



SISTEMA ANNOUNCES FINANCIAL RESULTS FOR THE FIRST QUARTER 2018

Moscow, Russia – 5 June 2018 – Sistema PJSC (“Sistema” or the “Company”, together with its subsidiaries, “the Group”) (LSE: SSA, MOEX: AFKS), a publicly-traded diversified holding company operating primarily in Russia and the CIS, today announces its unaudited consolidated financial results in accordance with International Financial Reporting Standards (IFRS) for the first quarter ended 31 March 2018.

OPERATIONAL AND STRATEGIC HIGHLIGHTS

- Continued revenue growth driven by publicly traded assets, as well as Segezha, Steppe, Medsi and MTS-Bank
- MTS, Detsky Mir, Segezha, Steppe and Binnopharm all delivered at least double-digit OIBDA increase as a result of healthy business performance and under the impact of new IFRS standards 15 and 16
- New concept of diversification of the investment resources by managing third-party capital introduced in the Group
- New Digital vertical launched to capture exceptional growth opportunities in tech- and Internet-driven industries
- Andrey Dubovskov appointed as Sistema President and CEO in March 2018; Vladimir Travkov appointed as Sistema Vice President and CFO in April 2018
- Rosneft/Bashneft dispute resolved, and Sistema’s financial obligations under the Settlement Agreement fully performed
- Board of Directors recommended a final dividend for 2017 of RUB 1,061.5 million (RUB 0.11 per ordinary share, RUB 2.2 per GDR). Subject to approval by the Annual General Meeting of Shareholders (AGM), this would bring total 2017 dividends (including those paid for 9M 2017) to RUB 7,623 million

FIRST QUARTER 2018 FINANCIAL RESULTS

- Group revenues¹ up 6.2% YoY to RUB 170.9 billion
- Excluding the effect of the new IFRS standards², Group revenues up 6.1% YoY RUB 170.7 billion
- Adjusted OIBDA³ up 30.0% YoY to RUB 59.5 billion⁴, with an adjusted OIBDA margin of 34.8%
- Excluding the effect of the new IFRS standards⁵, adjusted OIBDA up 7.5% YoY to RUB 49.2 billion, with an adjusted OIBDA margin of 28.8%
- Adjusted loss attributable to Sistema³ of RUB 215 million
- Excluding the effect of the new IFRS standards, adjusted net profit attributable to Sistema³ of RUB 612 million

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

“Sistema delivered strong results in the first quarter of 2018, underpinned by the Group’s diversified portfolio of high-quality businesses. All key holdings contributed to revenue growth. Our publicly traded assets – MTS and Detsky Mir – continue to consolidate their positions as leaders in their respective sectors, while the success of Segezha, Steppe, Medsi, MTS-Bank and other key non-public assets demonstrate they have the right strategies in place and the efficient management teams to execute on those strategies. Our Russian consumer-focused businesses grew against a positive macroeconomic backdrop, while our exporters benefitted from strong external demand for their products as well as the weakening of the rouble.

“The Group’s adjusted OIBDA grew by 30%, with MTS and Segezha delivering double-digit percentage increase and Detsky Mir and Steppe triple-digit percentage increase. Much of this was attributable to the impact of the new IFRS standards 15 and 16, but on a like-for-like basis we also saw a strong growth, reflecting top-line dynamics and sustained control of costs.

“Sistema companies are increasingly looking to benefit from synergies with other companies across the Group. In April, MTS and Medsi jointly launched SmartMed, a telemedicine platform for digital medical products and services. And MTS Bank is leveraging MTS’s brand strength as it continues partnership with MTS with a goal of building a digital bank.

¹ Here and hereafter in this press-release Sistema’s consolidated results for 1Q 2017 and full year 2017 are restated to reflect deconsolidation of SG-Trading JSC and disposal of operating business of Sistema Shyam TeleServices Ltd. (SSTL)

² Here and hereafter in this press-release Sistema’s consolidated results and results of its subsidiaries for 1Q 2018 are presented in accordance with new accounting standards IFRS 9, 15 and 16 unless specified otherwise. The results for 1Q 2017 are presented without the impact of new IFRS standards 9, 15 and 16.

³ See Attachment A for definitions and reconciliation of adjusted OIBDA, adjusted profit attributable to Sistema and consolidated total debt to IFRS financial measures.

⁴ Here and hereafter mentions of new IFRS standards refer to IFRS 9, 15 and 16.

⁵ Results for MTS-Bank and Binnopharm are not presented excluding the impact of the new standards. However, Sistema estimates that the impact on the consolidated Group results of these subsidiaries’ transition to the new IFRS standards is not material

“During the reporting quarter, we raised bank financing sufficient to meet our obligations under the Settlement Agreement with Rosneft, Bashneft and the Republic of Bashkortostan and have fully performed our financial obligations under the Agreement.

“As we build out our investment fund business, we aim to position the Group in the global markets as an investor with strong expertise in high-tech sector and significant business capabilities that can benefit start-ups. As part of this strategy, in May 2018, our venture fund Sistema Venture Capital invested in TraceAir, a start-up developing a platform for monitoring construction sites using drones; and in Connecterra, which deploys AI solutions for dairy farming; and with other investors which include Alibaba invested in SQream, a company that enables enterprises to leverage their Big Data analytics by using GPU. Another investment arm, Sistema Asia Fund, added HealthifyMe, an Indian mobile health and fitness application, to their portfolio. We expect to be able to announce more high-tech investments in the months ahead.

