

Sistema PJSFC

Financial Statements for 2018
and Independent Auditor's Report
(Translated from original in Russian –
Unofficial translation)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of Sistema Public Joint Stock Financial Corporation

Opinion

We have audited the accompanying financial statements of Sistema Public Joint Stock Financial Corporation (hereinafter, the "Company"), which comprise:

- Balance sheet as of 31 December 2018;
- Statement of financial results for 2018;
- Appendices to the balance sheet and statement of financial results:
 - Statement of changes in equity for 2018;
 - Statement of cash flows for 2018;
 - Notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for 2018 in accordance with Russian accounting and financial reporting standards ("RASs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the matter was determined to be a key audit matter
Valuation of investments in non-traded securities

This matter was determined as a key audit matter because the amount of investments in non-traded securities as at 31 December 2018 is significant, and management is required to make complex and subjective judgements when assessing the need for recognizing impairment and calculating its amount.

See Notes 2.5 and 3 to the financial statements.

How the matter was addressed in the audit

We obtained an understanding of the procedures and controls of the Company related to assessing the impairment indicators and making provisions for impairment of the investments in non-traded securities, as well as the valuation methodology used by the Company.

We reviewed the Company's analysis of the indicators of a steady decrease in the value of investments and its calculation of provision for impairment. On a sample basis, we reviewed the Company's approach to determine estimated value of investments. Depending on circumstances, our procedures included assessment of the management's approach to determine the estimated value of investments and testing underlying data, or independent calculation of an estimate or a range on the basis of all available information for selected investments and its comparison with the estimated value determined by the Company.

We also validated the presentation of such investments in the notes to the financial statements prepared by the Company.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report and the quarterly report, but does not include the financial statements and our auditor's report thereon. The annual report and the quarterly report are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report and the quarterly report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of financial statements in accordance with RASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to those charged with corporate governance, we determine those matters that were of most significance in the audit of the financial statements of the current period, which constitute the key audit matters included herein.

The Russian original signed by

Vladimir Kozyrev
Engagement leader

1 April 2019

The following financial statements were prepared for use in the Russian Federation in accordance with accounting principles and financial reporting practices generally accepted in the Russian Federation and are not intended to present the financial position and results of operations of the audited entity in accordance with accounting principles and practices generally accepted in any other jurisdiction.

Company: Sistema PJSC

Certificate of State Registration No. 025.866.
Issued by the Moscow Registration Chamber on 16 July 1993.

Primary state registration number: 1027700003891

Certificate of registration in the Unified State Register No 77 011222220, issued on 11 November 2002 by the Moscow Inter-District Inspectorate of the Russian Federal Tax Service No. 46

Location: Moscow, 125009, 13/1 Mokhovaya St.,

Independent Auditor: AO Deloitte & Touche CIS

Certificate of state registration № 018.482, issued by the Moscow Registration Chamber on 30.10.1992.

Primary state registration number: 1027700425444

Certificate of registration in the Unified State Register № 77 004840299 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Member of Self-regulated organization of auditors "Russian Union of auditors" (Association), ORNZ 11603080484.

**Balance sheet
as of 31 December 2018**

UNOFFICIAL TRANSLATION

Organisation **SISTEMA PUBLIC JOINT STOCK FINANCIAL CORPORATION**

Taxpayer identification number

Type of economic activity

Investments in securities

Business entity type / form of ownership

Public joint-stock company / Private ownership

Measure unit: thousand roubles

Location (address)

13/1 Mokhovaya St., Moscow, 125009 Russia

OKUD form	Codes		
	0710001		
Date (day, month, year)	31	12	2018
OKPO	27987276		
INN	7703104630		
OKVED	64.99.1		
OKOPF / OKFS	12247		16
	384		
OKEI			

Notes	Parameter	Code	As of 31 December 2018	As of 31 December 2017	As of 31 December 2016
	ASSETS				
	I. NON-CURRENT ASSETS				
	Intangible assets	1110	23,676	13,156	21,726
	Fixed assets	1150	1,489,437	1,534,127	1,610,438
	including:				
	Buildings	11501	1,198,546	1,244,762	1,268,488
	Other fixed assets	11502	290,297	288,917	339,932
	Fixed assets construction	11503	594	448	2,018
3	Investments	1170	338,423,233	380,185,647	345,946,535
	including:				
3.1	Units in mutual funds	11701	945,726	948,553	1,989,111
3.2	Shares and equity interests	11702	336,803,546	379,237,094	339,597,133
3.3	Debt securities	11703	-	-	3,360,291
3.4	Loans granted	11704	-	-	1,000,000
	Derivative financial instruments	11705	673,961	-	-
	Deferred tax assets	1180	10,318,669	17,574,698	6,733,029
	including:				
	Provisions	11801	861,037	878,067	1,680,851
	Prepaid expenses	11802	9,412,928	16,624,093	4,985,816
	Total for section I	1100	350,255,015	399,307,628	354,311,728
	2. CURRENT ASSETS				
	Inventories	1210	37,589	43,068	142,460
	including:				
	Materials	12101	37,589	43,068	31,329
	Prepaid expenses	12102	-	-	111,131
	Input VAT	1220	4,983	6,507	4,701
	Accounts receivable	1230	4,633,148	3,869,882	7,911,688
	including:				
	Settlements with suppliers and contractors	12301	82,360	117,079	110,700
	Settlements with buyers and customers	12302	212	356,263	377,108
	Settlements in respect of taxes and levies	12303	4,321	52,388	127,469
	Settlements in respect of social insurance and social	12304	12,957	14,639	9,852
	Settlements with accountable persons	12305	1,240	7,696	7,982
	Settlements with various debtors and creditors	12306	4,531,132	2,176,690	7,277,651
	Non-interest bearing notes	12307	926	926	926
	Settlements in respect of dividends and other income due	12308	-	1,143,488	-
3	Investments (excluding cash equivalents)	1240	43,442,446	41,665,608	32,774,968
	including:				
3.3	Debt securities	12401	1,067,593	-	-
3.4	Loans granted	12402	39,852,568	41,665,608	24,572,149
3.6	Rights acquired as a result of rendering financial services	12403	-	-	3,712,238
3.5	Bank deposits	12404	308,000	-	4,490,581
	Derivative financial instruments	12405	2,214,285	-	-
	Cash and cash equivalents	1250	4,518,707	3,748,229	1,885,610
	including:				
	Cash on hand	12501	303	376	247
	Operating accounts	12502	2,705,906	903,423	1,784,869
	Foreign currency accounts	12503	1,562,907	2,832,890	93,334
	Other special accounts	12504	220,623	11,540	7,161
	Bank deposits and cash equivalents	12505	28,969	-	-
	Other current assets	1260	126,111	182,841	14,310
	including:				
	Prepaid expenses	12601	125,077	181,794	-
	Total for section II	1200	52,762,984	49,516,135	42,733,737
	BALANCE	1600	403,017,999	448,823,763	397,045,465

