)	(45,898)	(94,602)	(17,627)	(46,952)
Loss on Settlement Agreement net of deferred tax	-	90,000	-	90,000	-	-
One-off write-off of deferred tax assets	12,621	-	12,621	-	12,621	12,621
Provision for liability with regards to the U.S. Department of Justice and the U.S. Securities and Exchange Commission investigation, including revaluation (MTS)	1,649	-	29,527	-	1,649	29,527
Impairment of long-lived assets in Turkmenistan (MTS)	-	1,314	-	1,887	-	-
Other non-recurring (gains) / losses, net	-	55	1,705	1,283	-	1,705
Gain on investments at Medsi	-	-	-	(730)	-	-
Accruals related to LTI program at portfolio companies	306	50	1,194	366	306	1,194



Impairment of long-lived assets (Segezha Group and others)	-	672	-	672	-	-
Provisions for litigation and amounts due under contracts with clients at RTI	1,029	4,631	1,966	5,242	1,029	1,966
Adjusted profit attributable to Sistema	391	(2,167)	1,114	4,119	(2,021)	60

Consolidated net debt. We define consolidated net debt as consolidated total debt less cash, cash equivalents and deposits in banks. Consolidated total debt is defined as total borrowings plus finance lease. The total borrowings is defined as long-term borrowings, short-term borrowings and liability to Rosimushchestvo. We believe that the presentation of consolidated net debt provides useful information to investors because we use this measure in our management of consolidated liquidity, financial flexibility, capital structure and leverage.

Consolidated net debt can be reconciled to the borrowings as follows:

<i>RUB millions</i>	As of December 31, 2018	As of September 30, 2018
Long-term borrowings	592,442	582,612
Short-term borrowings	105,893	122,968
Liability to Rosimushchestvo	16,194	19,111
Total borrowings	714,529	724,691
Consolidated finance lease ¹⁸	18,684 ¹⁹	17,378
Consolidated total debt	733,213	742,069
Cash and cash equivalents	(114,183)	(138,174)
Deposits in banks	(15,692)	(13,374)
Consolidated net debt	603,338	590,521

¹⁸In accordance with the standard IAS 17.

¹⁹Including RUB 1,517 million of short-term finance lease.