“Finally, I would note that Sistema’s Board recommended that the AGM approve a final dividend for 2017 of RUB 1,061.5 million. The proposal represents a balance between maintaining our ability to reduce the Company’s debt while retaining some dry powder for exceptionally attractive investment opportunities and returning cash to shareholders.”

Conference call information

Sistema’s management will host a conference call today at 10:00 am (New York time) / 3:00 pm (London time) / 4:00 pm (CET) / 5:00 pm (Moscow time) to present and discuss the first quarter 2018 results.

To participate in the conference call, please dial:

Russia

+7 495 646 9190

8 10 8002 8675011 (toll free)

United Kingdom

+44 330 336 9411

0800 279 7204 (toll free)

United States

+1 646 828 8143

800 347 6311 (toll free)

Conference ID: 3273966

Or quote the conference call title: “Sistema First Quarter 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:

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FINANCIAL SUMMARY AND GROUP OPERATING REVIEW

<i>(RUB millions)</i>	1Q 2018	1Q 2017	Change	<i>Excluding impact of new IFRS standards</i>	
				1Q 2018	Change
Revenues	170,926	160,899	6.2%	170,701	6.1%
Adjusted OIBDA	59,478	45,756	30.0%	49,193	7.5%
Operating income	26,454	21,617	22.4%	24,045	11.2%
(Loss)/profit attributable to Sistema	(1,243)	1,455	-	(417)	-
Adjusted (loss)/profit attributable to Sistema	(215)	1,598	-	612	(61.7%)

In the first quarter of 2018, Sistema's consolidated revenues increased by 6.2% year-on-year, supported by strong top-line performance across a broad range of assets: MTS, driven by Russian mobile service revenue improvement; Detsky Mir, due to robust like-for-like sales growth and ramp-up of new stores; Segezha Group, thanks to increased volumes of paper and packaging sales and higher product prices across all key business segments; Medsi, which saw increased vertical integration, the ramp-up of new clinics and the impact of acquisitions; Agroholding Steppe, where revenue more than doubled thanks to inventory carryover from 2017 and higher wheat prices; and MTS-Bank, which delivered an increase in commission income as a result of growth of transaction products and an improvement in interest income on the back of greater sales of higher-margin credit cards and consumer loans.

Group selling, general and administrative expenses (SG&A) for the reporting quarter declined by 13.9% year-on-year to RUB 31.4 billion, mainly as a result of the adoption of new IFRS accounting standards. Excluding this effect, Group SG&A ticked up 0.6% to RUB 36.7 billion. Growth of SG&A expenses at Detsky Mir, driven by the company's robust and cost-efficient expansion in Russia, was offset by a decline of SG&A expenses at MTS and the Corporate Centre. SG&A at the Corporate Centre declined by 12.7% to RUB 1.5 billion as a result of lower management compensation costs.

Group adjusted OIBDA increased by 30.0% year-on-year, primarily reflecting stronger results at MTS thanks to a larger share of revenue from higher-margin data services, strict cost control and the positive impact of the new IFRS standards. Excluding the impact of the new accounting standards, Group adjusted OIBDA rose by 7.5% year-on-year as a result of growth at publicly traded assets MTS and Detsky Mir, as well as at Steppe and MTS Bank. The Group's adjusted OIBDA margin improved by 6.4 percentage points year-on-year to 34.8%, mainly as a result of the new accounting standards. Excluding this effect, the adjusted OIBDA margin stood at 28.8%, a year-on-year increase of 0.4 percentage points.

The adjusted loss attributable to Sistema for the reporting period was RUB 215 million, as a result of the new accounting standards. Excluding the effect of the new standards, the Group posted an adjusted net profit of RUB 612 million for the quarter.

OPERATING REVIEW⁶

MTS

<i>(RUB millions)</i>	1Q 2018	1Q 2017	Change	<i>Excluding impact of new IFRS standards</i>	
				1Q 2018	Change
Revenues	107,926	104,683	3.1%	108,512	3.7%
OIBDA ⁷	52,076	41,540	25.4%	44,499	7.1%
Operating income	26,754	21,409	25.0%	24,962	16.6%
Profit attributable to Sistema	7,711	6,244	23.5%	8,246	32.1%

In the first quarter of 2018, revenue at MTS increased by 3.1% year-on-year to RUB 107.9 billion thanks to a 3.7% increase in Russian mobile service revenue as a result of higher data usage.

OIBDA increased by 25.4% as a result of the adoption of new accounting standards as well as improved usage of data and higher-margin products.

Excluding the effect of new IFRS standards, revenue increased by 3.7% year-on-year, and OIBDA by 7.1%

Significant events in 1Q 2018 and after the end of the reporting period

In May 2018, MTS has signed two loan agreements for a total amount of RUB 50 billion with PJSC VTB Bank. The agreements include two loans: a committed credit facility in the amount of RUB 20 billion with the ability to draw financing in separate tranches with a maturity until the end of 2021; and a 7-year revolving credit line in the amount of RUB 30 billion with the ability to draw financing in separate tranches with a maturity of up to 5 years. The funds will be used for further optimization of MTS's debt portfolio and for other corporate needs.

In May 2018, MTS deployed Licensed Assisted Access (LAA) technology at a shopping centre in the city of Ufa, becoming the first operator in Eastern Europe to deploy a commercial high-speed LTE network.