Notes	Parameter	Code	As of 31 December 2018	As of 31 December 2017	As of 31 December 2016
	EQUITY AND LIABILITIES				
	3. EQUITY AND RESERVES				
	Authorised capital	1310	868,500	868,500	868,500
	Revaluation of non-current assets	1340	342,285	306,366	252,724
	including:				
	Revaluation of fixed assets	13401	342,285	306,366	252,724
	Additional capital (without revaluation)	1350	37,708,280	37,708,280	37,708,280
	Reserve funds	1360	43,425	43,425	43,425
	including:				
	Statutory reserves	13601	43,425	43,425	43,425
	Retained earnings	1370	114,248,636	161,805,075	207,692,978
	Total for section III	1300	153,211,126	200,731,646	246,565,907
	4. LONG-TERM LIABILITIES				
5	Borrowings	1410	156,745,171	109,645,130	98,631,985
	including:				
	Credits	14101	122,628,531	47,640,030	35,098,535
	Loans	14102	-	28,805,100	30,333,450
	Debt securities	14103	34,116,640	33,200,000	33,200,000
	Deferred tax liabilities	1420	24,219	28,127	31,460
6	Provisions	1430	8,096,798	13,426,607	21,208,685
	Other liabilities	1450	-	4,659,615	4,114,845
	including:				
	Derivative financial instruments	14501	-	1,059,615	514,845
	Settlements with various debtors and creditors	14502	-	3,600,000	3,600,000
	Total for section IV	1400	164,866,188	127,759,479	123,986,975
	V. SHORT-TERM LIABILITIES				
5	Borrowings	1510	64,417,916	21,683,507	4,092,299
	including:				
	Credits	15101	1,042,059	5,000,000	2,000,000
	Loans	15102	34,735,300	-	722,000
	Interest on credits	15103	201,502	94,931	82,213
	Interest on loans	15104	294,903	245,243	259,718
	issued	15105	26,700,000	15,618,457	618,457
	Interest on debt securities (promissory notes, bonds, etc.) issued	15106	1,444,152	724,876	409,911
	Accounts payable	1520	7,932,088	84,656,237	181,191
	including:				
	Settlements with suppliers and contractors	15201	56,747	118,686	54,791
	Settlements with buyers and customers	15202	32	32	32
	Settlements in respect of taxes and levies	15203	27,176	38,971	17,010
	Settlements in respect of social insurance and social security	15204	30,096	41,003	29,325
	labour	15205	-	-	1,744
	Settlements with accountable persons	15206	650	1,119	1,128
	Dividends payable	15207	4,213,722	4,441,287	899
	Settlements with various debtors and creditors	15208	3,603,664	80,015,139	76,262
6	Provisions	1540	12,590,681	13,926,928	22,147,718
	Other liabilities	1550	-	65,966	71,375
	Total for section V	1500	84,940,685	120,332,638	26,492,583
	BALANCE	1700	403,017,999	448,823,763	397,045,465

Vice President,
Finance and
Investments
(CFO)

(signature)

Vladimir Travkov

(printed name)

Chief
Accountant

(signature)

Irina Borisenkova

(printed name)

1 April 2019

**Statement of Financial Results
for January - December 2018**

Organisation **SISTEMA PUBLIC JOINT STOCK FINANCIAL CORPORATION**

Taxpayer identification number

Type of economic activity **Investments in securities**

Business entity type / form of ownership

Public joint-stock company / Private ownership

Measure unit: thousand roubles

OKUD form	Codes		
	0710002		
Date (day, month, year)	31	12	2018
OKPO	27987276		
INN	7703104630		
OKVED	64.99.1		
OKOPF / OKFS	12247	16	
OKEI	384		

Notes	Parameter	Code	For January - December 2018	For January - December 2018
	Revenue	2110	31,192,955	19,096,033
	including:			
	Equity holdings in other companies	21101	31,178,987	19,078,345
	Cost of sales	2120	-	-
	Gross profit	2100	31,192,955	19,096,033
7	Administrative expenses	2220	(6,990,040)	(7,063,287)
	including:			
	Payroll and social security contributions	22201	(5,897,954)	(5,894,471)
	Profit/(loss) from sales	2200	24,202,915	12,032,746
	Interest income	2320	4,811,069	3,804,765
5	Interest expense	2330	(17,919,274)	(10,221,884)
	Other income	2340	14,170,159	87,004,418
	including:			
	Income from sale of fixed assets	23401	2,074	3,609
	Income from sale of property rights except rights of claim	23402	-	271,595
	Income from sale of securities	23403	10,200,566	16,574,896
	Income from restored allowances	23404	37,193	4,528,375
	Foreign exchange gains	23405	-	1,648,361
	Sale (purchase) of foreign currency	23508	257,022	-
4	Revaluation of financial investments	23406	-	44,509,006
	Income received as difference in contribution to the authorised capital	23407	-	19,271,579
	Income from derivative securities	23408	3,426,015	-
	Other expenses	2350	(62,257,619)	(132,928,216)
	including:			
	Expenses related to sale of fixed assets	23501	(252)	(2,328)
	Expenses related to sale of property rights except rights of claim	23502	-	(432,854)
	Expenses related to sale of securities	23503	(8,005,948)	(6,424,710)
	Expenses related to created provisions	23504	(6,350,544)	(41,168,467)
	Expenses related to borrowings	23505	(1,370,045)	(181,302)
	Foreign exchange gains	23506	(6,556,532)	-
4	Revaluation of financial investments	23507	(34,039,494)	-
	Sale (purchase) of foreign currency	23508	-	(1,609,723)
	Recovery of losses by court order	23509	-	(80,000,000)
	Expenses related to derivative securities	23510	-	(1,087,534)
6	Expenses related to recognised provisions	23511	(4,347,375)	-
	(Loss)/Profit before tax	2300	(36,992,750)	(40,308,171)
8	Current income tax	2410	(16,865)	(32,187)
	including permanent tax (liabilities) assets	2421	(4,898,666)	4,935,511
8	Change in deferred tax liabilities	2430	3,908	3,333
8	Change in deferred tax assets	2450	8,779,029	16,841,669
	Miscellaneous	2460	(18,268,724)	(8,014,047)
	including:			
	Taxes payable in respect of dividends and other income due	24601	(2,233,665)	(2,014,047)
	Write-off of deferred assets and liabilities	24602	(16,035,059)	(6,000,000)
	Net profit/(loss)	2400	(46,495,402)	(31,509,403)

Notes	Parameter	Code	For January - December 2018	For January - December 2017
	FOR REFERENCE			
	Gain/(loss) from revaluation of non-current assets not included in the net income/(loss) for the period	2510	35,919	53,642
	Gain/(loss) from other operations not included in the net income/(loss) for the period	2520	463	-
	Gross financial result for the period	2500	(46,459,019)	(31,455,761)
12	Basic earnings/(loss) per share (in roubles)	2900	(4.8)	(3.3)
12	Diluted earnings/(loss) per share (in roubles)	2910	(4.8)	(3.3)

Vice President,
Finance and
Investments
(CFO)

(signature)

Vladimir Travkov

(printed name)

Chief
Accountant

(signature)

Irina Borisenkova

(printed name)

1 April 2019

Statement of Changes in Equity
for January - December 2018

Organisation **SISTEMA PUBLIC JOINT STOCK FINANCIAL CORPORATION**

Taxpayer identification number _____

Type of economic activity **Investments in securities**

Business entity type / form of ownership
Public joint-stock company / **Private ownership**

Measure unit: thousand roubles

	Codes		
OKUD form	0710003		
Date (day, month, year)	31	12	2018
OKPO	27987276		
INN	7703104630		
OKVED	64.99.1		
OKOPF / OKFS	12247	16	
OKEI	384		

1. Equity flows

Parameter	Code	Authorised capital	Additional paid-in capital	Reserve capital	Retained earnings	Total
Equity as of 31 December 2016	3100	868,500	37,961,004	43,425	207,692,978	246,565,907
For 2017						
Equity increase, total:	3210	-	53,642	-	-	53,642
including:						
revaluation of assets	3212	X	53,642	X	-	53,642
Equity decrease, total:	3220	-	-	-	(45,887,903)	(45,887,903)
including:						
loss	3221	X	X	X	(31,509,403)	(31,509,403)
dividends	3227	X	X	X	(14,378,500)	(14,378,500)
Equity as of 31 December 2017	3200	868,500	38,014,646	43,425	161,805,075	200,731,646
For 2018						
Equity increase, total:	3310	-	35,919	-	463	36,382
including:						
revaluation of assets	3312	X	35,919	X	-	35,919
incomes directly related to equity increase	3313	X	-	X	463	463
Equity decrease, total:	3320	-	-	-	(47,556,902)	(47,556,902)
including:						
loss	3321	X	X	X	(46,495,402)	(46,495,402)
dividends	3327	X	X	X	(1,061,500)	(1,061,500)
Equity as of 31 December 2018	3300	868,500	38,050,565	43,425	114,248,636	153,211,126

2. Net assets

Parameter	Code	As of 31 December 2018	As of 31 December 2017	As of 31 December 2016
Net assets	3600	153,211,126	200,731,646	246,565,907

Vice President,
Finance and
Investments
(CFO)

(signature)

Vladimir Travkov

(printed name)

Chief Accountant

(signature)

Irina Borisenkova

(printed name)

1 April 2019

Statement of Cash Flows
for January - December 2018

UNOFFICIAL TRANSLATION

Organisation **SISTEMA PUBLIC JOINT STOCK FINANCIAL CORPORATION**

Taxpayer identification number

Type of economic activity **Investments in securities**

Business entity type / form of ownership

Public joint-stock company / **Private ownership**

Measure unit: thousand roubles

OKUD form

Date (day, month, year)

OKPO

INN

OKVED

OKOPF / OKFS

OKEI

Codes

0710004

31 12 2018

27987276

7703104630

64.99.1

12247 16

384

Parameter	Code	For January - December 2018	For January - December 2017
Cash flow from operating activities			
Total cash inflows:	4110	31,364,357	16,448,492
including:			
proceeds from sale of products, goods, works and services	4111	16,522	22,520
dividends	4114	30,232,153	15,920,810
other receipts	4119	1,115,682	505,162
Total cash outflows:	4120	(106,751,827)	(24,096,187)
including:			
payments to suppliers (contractors) for raw and consumable materials, works and services	4121	(1,612,637)	(1,732,242)
remuneration to employees	4122	(5,863,478)	(9,960,223)
payments of interest on borrowing	4123	(17,145,345)	(9,906,152)
income tax	4124	(2,209)	(1,487)
recovery of losses by court order	4125	(80,000,000)	-
other payments	4129	(2,128,159)	(2,496,083)
Net cash flow from operating activities	4100	(75,387,470)	(7,647,695)
Cash flow from investing activities			
Total cash inflows:	4210	36,671,482	65,202,717
including:			
proceeds from sale of non-current assets (except for investments)	4211	2,405	4,327
proceeds from sale of shares and equity interests in other companies	4212	8,822,190	20,558,610
proceeds from repayment of loans and sale of debt securities (rights to claim cash payments from other parties)	4213	26,647,992	37,827,722
dividends, interest on investments in debt securities and loans, and similar proceeds from shareholding in other companies	4214	1,197,869	2,510,919
proceeds from bank deposits	4215	-	4,300,246
other receipts	4219	1,027	894
Total cash outflows:	4220	(40,638,302)	(75,343,098)
including:			
payments related to acquisition, creation, modernisation, reconstruction and preparation for use of non-current assets	4221	(90,557)	(38,974)
payments related to acquisition of shares and equity interests in other companies	4222	(12,362,024)	(17,427,924)
payments related to acquisition of debt securities (rights to claim cash payments from other parties), provision of loans to other parties	4223	(27,835,765)	(57,585,030)
cash flows to bank deposits	4225	(308,000)	-
other payments	4229	(41,956)	(291,171)
Net cash flow from investing activities	4200	(3,966,820)	(10,140,381)

Parameter	Code	For January - December 2018	For January - December 2017
Cash flow from financial activities			
Total cash inflows:	4310	148,938,742	46,998,342
including:			
receipt of credits and loans	4311	122,000,000	32,000,000
proceeds from issue of bonds, promissory notes, other debt securities, etc.	4314	26,933,591	14,998,175
other receipts	4319	5,151	167
Total cash outflows:	4320	(69,393,724)	(27,206,395)
including:			
dividends and other income distribution payments to owners (shareholders)	4322	(1,285,639)	(9,934,823)
payments (redemption) of promissory notes and other debt securities; repayment of credits and loans	4323	(67,693,667)	(16,722,000)
other payments	4329	(414,418)	(549,572)
Net cash flow from financial activities	4300	79,545,019	19,791,947
Net cash flow for the reporting period	4400	190,729	2,003,870
Opening balance of cash and equivalents	4450	3,748,229	1,885,610
Closing balance of cash and equivalents	4500	4,518,707	3,748,229
Effect of changes in foreign exchange rates against the rouble	4490	579,749	(141,252)

Vice President,
Finance and
Investments
(CFO)

(signature)

Vladimir Travkov

(printed name)

Chief Accountant

(signature)

Irina Borisenkova

(printed name)

1 April 2019

NOTES TO THE FINANCIAL STATEMENTS OF SISTEMA PJSFC FOR 2018

1. GENERAL INFORMATION

Sistema Public Joint Stock Financial Corporation, hereinafter referred to as "the Company", was registered by the Moscow Registration Chamber on 16 July 1993 (State Registration Certificate No. 025.866).