In May 2018, MTS placed commercial bonds in the amount of RUB 750 million using blockchain smart contracts, the first transaction of its kind in Russia.

In April 2018, MTS's Board of Directors recommended a dividend for 2017 of RUB 23.4 per ordinary share (RUB 46.8 per ADR), or a total of RUB 46.76 billion. In addition to dividends, MTS returns cash to shareholders in the form of share repurchases. In the first quarter of 2018 MTS repurchased shares from Sistema and minority shareholders totalling RUB 7.3 billion.

In April 2018, MTS in partnership with Ericsson opened an R&D Centre in Tatarstan to develop a wide range of innovative solutions based on 5G, IoT and Big Data technologies.

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

In February 2018, MTS acquired Ticketland.ru and Ponominalu.ru, two leading players in the Russian event e-ticketing industry.

Detsky Mir⁸

<i>(RUB millions)</i>	1Q 2018	1Q 2017	Change	<i>Excluding impact of new IFRS standards</i>	
				1Q 2018	Change
Revenues	24,020	21,061	14.0%	24,020	14.0%
Adjusted OIBDA	3,488	1,109	214.6%	1,441	29.9%
Operating income	1,079	400	169.4%	786	96.5%
Adjusted profit attributable to Sistema	182	77	137.3%	236	206.5%

In the first quarter of 2018, revenue at Detsky Mir increased by 14.0% year-on-year thanks to the roll-out of new retail space and a 5.1% year-on-year increase in like-for-like sales, driven by a competitive pricing policy and improved product range. E-commerce remained the company's fastest-growing sales channel, with revenue rising by 64.9% year-on-year. Online sales accounted for 6.2% of total sales. Developing the e-commerce platform remains one of management's top priorities for 2018.

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.

⁷ Including share in results of MTS Bank

⁸ Results have been adjusted for additional accruals under the LTI program (including related tax effects).

Adjusted OIBDA increased by 214.6% as a result of the adoption of the new IFRS 16 standard. Excluding this effect, adjusted OIBDA would have increased by 29.9%.

The adjusted OIBDA margin improved by 9.2 percentage points year-on-year to 14.5%. Excluding the effect of the accounting change, the adjusted OIBDA margin amounted to 6.0%, driven by improvements to operational efficiency including higher labour productivity and strict control of rental costs. The adjusted SG&A/revenue ratio declined by 10.4 percentage points to 15.0%. Excluding the effect of the accounting change, the adjusted SG&A/revenue ratio declined by 1.9p.p. to 23.5%.

The company plans to open at least 250 new Detsky Mir stores in 2018-2021, including approximately 70 new stores in 2018, with a targeted internal rate of return of approximately 40%. Detsky Mir also aims to be Russia's leading children's goods retailer in 2018 in terms of like-for-like sales growth.

Significant events after the end of the reporting period

In May 2018, Detsky Mir's Annual General Meeting approved a final dividend for 2017 of RUB 2.9 billion (RUB 3.88 per ordinary share).

Segezha Group

<i>(RUB millions)</i>	1Q 2018	1Q 2017	Change	<i>Excluding impact of new IFRS standards</i>	
				1Q 2018	Change
Revenues	11,542	9,488	21.7%	11,542	21.7%
OIBDA	2,176	1,273	70.9%	1,956	53.7%
Operating income	1,064	387	175.0%	953	146.3%
(Loss)/profit attributable to Sistema	(537)	59	-	(456)	-

In the first quarter of 2018 revenue at Segezha Group increased by 21.7% year-on-year to RUB 11.5 billion thanks to higher sales of paper and paper sacks, as well as higher prices for sawn timber, paper, paper sacks, house framing and glulam. Paper production volumes increased by 14% year-on-year due to the launch in the fourth quarter of 2017 of a new paper machine at Segezha Pulp & Paper Mill. The weakening of the RUB against the EUR had a positive impact on revenue, given that approximately 27% of the company's revenue is denominated in EUR.

OIBDA increased by 70.9% to RUB 2.2 billion as a result of the revenue increase, as well as higher prices for key products and optimisation of logistics costs. The impact on OIBDA from the adoption of the new IFRS standard amounted to RUB 219 million. The loss in the reporting period was mainly due to FX-rate pressures.

The volume of paper sacks produced increased by 5.7%, mainly due to growth of demand in Russia. Plywood production volume increased by 6% to 25,600 cubic metres due to the installation of new equipment and an increase in the efficiency of existing equipment. 70% of Segezha's plywood is exported, with key destinations being Germany and the Netherlands. Sales of sawn timber increased by 6.3% to 191,000 cubic metres, driven by an increase in sales to existing clients. Nearly 99% of sawn timber is exported, with key destinations including China, Egypt, the UK and France.

Commissioning work at the plywood mill in Kirov region continued, with the launch planned for the second quarter of 2018. The new mill will double plywood production capacity and will allow the company to expand sales channels.

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

Agroholding Steppe

<i>(RUB millions)</i>	1Q 2018	1Q 2017	Change	<i>Excluding impact of new IFRS standards</i>	
				1Q 2018	Change
Revenues	2,536	1,204	110.6%	2,536	110.6%
OIBDA	689	112	517.7%	684	510.7%
Operating income/(loss)	336	(68)	-	392	-
(Loss)/profit attributable to Sistema	(64)	(276)	-	5	-

In the first quarter of 2018, positive trends across all business divisions resulted in strong revenue and OIBDA increase, up 110.6% and 517.7%, respectively. The field crop segment saw growth driven by sales of carryover inventory from 2017 at higher prices. The dairy segment grew on the back of continued expansion of the herd (+10% year-on-year) and increased milk production per head (+2% year-on-year). The fruit production segment saw revenue increase 143% year-on-year and OIBDA increase 270% year-on-year thanks to optimisation of the sales system and higher average sale prices for apples. The vegetable

production segment is currently implementing a programme to boost operational efficiency that is having a positive impact on financial results.