The Company was included in the Unified State Register of Legal Entities with the primary state registration number (OGRN) 1027700003891.

Full name of the Company in the Russian language: Публичное акционерное общество «Акционерная финансовая корпорация «Система».

Short name of the Company in the Russian language: ПАО АФК «Система».

Full name of the Company in the English language: Sistema Public Joint Stock Financial Corporation.

Short name of the Company in the English language: Sistema PJSFC.

Legal and actual address: 13/1 Mokhovaya street, 125009 Moscow, Russian Federation.

The controlling shareholder of the Company is Vladimir Evtushenkov. Some of the senior executives and members of the Board of Directors of the Company are minority shareholders. Shares of the Company are traded on the London Stock Exchange in the form of depositary receipts and on the Moscow Exchange.

The main type of the Company's business activities is equity holdings in other companies.

The Company operates in accordance with the Civil Code of the Russian Federation, Federal Law "On Joint-Stock Companies" and other laws and regulations of the Russian Federation and the Company's Charter.

The average number of the Company's employees in 2018 and 2017 was 277 and 321 people, respectively.

JSC Reyestr is the company in charge of keeping records on the rights to securities.

2. ORGANISATION OF FINANCIAL ACCOUNTING

The Company's financial statements are prepared in accordance with the existing Russian financial accounting and reporting rules.

The Company's accounting process was organised in compliance with the requirements of the Russian accounting regulations, the rules and regulations issued by the Ministry of Finance of the Russian Federation and by the regulatory authorities entitled to issue accounting regulations in accordance with federal laws.

In 2018, the accounting process was conducted in accordance with the procedures set forth in the Accounting Policy of the Company approved by the President's Order No.Y-116/17 dated 29 December 2017.

2.1. Applicability of the going concern assumption

The financial statements of the Company are prepared by the Company's management on the basis of the assumption that the Company continues its operations in the foreseeable future. The Company's net loss in 2018 amounted to RUB 46,495 million, short-term liabilities as of 31 December 2018 exceeded current assets by RUB 32,178 million, mainly due to the fact that a loan received from Sistema International Funding and put options embedded in the Company's registration-exempt bonds (Note 5) mature in 2019. The forecast of cash flows for at least twelve months after the end of the reporting period as prepared by the Company's management confirms that the Company is able to settle its current liabilities in compliance with the terms of relevant agreements.

2.2. Chart of accounts

The Company has developed and is using a chart of accounts based on a standard chart of accounts for companies approved by the Ministry of Finance of the Russian Federation on 31 October 2000 with order No. 94n, and is using sub-accounts making it possible to ensure that its financial statements are consistent with the accounting and tax regulations and standards of the Russian Federation.

2.3. Stocktaking

Stocktaking is conducted in accordance with the "Methodological guidelines on the stocktaking of assets and financial liabilities" approved by the Ministry of Finance of the Russian Federation on 13 June 1995 with Order No. 49.

The stocktaking of assets and liabilities was conducted as of 31 December 2018 with the exception of the stocktaking of intangible assets, fixed assets, valuables and inventories, investments in fixed assets, settlements with buyers and customers and settlements with suppliers, other debtors and creditors, which was conducted as of 1 December 2018.

2.4. Foreign currency assets and liabilities

The accounting of foreign currency transactions is done on the basis of the official rouble rate set by the Central Bank of Russia (hereinafter the "CB RF") and valid as of the date of the relevant transaction. Assets and liabilities with values denominated in foreign currencies are recorded as amounts estimated on the basis of the official rouble rate set by the CB RF and valid as of 31 December 2018, 2017, and 2016.

The rules and procedures for accounting for foreign currency assets and liabilities are set out in Accounting Standard (PBU) 3/2006 "Accounting for foreign currency assets and liabilities". In accordance with Accounting Standard (PBU) 3/2006, foreign currency assets and liabilities must be converted to roubles as of:

- the last date of the reporting month;
- the date of the respective transaction.

Foreign exchange differences are presented in the statement of financial results in other income and expenses on a net basis.

2.5. Accounting for investments

The initial measurement of investments acquired for a consideration is recognised as the total amount of expenses incurred in the course of their acquisition less VAT and other recoverable taxes (unless otherwise required by Russian law governing taxes and duties).

The initial measurement of investments acquired under contracts envisaging fulfilment of obligations in a non-monetary form is recognised as the value of the assets transferred or due to be transferred by the Company. The value of the assets transferred or due to be transferred is determined based on the market value.

Investments the current market value of which may be reliably determined are recorded in the financial statements at their current market value and adjusted on a quarterly basis. The difference between the current assessed market values of investments as of the reporting date and their previous values is recognised as other income and expenses on a net basis.

Such revaluation of investments the current market value of which may be reliably measured is performed on the last date of the reporting quarter. Should the last day of the quarter not be a business day, the revaluation is performed on the last trading day in such quarter.

If securities of any issuer owned by the Company are traded on several stock exchanges, the Company determines their current market value based on the trading statistics of the New York Stock Exchange. If such securities are not listed on the New York Stock Exchange, the Company determines their current market value based on the trading statistics of the London Stock Exchange. If such securities are not listed on any international stock exchanges, the Company determines their current market value based on the trading statistics of the Moscow Exchange.

Investments the current market value of which may not be reliably determined are presented in the financial statements at their historical cost.

Valuation methods used for the disposal of investments:

- Investments in the form of non-issue grade securities, contributions in authorised (share) capitals of other companies (with the exception of the shares of joint-stock companies), accounts receivable acquired as a result of assignment, contributions of the Company under simple partnership agreement, loans and deposits in lending organisations granted to other companies are estimated at their initial acquisition value at the time of disposal;
- Investments in issue-grade securities with no current market price determined are estimated on a FIFO basis at the time of their disposal;
- Investments whose current market value is determined are estimated at disposal at the value of the last valuation performed.

As of 31 December of each reporting year, if there are any indicators of impairment of investments, an impairment review is conducted and, if necessary, allowance is made in the accounts for the impairment of investments in accordance with Accounting Standard (PBU) 19/02 "Accounting for financial investments". Allowance is recorded if the review confirms that there is a steady and significant reduction in the value of investments, which falls below the amount of financial benefits that the Company expects to receive from these investments.

2.6. Revenue recognition

The Company's income, depending on its nature, source and business area, is divided into:

- revenue from operating activities;
- other income.

The Company recognises the following types of income as revenue from operating activities:

- equity holdings in other companies (organisations) resulting in receipt of dividends;
- leasing of its assets;
- providing guarantees for the liabilities of third parties to their creditors;

The types of income resulting from the following are recognised by the Company as "other income":

- revaluation of listed shares (on a net basis);
- sale/(purchase) of foreign currency (on a net basis);
- foreign exchange differences (on a net basis);
- derivative financial instruments (on a net basis);
- redemption of debt securities;
- sales of shares, interests and stakes;
- sales of fixed assets, intangible assets and materials;
- other operations.

Income from shareholdings in other companies (organisations) resulting in the generation of dividends is recorded in the accounts as of the date of the passing of decision by a general meeting of shareholders of an issuer on dividend payout.

Interest and discount (including coupon yield) on investments, provided that the conditions set in Accounting Standard (PBU) 9/99 "Income of Organisation" are met, are recognised as income as of the date of the Company obtaining the right to them, and:

- interest (discount) payable on debt securities is accrued at the end of the reporting period (month);
- interest (discount) on "after sight" promissory notes is accrued from the date of acquisition of the promissory note within a year from the date of the promissory note;
- interest (discount) on "after sight but not earlier than" promissory notes is accrued from the date of acquisition of the promissory note within the period before the stipulated "not earlier than" date plus one year.

2.7. Accounting for expenses

The Company's expenses, depending on their nature, source and business area, are divided into:

- expenses from operating activities;
- other expenses.

Expenses resulting from the following are recognised by the Company as "other expenses":

- revaluation of listed shares (on a net basis);
- sale (purchase) of foreign currency (on a net basis);
- foreign exchange differences (on a net basis);
- derivative financial instruments (on a net basis);
- sale of shares, interests and stakes;
- sale, disposal and other write-offs of fixed assets and other assets not specified above, other than cash, goods or products;
- allocations to allowances made in accordance with accounting standards;
- granting free-of-charge financial aid;
- fines and penalties for violation of contract terms;
- accounts receivable whose limitation period expired and other bad debts;
- other operations.

In case of sale of shares and/or units in respect of which any impairment allowances were made in the previous periods, the amount of income from recovery of such allowances is deducted from the amount of expenses from the sale of such shares and/or units.

2.8. Accounting for loans and credits

Expenses related to liabilities under received loans and credits include:

- interest charged on the amount of the loan (credit) payable to the lender (creditor) in the amount and on the terms specified in loan (credit) agreements;
- additional loan and credit expenses.

Additional loan and credit expenses include:

- amounts payable for informational and consulting services;
- amounts payable for the appraisal of loan (credit) agreement;
- other expenses directly related to obtaining loans (credits).

Additional loan and credit expenses are recorded as part of other expenses as incurred.

Interest payable to a lender (creditor) is evenly included in other expenses irrespective of the payment terms stipulated in loan (credit) agreements.

2.9. Accounting for allowances and provisions

Allowances. Accounts include charges for the following types of allowances:

- for impairment of investments (annually);
- for doubtful debts (quarterly).

The following procedure is used for creating allowances:

Allowances for impairment of investments are created at the end of the year for the amount of the difference between the carrying value and the estimated value of the investments for which it is not required to determine their current market value and the review of which confirmed a steady fall in value below the value of economic benefits that the Company expects to receive from such investments. Depending on the circumstances and information available, the Company determines an estimated value by engaging an independent appraiser or by using the net assets method and factoring in the estimated probability of investment recovery.

Allowances for doubtful debt are made for the following types of debt:

- doubtful debts of buyers and customers for provided services;
- other doubtful debtors.

Doubtful debts are the accounts receivable of the Company that are neither settled within the timeframes stipulated in the relevant agreement nor secured by any guarantees.

Provisions. The Company's accounts and reports include the following types of provisions:

- payment of quarterly and annual remuneration;
- payment of compensation for unused leaves;
- agreements the costs of which exceed proceeds expected from their execution.

2.10. Deferred income tax

In accordance with Accounting Standard (PBU) 18/02 "Accounting for income tax estimates" the Company's accounts and reports reflect a deferred income tax (deferred tax assets and deferred tax liabilities), i.e. amounts that may influence the amount of the current income tax in the subsequent reporting periods.

Income tax is calculated in compliance with the Russian Tax Code. Tax rate on dividends equals 13%. Tax rate on income in the form of accumulated coupon yields on government and municipal securities as well as some corporate debt instruments equals 15% or 0%. Tax rate on dividends received from subsidiaries in which the Company has continuously held at least 50% over at least 365 calendar days equals 0%. Tax rate on other types of income equals 20%.

Deferred tax assets and income tax liabilities are shown using book value method, taking into account the timing differences between tax accounting and financial accounting (PBU 18/02). The Company recognises deferred tax assets in the reporting period in which the deductible timing differences arise, provided that there is a probability that the Company will receive taxable income in subsequent reporting periods. Deferred tax assets are recorded in the financial statements taking into account all deductible timing differences, except in case there is a probability that a deductible timing difference will not be reduced or fully eliminated in subsequent reporting periods. Income tax overpayments are not included in deferred tax assets (in the balance sheet, they are recorded as "Other accounts receivable").

3. INVESTMENTS**3.1. Units in mutual funds**

Investments in units in mutual funds as of 31 December 2018, 2017 and 2016 are presented as follows:

	(RUB thousand)		
	31 December		
	2018	2017	2016
Closed-end mutual fund "Kreditny 1" managed by LLC Nadezhnoye Upravleniye	2,315,083	2,315,083	2,315,083
Open-end mutual bonds fund (OMBF) "Rezervny. Foreign Currency Investments" managed by LLC Sistema Capital	195,602	195,602	195,602
Less allowance for impairment	(1,564,959)	(1,562,132)	(521,574)
Total	945,726	948,553	1,989,111

3.2. Shares and equity interests

Investments in the shares and equity interests of subsidiaries and affiliates as of 31 December 2018, 2017, and 2016 are presented as follows:

	(RUB thousand)		
	31 December		
	2018	2017	2016
PJSC MTS (Note 4)	154,319,205	186,259,770	175,355,534
Sistema Asia Pte.Ltd (i)	70,282,093	70,282,093	70,282,093
FCD Projects Pte.Ltd	43,595,908	43,595,908	43,595,908
PJSC Detsky Mir (Note 4)	34,843,662	36,941,982	3,290,002
JSC Business Nedvizhimost (ii,v)	33,966,227	33,966,227	13,293,932
JSC RTI	22,944,442	22,944,442	22,944,442
Sistema Finance S.A.	20,753,907	20,753,907	20,753,907
Sistema Smart Technologies Limited (iii)	19,357,845	19,357,845	19,357,845
JSC Steppe AgroHolding	17,200,030	17,200,030	17,200,018
LLC Kronstadt Group (iv)	16,536,569	8,240,811	7,980,499
JSC Medsi Group	14,511,370	14,550,250	14,714,916
JSC Leader Invest (v)	13,147,941	13,147,941	6,401,138
PJSC MTS Bank (vi)	10,022,282	39,211,767	39,211,767
LLC Sistema Telecom Assets	8,663,340	8,663,340	8,663,340
PJSC Mikron (vii)	8,100,880	8,100,880	-
LLC Segezha Group	7,527,006	7,527,006	7,560,561
EAST-WEST UNITED BANK S.A. (viii)	4,940,781	3,720,781	1,120,481
JSC Sitronics	2,556,256	2,556,256	567,854
JSC Sistema Venture Capital	2,423,756	2,423,756	2,423,756
OJSC SG-trading (ix)	-	-	4,924,701
PJSC VAO Intourist (ii)	-	-	4,782,733
JSC Mosdachtrest (ii)	-	-	3,899,126
Other	6,975,314	7,580,088	9,866,126
Less allowance for impairment	(175,865,268)	(187,787,986)	(158,593,546)
Total	336,803,546	379,237,094	339,597,133