Steppe reported a loss of RUB 64 million, primarily as a result of the increased amortisation costs due to the transition to the new IFRS standards.

In March 2018, the first line of Steppe's new dairy farm was opened. At present the farm has 907 cows, with plans to grow to 1,800 cows as a result of the facility's own breeding programme. Investments in the new farm represented approximately half of Steppe's capital expenditure during the reporting period, RUB 90 million of a total RUB 185 million in capex. The other half of capex was accounted for by the purchase of new agricultural equipment.

Medsi

<i>(RUB millions)</i>	1Q 2018	1Q 2017	Change	<i>Excluding impact of new IFRS standards</i>	
				1Q 2018	Change
Revenues	3,511	2,534	38.5%	3,523	39.0%
OIBDA	464	726	(36.2%)	348	(52.1%)
Operating (loss)/income	(16)	408	-	(52)	-
(Loss)/profit attributable to Sistema	(103)	288	-	(65)	-

Revenue at Medsi increased by 38.5% to RUB 3.5 billion in the first quarter of 2018 on the back of 113% revenue growth from the Clinical-Diagnostic Centre at Krasnaya Presnya as well as higher revenue from the in-patient segment. Medsi grew operational volumes under the mandatory health insurance programme (MHI), which accounted for 13.0% of revenue in the period compared to 5.6% a year previously. Medsi also increased the share of revenue from individuals by 2.5 percentage points (from 32.3% in the first quarter of 2017). Medlife and Medem clinics, which Medsi acquired in 2017 and which together account for 6.8% of total revenue, contributed 9 percentage points to revenue growth.

The decrease in OIBDA and OIBDA margin was due to an increase of 3.6 p.p. (to 9.9%) in the expenses on materials as a result of expanded operational volumes at in-patient facilities. This was partially offset by a reduction in the share of operating costs. The OIBDA margin in 1Q 2017 also benefited from a positive one-time effect from disposals of assets; excluding this, the OIBDA margin for 1Q 2017 would have stood at 8.9%.

Medsi's net loss for the first quarter of 2018 was due to increased amortisation costs as a result of new clinic openings at Leninsky Avenue, 3rd Khoroshevsky Passage and Leninskaya Village, as well as higher interest costs on loans and borrowings. The net income line for the year-ago period benefited from the one-time effect of asset disposal; excluding this, the net loss for 1Q 2017 would have been RUB 0.2 billion.

The introduction of the IFRS 15 standard had a non-material impact on revenue, while IFRS 16 had a positive effect on OIBDA of +33% and an effect on net profit of RUB -38 million.

Capacity utilisation decreased as a result of the opening of new clinics, as well as expanded capacity for out-patient visits and the closing of the clinic on Derbenevskaya Embankment.

During the first quarter of 2018 Medsi continued to invest in expanding and renewing its inventories of medical equipment, as well as in creating a new high-tech multi-disciplinary hospital on Michurinsky Avenue.

Significant events after the end of the reporting period

In April 2018, Medsi and MTS partnered to launch SmartMed, a telemedicine platform developed to host digital medical services.

MTS Bank⁹

<i>(RUB millions)</i>	1Q 2018	1Q 2017	Change
Revenues	5,229	4,319	21.1%
OIBDA	523	280	87.0%
Operating income	386	124	211.2%
Profit attributable to Sistema	289	69	321.5%

⁹ Excluding results of East-West United Bank (EWUB) and the result of the divestment of a 47% stake in EWUB; 1Q 2018 results for MTS-Bank are not presented excluding the impact of the new IFRS standards.

In the first quarter of 2018, revenue at MTS Bank grew by 21.1% year-on-year to RUB 5.2 billion, driven primarily by a 26.2% increase in fee and commission income as a result of growth of transaction products, the roll-out of digital services and higher sales of non-credit products such as insurance. Interest income also boosted revenue, increasing by 9.1% year-on-year thanks to a larger share of higher-margin credit card and general purpose consumer loans in the Bank's retail loan book.

MTS Bank's OIBDA grew by 87.0% year-on-year to RUB 523 million, and net income increased more than three-fold to RUB 289 million.

The Bank continues to develop projects in line with its strategy of building a digital bank in partnership with MTS. A pilot project has been launched to sell the Bank's products with remote servicing via digital channels, primarily targeting MTS's subscribers.

The Cost of Risk (COR) on the Bank's retail loans was a comfortable less than 3% during the reporting period.

In January 2018, MTS Bank won a five-year contract as the exclusive provider of payment services for the City of Moscow's online portal, mos.ru, which has a client base of more than two million active users.

Real Estate (Leader Invest, Business-Nedvizhimost)

<i>(RUB millions)</i>	1Q 2018	1Q 2017	Change	<i>Excluding impact of new IFRS standards</i>	
				1Q 2018	Change
Revenues	2,347	3,084	<i>(23.9%)</i>	1,490	<i>(51.7%)</i>
OIBDA	356	801	<i>(55.5%)</i>	43	<i>(94.6%)</i>
Operating income	240	694	<i>(65.4%)</i>	(70)	-
(Loss)/profit attributable to Sistema	(264)	334	-	(314)	-

Leader Invest's sales volumes in Moscow amounted to approximately 11,000 square metres in the first quarter of 2018, while cash collections from sales amounted to RUB 2.2 billion.

Leader Invest's revenue in the quarter was RUB 1.5 billion, driven primarily by sales at Moscow comfort-class projects on Yan Rainis Street, Zelenodolskaya Street, Nagatinskaya Street and Fabricius Street. The year-on-year decrease was a result of the high base effect, due to revenue recognised in the first quarter of 2017 from large projects delivered at the end of 2016. Unlike the previous year, the majority of space delivered in the fourth quarter of 2017 was transferred to customers in the same period (95% of apartments at the Daev and Serpukhovskoy Val projects were transferred in the fourth quarter of 2017).

As of 31 March 2018, Leader Invest's sales portfolio amounted to approximately 136,000 square metres of real estate.

In the reporting quarter, revenue for Sistema's rental assets (which include Business-Nedvizhimost and its subsidiary Mosdachrest) grew by 23.9% year-on-year to RUB 0.9 billion. OIBDA increased 3.9 times year-on-year to RUB 0.2 billion, and profit was RUB 0.04 billion, versus a net loss of RUB 0.16 billion in the first quarter of 2017. Revenue growth was primarily driven by sales of assets including a former telephone exchange on Alexey Dikiy Street in Moscow.

Significant events after the end of the reporting period

In April 2018, Standard & Poor's confirmed both Leader Invest's credit rating at B, and changed the outlook to Positive from Negative.

RTI

<i>(RUB millions)</i>	1Q 2018	1Q 2017	Change	<i>Excluding impact of new IFRS standards</i>	
				1Q 2018	Change
Revenues	6,628	8,044	<i>(17.6%)</i>	6,628	<i>(17.6%)</i>
OIBDA	145	220	<i>(34.1%)</i>	74	<i>(66.4%)</i>
Operating loss	(515)	(422)	-	(540)	-
Loss attributable to Sistema	(1,349)	(1,432)	-	(1,353)	-

RTI's revenue declined in the first quarter of 2018 due to work being shifted across a number of contracts in the Microelectronics segment as well as in the Manufacturing segment which was partially offset by revenue growth in the Radar segment.

In the reporting quarter, RTI booked an inventory provision of RUB 0.2 billion, which led to a 0.5 percentage point decrease in the OIBDA margin.

RTI Group's net debt decreased by 4.7%, chiefly as a result of reduced borrowing in connection with the Defence Ministry's gradual transition away from credit financing for defence procurements. RTI also has on its accounts additional funds earmarked for state defence orders amounting to RUB 12.1 billion that are not included in the net debt calculation.

In February 2018, Yaroslavl Radio Factory began preparations for the initial production of aerospace equipment for Thales Alenia Space France, one of the leading global manufacturers of multiple types of satellites, payloads and equipment for spacecraft.

Bashkirian Power Grid Company (BPGC)

<i>(RUB millions)</i>	1Q 2018	1Q 2017	Change	<i>Excluding impact of new IFRS standards</i>	
				1Q 2018	Change
Revenues	5,024	4,585	9.6%	5,058	10.3%
OIBDA	1,738	1,616	7.5%	1,811	7.0%
Operating income	1,115	1,036	7.7%	1,197	7.5%
Profit attributable to Sistema	887	794	11.7%	962	21.2%

BPGC's revenue increased by 9.6% to RUB 5.0 billion in the first quarter of 2018 due to indexation of tariffs for electricity transmission services that came into effect on 1 July 2017. In addition, as a result of legislative changes, the company began to receive income and to pay wholesale market load losses, whereas previously this was offset.

On a like-for-like basis, OIBDA increased due to a one-off effect of payments under a court settlement. Net of this effect, we saw a decline in OIBDA and OIBDA margin as operating costs increased at a faster pace than revenue. These costs included an increase in prices and higher volumes of losses in distribution networks, costs for services provided by PJSC Federal Grid Company of Unified Energy System, wage indexation in 2017, and higher tax rates and the abolition of preferential tax treatment for movable property.

Net profit was affected by factors including an increase in amortisation (due to implementation of the investment programme) and a decrease in income from placement of free cash. Nevertheless, growth of OIBDA led to an improvement in net profit of 11.7% to RUB 887 million.

Capital expenditure included rollover work from 2017 on the reconstruction of the Ufa distribution network as well costs related to technical connections of consumers. As part of the Smart Grid project, six distribution points were reconstructed during the reporting period, 1.8 kilometres of new cable was laid and 4,700 smart meters were installed.

Binnopharm¹⁰

<i>(RUB millions)</i>	1Q 2018	1Q 2017	Change
Revenues	407	319	27.8%
OIBDA	116	38	208.2%
Operating income	83	2	3,540.1%
Profit attributable to Sistema	0	(34)	-

In the first quarter of 2018 revenue at Binnopharm grew by 27.8% year-on-year to RUB 407 million on the back of higher sales of the company's existing product portfolio such as interferon products as well as newly registered product Moxifloxacin. Sales of products from third-party manufacturers, such as Dorithricin, also continued to rise. The share of revenue from sales of the company's own products was in line with the same period in 2017 at approximately 75%.