- (i) TCF Projects Pte.Ltd was renamed Sistema Asia Pte.Ltd. on 31 May 2017.
- (ii) In September of 2017 the Company acquired 498,144 additionally issued ordinary shares of JSC Business Nedvizhimost for 25.9 billion roubles and transferred all of its equity shares in JSC Mosdachtrest and OJSC VAO Intourist. As a result of the contribution of the property rights to the authorised capital of JSC Business Nedvizhimost, the Company recognised RUB 17.9 billion in gains, reported in line 23408 of the Statement of Financial Results for 2017 "Excess of contractual values of equity holdings over their book values".
- (iii) Sistema Shyam Teleservices Limited was renamed Sistema Smart Technologies Limited on 28 September 2018.
- (iv) In April and December 2018, the Company made additional contributions to the authorised capital of LLC Kronstadt Group in a total amount of RUB 8.3 billion, increasing its direct ownership to 94.084%.
- (v) In January 2017, the Company acquired 1,060 additionally issued ordinary shares in JSC Leader Invest for a consideration of 100% of equity in JSC Lobachevskogo 120. As a result of the contribution of property rights to the authorised capital of JSC Leader Invest, the Company recognised RUB 1.4 billion in gains, reported in line 23408 of the Statement of Financial Results for 2017 "Excess of contractual values of equity holdings over their book values".
- In September 2017, the reorganisation of JSC Leader Invest in the form of its merger with JSC Business Aktiv spun off from JSC Business Nedvizhimost was completed.
- (vi) In July 2018, the Company sold 28.63% of shares in PJSC MTS Bank to Mobile TeleSystems B.V., a wholly owned subsidiary of PJSC MTS. As a result of the transaction, the Company's direct equity interest in PJSC MTS Bank was reduced to 43.24%. The Company recognised RUB 8.3 billion in "other income" and RUB 6.3 billion in "other expenses" (net of the allowance used).
- (vii) In June 2017 the Company acquired 20.42% of shares in PJSC Mikron for RUB 8.1 billion (under an option agreement signed with JSC Rusnano).
- (viii) In May 2017, the Company acquired 47% of shares in East-West United Bank S.A. from PJSC MTS Bank for RUB 2.6 billion.
- In July 2018, the Company acquired 19% of shares in East-West United Bank S.A. from PJSC MTS Bank for RUB 1.2 billion, becoming the 100% owner of East-West United Bank S.A.
- (ix) In September 2017, the Company sold 100% of shares in JSC SG-trading to LLC Premier Oil.

3.3. Debt securities

Debt securities as of 31 December 2018, 2017 and 2016 are presented as follows:

	Maturity	Interest rate	(RUB thousand)		
			31 December		
			2018	2017	2016
RUB-denominated:					
Promissory notes issued by CJSC RTI Microelectronics	ASNE 01.01.2027		3,360,291	3,360,291	3,360,291
FLB, issue 26212 (Management Company Sistema Capital)	15.05.2019	6.7%	1,067,593	-	-
Other			-	353,774	353,774
Less allowance for impairment			(3,360,291)	(3,714,065)	(353,774)
Total			1,067,593	-	3,360,291
Long-term			-	-	3,360,291
Short-term			1,067,593	-	-
Total			1,067,593	-	3,360,291

Note: ASNE means "after sight, but not earlier than".
FLB means federal loan bonds

3.4. Loans granted

Loans granted as of 31 December 2018, 2017 and 2016 are presented as follows:

	Maturity	Interest rate	(RUB thousand)		
			31 December		
			2018	2017	2016
USD-denominated:					
Sistema Holding Ltd.	OD	0.50%	1,736,765	5,644,820	3,882,042
			1,736,765	5,644,820	3,882,042
RUB-denominated:					
JSC Sistema Invest	OD	8.50%	16,431,000	17,375,000	-
LLC Sistema Telecom Assets	OD	10.50%	5,367,410	2,490,410	2,000,000
LLC Sistema Hotel Management	OD	11.10%	4,521,156	4,521,156	2,900,000
JSC Sistema Finance	OD	9.50%	4,050,000	5,029,000	7,624,000
JSC Sistema Venture Capital	OD	10.50%	3,457,243	493,536	1,071,793
JSC Steppe AgroHolding	OD	9.60%	2,106,460	3,642,480	-
JSC Mosdachtrest	OD	13.00%	1,600,000	1,600,000	1,600,000
LLC Kronstadt Group	OD	10.85%	-	4,123,700	-
LLC Kronstadt Group	OD	13.00%	-	975,270	975,270
JSC Leader Invest	OD	10.00%	-	706,221	857,023
PJSC MTS Bank			-	-	1,000,000
JSC Sitronics			-	-	735,528
JSC Leader Invest			-	-	714,448
Other			3,849,104	3,539,499	4,332,401
Less allowance for impairment			(3,266,570)	(8,475,484)	(2,120,356)
			38,115,803	36,020,788	21,690,107
Total			39,852,568	41,665,608	25,572,149
Long-term			-	-	1,000,000
Short-term			39,852,568	41,665,608	24,572,149
Total			39,852,568	41,665,608	25,572,149

Note: OD means "on demand".