OIBDA increased more than three-fold year-on-year to RUB 116 million thanks to new product sales and higher sales of Binnopharm's own products, notably Moxifloxacin and interferon products.

As planned, Binnopharm made the final RUB 400 million payment in February 2018 toward the acquisition of Alpharm, which produces two over-the-counter (OTC) products, Kipferon and Prosopin. The payment did not require additional external borrowing.

Binnopharm's research and development unit developed and submitted for registration several new drugs, the first of which will be available for sale by the end of 2018.

Hospitality assets

¹⁰ 1Q 2018 results for Binnopharm are not presented excluding the impact of the new IFRS standards

Excluding impact of new IFRS standards

<i>(RUB millions)</i>	1Q 2018	1Q 2017	Change	1Q 2018	Change
Revenues	960	824	16.6%	960	16.6%
OIBDA	79	73	7.5%	68	(6.8%)
Operating loss	(112)	(82)	-	(118)	-
Loss attributable to Sistema	(341)	(166)	-	(351)	-

In the reporting quarter, revenue at Sistema's hospitality assets increased by 16.6% year-on-year, mainly due to the opening of the 243-room Holiday Inn Express Paveletskaya in November 2017, as well as a 10% revenue increase at Regional Hotel Chain (RHC) properties and a 12% increase in revenue at Hotel Cosmos.

Adoption of the new IFRS 16 standard, which requires the recognition of assets and liabilities for all leases, had a positive effect of RUB 10.4 million on OIBDA. The OIBDA margin declined by 0.7 percentage points to 8.2% due to the abolition of tax benefits on RHC's property in Voronezh.

The net loss at Sistema's hospitality assets increased to RUB 341 million following the opening of the Holiday Inn Express Paveletskaya, which has not yet reached full operational capacity.

Sistema's hospitality business continues to grow organically, with a focus on developing its own hotel brands. Working in partnership with Business Nedvizhimost, the company is developing apartment hotels under the CosmoStay brand, with the first openings planned for the end of 2018. Cosmos Group's first own-branded hotel is under construction on Moscow's Profsoyuznaya Street. The opening of the 134-room Alabuga hotel in Tatarstan is also planned for the second half of 2018.

In February 2018, Christian Meyer was promoted to the position of President of Cosmos Group. Mr. Meyer has more than 25 years of experience in hospitality industry and has worked at leading companies including Marriott Hotels International, InterContinental Hotels Group, Le Meridien Hotels & Resorts and The Rezidor Hotel Group in Germany, the UK and Russia.

Corporate

Excluding impact of new IFRS standards

<i>(RUB millions)</i>	1Q 2018	1Q 2017	Change	1Q 2018	Change
Adjusted OIBDA	(1,653)	(1,809)	-	(1,653)	-
Adjusted loss	(5,271)	(2,877)	-	(5,271)	-
Indebtedness	212,401	94,296	125.2%		

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

Sistema's Board of Directors recommended a final dividend for FY 2017 of RUB 1,061.5 million (RUB 0.11 per ordinary share, RUB 2.2 per GDR).

Total debt at the Corporate Centre level amounted to RUB 212.4 billion as of 31 March 2018.

KEY GROUP HIGHLIGHTS IN 1Q 2018 AND AFTER THE REPORTING PERIOD

In May 2018, the Board of Directors voted to recommend to the AGM a dividend payment for FY 2017 of RUB 1,061.5 million (RUB 0.11 per ordinary share, RUB 2.2 per GDR). Taking into account the strategic priority to reduce the Corporation's debt, the Board supported management's proposal to deviate from the Corporation's dividend policy. The total sum of dividends paid for FY 2017 and 9M 2017, subject to approval at the AGM, may amount to RUB 7,623 million. The Board recommended to set 19 July 2018 as the dividend record date.

In May 2018, our venture fund Sistema Venture Capital invested in TraceAir, a start-up developing a platform for monitoring construction sites using unmanned aerial vehicles, in Connecterra, a start-up which deploys AI solutions for dairy farming, and in SQream, a company that enables enterprises to maximize and leverage their big data analytics by using GPU. In February 2018, our venture fund Sistema Asia Fund invested in HealthifyMe, an Indian mobile health and fitness application.

In April 2018, Vladimir Travkov was appointed as Sistema Vice President and CFO. Mr. Travkov has held management positions in MTS Group since 2003, including as director of the Functional Control Department since 2016.

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

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

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

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

In March 2018, Sistema subsidiary Sistema Finance sold 3,053,716 ordinary shares of MTS to a subsidiary of MTS, Stream Digital, as part of the MTS share buyback programme, in a transaction totalling approximately RUB 0.93 billion. In February 2018, Sistema Finance sold 4,712,756 ordinary shares of MTS to Stream Digital in a transaction totalling approximately RUB 1.36 billion. In January 2018, Sistema Finance sold 9,573,376 ordinary shares of MTS Stream Digital in a transaction totalling approximately RUB 2,526.5 million.

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

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

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

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

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

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

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

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

NEW REPORTING STANDARDS

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.