3.5. Bank deposits

Bank deposits as of 31 December 2018, 2017 and 2016 are presented as follows:

	(RUB thousand)		
	31 December		
	2018	2017	2016
USD-denominated:			
PJSC Sberbank	-	-	2,426,276
PJSC VTB Bank	-	-	1,819,707
	-	-	4,245,983
RUB-denominated:			
LLC Vneshprombank	909,153	909,153	909,153
PJSC MTS Bank	308,000	-	-
PJSC Urals Bank of Reconstruction and Development	-	-	244,598
Less allowance for impairment	(909,153)	(909,153)	(909,153)
	308,000	-	244,598
Total	308,000	-	4,490,581
Long-term	-	-	-
Short-term	308,000	-	4,490,581
Total	308,000	-	4,490,581

3.6. Rights acquired as a result of rendering financial services

Rights acquired as a result of rendering financial services as of 31 December 2018, 2017 and 2016 are presented as follows:

	(RUB thousand)		
	31 December		
	2018	2017	2016
PJSC MTS Bank	-	-	3,712,238
Less allowance for impairment	-	-	-
Total	-	-	3,712,238
Long-term	-	-	-
Short-term	-	-	3,712,238
Total	-	-	3,712,238

3.7. Allowance for impairment of investments

The data on allowances for impairment of investment and the amount of allowances made and used in 2018 and 2017 are presented as follows:

	As of 31 December 2016	Allowance created	Allowance used	As of 31 December 2017	Allowance created	Allowance used	(RUB thousand) As of 31 December 2018
Units in mutual funds							
Closed-end mutual fund "Kreditny 1" managed by LLC Nadezhnoye Upravleniye	521,574	1,040,558	-	1,562,132	2,827	-	1,564,959
	521,574	1,040,558	-	1,562,132	2,827	-	1,564,959
Shares and equity interests							
JSC RTI	-	22,944,442	-	22,944,442	-	-	22,944,442
LLC Kronstadt Group	1,520,010	6,373,406	-	7,893,416	8,136,645	-	16,030,061
PJSC Mikron	-	6,089,123	-	6,089,123	2,011,757	-	8,100,880
Sistema Smart Technologies Limited	19,357,845	-	-	19,357,845	(1,505,162)	-	17,852,683
Sistema Asia Pte.Ltd	69,176,591	-	-	69,176,591	(2,519,432)	-	66,657,159
FCD Projects Pte. Ltd	36,641,518	-	-	36,641,518	4,895,905	-	41,537,423
PJSC MTS Bank	23,924,168	(547,330)	-	23,376,838	(494,501)	(22,882,337)	-
JSC SG-trading	4,003,290	-	(4,003,290)	-	-	-	-
Other	3,970,124	1,021,351	(2,683,262)	2,308,213	986,365	(551,958)	2,742,620
	158,593,546	35,880,992	(6,686,552)	187,787,986	11,511,577	(23,434,295)	175,865,268
Loans granted							
LLC Kronstadt Group	-	5,098,970	-	5,098,970	(5,098,970)	-	-
Other	2,120,356	1,287,158	(31,000)	3,376,514	(109,944)	-	3,266,570
	2,120,356	6,386,128	(31,000)	8,475,484	(5,208,914)	-	3,266,570
Debt securities							
CJSC RTI Microelectronics	-	3,360,291	-	3,360,291	-	-	3,360,291
Other	353,774	-	-	353,774	-	(353,774)	-
	353,774	3,360,291	-	3,714,065	-	(353,774)	3,360,291
Deposits	909,153	-	-	909,153	-	-	909,153
Total	162,498,403	46,667,969	(6,717,552)	202,448,820	6,305,490	(23,788,069)	184,966,241

In 2018 and 2017, the Company made allowances for impairment of certain investments in shares and units in mutual funds due to a significant deviation of the estimated value of stakes held by the Company from their book value. The estimated value was determined based on the information on net assets of investment targets taking into account the estimated probability of return of investments.

4. LISTED SECURITIES

The value of the Company's investments in shares that have a market value as of 31 December 2018, 2017 and 2016 is presented as follows:

	(RUB thousand)			
	PJSC MTS	PJSC Detsky Mir	Federal loan bonds (in trust)	Miscellaneous
Balance as of				
31 December 2016				
Number of shares	634,674,257	n/a	-	n/a
Market price per share, RUB	276.29	n/a	-	n/a
	175,355,533	n/a	-	105,261
Number of shares by the end of the initial offering	-	385,012,844	-	-
Book value of shares by the end of the initial offering	-	3,284,767	-	-
Revaluation	10,904,237	33,657,215	-	(52,446)
Disposal	-	-	-	-
Balance as of				
31 December 2017				
Number of shares	634,674,257	385,012,844	-	n/a
Market price per share, RUB	293.47	95.95	-	n/a
	186,259,770	36,941,982	-	52,815
Revaluation	(31,940,565)	(2,098,320)	1,655	(2,264)
Acquisition	-	-	2,616,990	50,990
Disposal	-	-	(1,551,052)	(101,541)
Balance as of				
31 December 2018				
Number of securities	634,674,257	385,012,844	1,068,336	n/a
Market price per share, RUB	243.15	90.50	998.65	n/a
	154,319,205	34,843,662	1,067,593	-

In February 2017, PJSC Detsky Mir completed an initial public offering on the Moscow Exchange, at which the Company sold 151,301,256 shares (taking into account the exercise of the overallotment option). The offering price was set at RUB 85 per share. As a result of the offering, the Company recorded RUB 12,860,607 thousand in income in line 23403 "Income from sale of securities". The Company's shareholding in PJSC Detsky Mir decreased to 52.1%.

In 2018, impairment of investments for which the market value was determined amounted to RUB 34,039,494 thousand. In 2017, gain on revaluation of investments for which the market value was determined amounted to RUB 44,509,006 thousand.

5. BORROWINGS

The repayment terms of key types of borrowings as of 31 December 2018 are presented as follows:

	up to 1 year	1 year - 5 years	over 5 years	(RUB thousand) Total
Credits	1,042,059	122,628,531	-	123,670,590
Bond issues	26,700,000	34,116,640	-	60,816,640
Loans	34,735,300	-	-	34,735,300
Total	62,477,359	156,745,171	-	219,222,530

Outstanding credits are recorded as follows:

	Maturity	(RUB thousand) 31 December		
		2018	2017	2016
PJSC Sberbank (i)	15.02.2023	59,250,000	-	-
PJSC Sberbank	09.07.2021	24,000,000	-	-
Bank GPB (JSC)	22.06.2020	15,000,000	15,000,000	-
Bank FK Otkritie (PJSC)	27.02.2021	15,000,000	-	-
China Development Bank	17.12.2021(ii)	10,420,590	8,640,030	9,098,535
PJSC Sberbank	-	-	24,000,000	16,000,000
Bank GPB (JSC)	-	-	5,000,000	-
VTB Bank (PJSC)	-	-	-	12,000,000
Total		123,670,590	52,640,030	37,098,535

(i) - 319,868,641 ordinary registered book-entry shares in PJSC MTS were transferred to PJSC Sberbank as collateral for a loan.

(ii) - Repayment is made in instalments as scheduled. The date specified here is the final maturity date

With certain exclusions, debt obligations include provisions that limit the ability of the Company and its subsidiaries to borrow funds, carry out merger or consolidation with another entity or transfer its property and assets to another entity, to conduct certain types of reorganisation or make certain changes to the Company's shareholding structure. If the Company fails to comply with the obligations specified above within the time period provided for the filing of a notification of breach of obligations and remediation of such breaches, creditors are entitled to demand immediate repayment of their loans. Besides, the Company's loan agreements are subject to cross-default clauses of other loan agreements held by the Company.