SISTEMA PJSFC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(Amounts in millions of Russian roubles, except for per share amounts)

	Three months ended March 31,	
	2018	2017
Revenue	170,926	160,899
Cost of sales	(77,974)	(77,007)
Selling, general and administrative expenses	(31,438)	(36,526)
Depreciation and amortisation ¹¹	(31,910)	(23,857)
Impairment of long-lived assets	(366)	(165)
Impairment of financial assets	(1,376)	(983)
Taxes other than income tax	(1,615)	(1,473)
Share of the profit or loss of associates and joint ventures	822	726
Other income	1,171	670
Other expenses	(1,786)	(667)
OPERATING INCOME	26,454	21,617
Finance income	1,653	1,468
Finance costs ¹²	(15,799)	(13,519)
Currency exchange gain/(loss)	(640)	4,040
PROFIT BEFORE TAX	11,668	13,606
Income tax expense	(5,150)	(4,706)
PROFIT FROM CONTINUING OPERATIONS	6,518	8,900
Results of discontinued operations	-	(1,853)
PROFIT FOR THE PERIOD	6,518	7,047
Profit/(loss) attributable to:		
Shareholders of Sistema PJSFC	(1,243)	1,455
Non-controlling interests	7,761	5,592
	6,518	7,047
Earnings per share (basic and diluted), Russian Rubles:		
From continuing and discontinued operations	(0.13)	0.15

¹¹ Including 7,145 of Lease rights amortisation for 1q 2018

¹² Including 3,995 of Lease interest expense for 1q 2018

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

	March 31,	December 31,
	2018	2017
ASSETS		
NON-CURRENT ASSETS:		
Property, plant and equipment	399,812	411,467
Investment property	24,908	24,664
Goodwill	57,834	54,081
Right-of-use assets	193,005	-
Other intangible assets	106,731	97,666
Investments in associates and joint ventures	22,631	20,783
Deferred tax assets	38,486	35,809
Loans receivable and other financial assets	92,140	104,395
Other assets	18,608	18,169
	<u>954,155</u>	<u>767,034</u>
CURRENT ASSETS:		
Inventories	76,975	81,401
Contract asset	7,176	-
Accounts receivable	57,860	54,836
Advances paid and prepaid expenses	16,871	15,324
Current income tax assets	4,289	3,274
Other taxes receivable	17,742	17,190
Loans receivable and other financial assets	101,461	99,798
Deposits in banks	1,599	28,068
Restricted cash	12,066	8,591
Cash and cash equivalents	93,077	59,959
Other assets	2,568	2,174
	<u>391,684</u>	<u>370,615</u>
TOTAL ASSETS	<u>1,345,839</u>	<u>1,137,649</u>

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

	March 31, 2018	December 31, 2017
LIABILITIES AND EQUITY		
SHAREHOLDERS' EQUITY:		
Share capital	869	869
Treasury shares	(4,759)	(5,816)
Additional paid-in capital	68,666	67,856
Retained earnings	(17,837)	(17,375)
Accumulated other comprehensive loss	712	2,332
Equity attributable to shareholders of Sistema	47,651	47,866
Non-controlling interests	79,514	74,957
TOTAL EQUITY	127,165	122,823
NON-CURRENT LIABILITIES:		
Borrowings	458,360	381,561
Lease liabilities	177,137	12,090
Bank deposits and liabilities	10,911	33,419
Deferred tax liabilities	39,622	38,160
Provisions	3,441	3,399
Liability to Rosimushchestvo	13,348	13,427
Other financial liabilities	3,740	6,514
Other liabilities	7,261	7,537
Total non-current liabilities	713,820	496,107
CURRENT LIABILITIES:		
Borrowings	159,348	139,403
Lease liabilities	23,321	2,765
Accounts payable	104,827	194,402
Bank deposits and liabilities	109,217	83,873
Contract liabilities and other non-financial liabilities	55,015	48,789
Income tax payable	3,046	1,833
Other taxes payable	16,012	14,378
Dividends payable	4,488	4,578
Provisions	16,464	13,038
Liability to Rosimushchestvo	6,895	9,601
Other financial liabilities	6,221	6,059
Total current liabilities	504,854	518,719
TOTAL LIABILITIES	1,218,674	1,014,826
TOTAL LIABILITIES AND EQUITY	1,345,839	1,137,649

SISTEMA PJSFC AND SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2018 AND 2017
(Amounts in millions of Russian roubles)

CASH FLOWS FROM OPERATING ACTIVITIES:	Three months ended March 31,	
	2018	2017
Profit for the period	6,518	7,047
Adjustments to reconcile net income to net cash provided by operations (including discontinued operations):		
Depreciation and amortization	31,910	24,129
Share of the profit or loss of associates and joint ventures, net	(822)	(726)
Finance income	(1,653)	(1,562)
Finance costs	15,799	14,351
Income tax expense	5,150	4,684
Currency exchange loss/(gain)	640	(4,503)
Loss from discontinued operations	-	125
(Profit)/loss on disposal of property, plant and equipment	(313)	(372)
Amortization of connection fees	(273)	(289)
Impairment loss on loans receivable	732	135
Dividends received from associates and joint ventures	906	646
Non-cash compensation to employees	-	374
Impairment of long-lived assets	366	165
Impairment of financial assets	1,376	983
Other non-cash items	1,722	1,219
	62,059	46,406
Movements in working capital:		
Bank loans to customers and interbank loans due from banks	1,165	6,405
Bank deposits and liabilities	2,837	(5,535)
Restricted cash	(3,476)	795
Financial assets/liabilities at fair value through profit or loss	(250)	(679)
Accounts receivable and contract assets	(3,421)	1,327
Advances paid and prepaid expenses	(1,519)	832
Other taxes receivable	484	1,855
Inventories	(4,153)	1,613
Accounts payable	(13,391)	(13,282)
Subscriber prepayments	(249)	(1,771)
Other taxes payable	1,197	(408)
Advances received and other liabilities	4,508	760
Payment in accordance with the Settlement agreement	(80,000)	-
Interest paid ¹³	(14,404)	(12,555)
Income tax paid	(5,991)	(6,691)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(54,604)	19,072

¹³ Including RUB 3,926 mln of Lease interest paid for 1q 2018

SISTEMA PJSFC AND SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2018 AND 2017 (CONTINUED)
(Amounts in millions of Russian roubles)

	Three months ended March 31,	
	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchases of property, plant and equipment and investment property	(17,119)	(12,126)
Proceeds from sale of property, plant and equipment	637	690
Payments to obtain and fulfill contracts	(1,164)	-
Payments for purchases of intangible assets	(5,545)	(3,946)
Payments for businesses, net of cash acquired	(3,286)	(486)
Payments for investments in associates and joint ventures	(2,991)	(938)
Proceeds from disposal of investments in affiliated companies	119	-
Payments for purchases of financial assets, long-term	(5,535)	(1,893)
Proceeds from sale of financial assets, long-term	272	1,447
Payments for financial assets, short-term	(1,049)	(14,529)
Proceeds from sale of financial assets, short-term	25,941	1,499
Interest received	5,408	1,633
NET CASH USED IN INVESTING ACTIVITIES	(4,312)	(28,649)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	154,436	49,454
Principal payments on borrowings	(51,195)	(41,443)
Lease liabilities payments	(5,373)	-
Acquisition of non-controlling interests in existing subsidiaries	(5,572)	(4,597)
Payments to purchase treasury stock	-	(10)
Proceeds from capital transactions with non-controlling interests	-	13,301
Dividends paid	(90)	-
Cash outflow under credit guarantee agreement related to foreign-currency hedge	(981)	(901)
NET CASH PROVIDED BY FINANCING ACTIVITIES	91,225	15,804
Effect of foreign currency translation on cash and cash equivalents	809	(3,147)
Net decrease in cash and cash equivalents	33,118	3,080
Cash and cash equivalents at the beginning of the period	59,959	60,190
Cash and cash equivalents at the end of the period	93,077	63,270

SISTEMA PJSFC AND SUBSIDIARIES
UNAUDITED SEGMENTAL BREAKDOWN FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(Amounts in millions of Russian roubles)

	<u>External revenues</u>		<u>Inter-segment revenue</u>		<u>Segment operating income</u>	
	<u>3m2018</u>	<u>3m2017</u>	<u>3m2018</u>	<u>3m2017</u>	<u>3m2018</u>	<u>3m2017</u>
MTS	106,989	104,189	937	494	26,417	21,404
Detsky mir	24,019	21,061	1	-	1,079	400
RTI	6,544	8,035	85	9	(515)	(422)
MTS Bank	4,747	3,849	482	470	386	124
Corporate	473	370	202	218	(1,786)	(1,961)
Total reportable segments	142,771	137,503	1,706	1,191	25,582	19,545
Other	28,154	23,396	322	339	942	1,849
	170,926	160,899	2,029	1,530	26,524	21,394
Inter-segment eliminations					(70)	223
Operating income					26,454	21,617
Finance income					1,653	1,468
Finance costs					(15,799)	(13,519)
Foreign currency exchange loss					(640)	4,040
Profit before tax					11,668	13,606

	<u>Capital expenditure</u>		<u>Depreciation and amortisation</u>	
	<u>3m2018</u>	<u>3m2017</u>	<u>3m2018</u>	<u>3m2017</u>
MTS	18,036	11,106	25,322	20,130
Detsky mir	318	253	2,262	426
RTI	315	692	660	643
MTS Bank	460	99	137	156
Corporate	145	315	133	152
Other	3,390	3,607	3,396	2,350
	22,663	16,072	31,910	23,857

Attachment A

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

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

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

<i>RUB millions</i>	<i>1Q 2018</i>	<i>1Q 2017</i>	<i>Excluding impact of new IFRS standards</i> <i>1Q 2018</i>
Operating income	26,454	21,617	24,045
Accruals related to LTI program at Detsky Mir	147	282	147
Other non-recurring losses	967	-	967
Adjusted operating income	27,567	21,899	25,159
Depreciation and amortisation	31,910	23,857	24,034
Adjusted OIBDA	59,478	45,756	49,193

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

<i>RUB millions</i>	<i>1Q 2018</i>	<i>1Q 2017</i>	<i>Excluding impact of new IFRS standards</i> <i>1Q 2018</i>
Loss attributable to Sistema	(1,243)	1,455	(417)
Accruals related to LTI program at Detsky Mir	61	143	61
Other non-recurring expenses	967	-	967
Adjusted (loss)/profit attributable to Sistema	(215)	1,598	612

Consolidated total debt. We define consolidated total debt as total borrowings plus finance lease. The total borrowings is defined as long-term borrowings and short-term borrowings. We believe that the presentation of consolidated total debt as of March 31, 2018 provides useful information to investors because we use this measure in our management of consolidated liquidity, financial flexibility, capital structure and leverage.

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

<i>RUB millions</i>	<i>As of March 31, 2018</i>	<i>As of December 31, 2017</i>
Long-term borrowings	458,360	381,561
Short-term borrowings	159,348	139,403
Total borrowings	617,708	520,964
Consolidated finance lease	14,411	14,855
Consolidated total debt	632,120	535,819