Outstanding bonds are presented as follows:

	Maturity	(RUB thousand) 31 December		
		2018	2017	2016
Bonds Reg. no. 4B02-06-01669-A-001P	01.04.2022*	15,000,000	15,000,000	-
Bonds Reg. no. 4B02-08-01669-A-001P	04.09.2019*	15,000,000	-	-
Bonds Reg. no. 4B02-05-01669-A-001P	21.02.2020*	10,000,000	10,000,000	10,000,000
Bonds Reg. no. 4B02-07-01669-A-001P	01.02.2019*	10,000,000	-	-
Bonds Reg. no. 4B02-04-01669-A-001P	06.11.2020*	6,500,000	6,500,000	6,500,000
Bonds Reg. No. 4B02-01-01669-A-001P	05.04.2022*	2,616,640	5,000,000	5,000,000
Bonds Reg. no. 4B02-02-01669-A-001P	08.11.2019*	1,700,000	1,700,000	1,700,000
Bonds Reg. no. 4B02-03-01669-A-001P	-	-	10,000,000	10,000,000
Total		60,816,640	48,200,000	33,200,000

* Date of an irrevocable offer. The Company has an unconditional obligation to repurchase the bonds at nominal value if required by bond holders after the announcement of the next coupon. Such bonds are disclosed as liabilities with maturity in the reporting period in which the put option can be exercised, without taking into account the Company's expectations regarding the intentions of bond holders.

Outstanding loans are presented as follows:

	Maturity	(RUB thousand)		
		2018	31 December 2017	2016
Sistema International Funding S.A.	17/05/2019	34,735,300	28,800,100	30,328,450
JSC Sistema Finance	-	-	5,000	5,000
JSC Steppe AgroHolding	-	-	-	722,000
Total		34,735,300	28,805,100	31,055,450

In May 2012, Sistema International Funding S.A., incorporated under the laws of Luxembourg, issued a USD 500 million worth of interest-bearing certified Eurobonds maturing in 2019 with a coupon yield of 6.95% per annum. The Company received this amount from Sistema International Funding S.A. on similar terms.

Interest accrued on borrowings in 2018 and 2017 totalled RUB 17,919,274 thousand and RUB 10,221,884 thousand, respectively.

As of 31 December 2018, the Company has access to RUB 99 billion in committed credit facilities.

6. PROVISIONS

Changes of provisions in 2018 and 2017 are presented as follows:

(RUB thousand)	Under agreements (i)	For payment of bonuses	For payment for unused leaves	Total
Balance as of 31 December 2016	34,959,732	7,592,853	803,818	43,356,403
Increase of provisions	-	3,854,395	374,168	4,228,563
Restoration of unused provisions	(469,159)	(24,926)	-	(494,085)
Use of provisions	(1,917,125)	(7,567,927)	(649,632)	(10,134,684)
Use of provisions for reducing short-term receivables	(9,602,662)	-	-	(9,602,662)
Balance as of 31 December 2017	22,970,786	3,854,395	528,354	27,353,535
Increase of provisions	4,347,375	3,861,504	442,723	8,651,602
Use of provisions	-	(3,854,395)	(363,888)	(4,218,283)
Use of provisions for reducing short-term receivables	(11,099,374)	-	-	(11,099,374)
Balance as of 31 December 2018	16,218,787	3,861,504	607,189	20,687,480
Long-term	8,096,798	-	-	8,096,798
Short-term	8,121,989	3,861,504	607,189	12,590,682
Total	16,218,787	3,861,504	607,189	20,687,480

- (i) In 2011, the Russian government acquired 17.14% of shares in telecom operator Sistema Shyam Teleservices Limited (hereinafter SSTL) and simultaneously signed an option agreement with the Company to sell the shares in five years for the higher of USD 777 million or the current market value as determined by an independent valuator.

In June 2016, the Company and the Federal Agency for State Property Management acting on behalf of the Russian Federation signed an agreement on acquisition of 17.14% of shares in SSTL for USD 777 million. The agreement requires that the Company will pay for the shares during the next 5 years in accordance with the following schedule: 30% of the amount - in 2016 (paid in full as of 31 December 2016), 25% - in 2017 and 15% in 2018, 2019 and 2020 each.

In May 2014, the Company signed option agreements with Rusnano, under which Rusnano has the right to sell its stake in PJSC Mikron to the Company during the period from 31 October 2016 till 1 November 2017 at a price of RUB 8.1 billion, and the Company has the right to buy Rusnano's stake during the period till 1 November 2017 for RUB 6.1 billion plus 7.63% per annum.

In October 2016, the Company restructured the option agreement with Rusnano, signing a share purchase agreement with respect to 20.42% of shares in PJSC Mikron for RUB 8.1 billion, out of which RUB 4.8 billion were to be paid by 28 December 2016 (paid in full as of 31 December 2016), and RUB 3.3 billion, by 29 December 2017. In 2017 the Company performed its obligations under the agreement and received a RUB 8.1 billion worth of shares in PJSC Mikron. The previously recorded provision in the amount of RUB 1.9 billion was reclassified as a provision for impairment of investments in PJSC Mikron.

The Company estimates that the costs of the agreements listed in this paragraph exceed proceeds expected from their execution. Therefore, guided by PBU 8/2010 "Provisions, contingent liabilities and contingent assets", in 2016 the Company created provisions for their execution in the total amount of RUB 55.5 billion. In 2017 and 2018 the Company made adjustments to the allowance made under the SSTL share purchase agreement based on changing currency exchange rates and interest accrued, and also used portions of this allowance to reduce receivables under the agreement in proportion to payments made thereunder.

7. EXPENSES ON ORDINARY OPERATIONS

Expenses on ordinary operations broken down by cost items in 2018 and 2017 are presented as follows:

	2018	(RUB thousand) 2017
Payroll expenses	5,054,103	5,051,141
Social security charges	843,851	843,330
Depreciation	167,156	174,396
Cost of materials	19,972	21,906
Other expenses	904,958	972,514
Total	6,990,040	7,063,287

8. INCOME TAX

Changes of the income tax for 2018 and 2017 are presented as follows:

	2018	(RUB thousand) 2017
Income before tax	(36,992,750)	(40,308,171)
including:		
dividends taxed at 0%	13,081,642	2,574,545
dividends taxed at 13%	18,240,690	16,503,800
transactions taxed at 15%	34,445	-
transactions taxed at 20%	(68,349,527)	(59,386,516)
Theoretical expense (on)/from income tax	(11,431,073)	(9,863,257)
Permanent tax liabilities/ (assets)	4,898,666	(4,935,511)
including:		
revaluation of quoted investments	6,807,899	(8,901,801)
contribution of property/title to the authorised capital	-	(3,854,316)
recognition of allowances	(3,424,189)	7,421,850
recognition of provisions	869,475	(93,832)
other	645,481	492,588
Change in deferred tax assets	8,779,029	16,841,669
including:		
tax loss of the reporting period	8,781,703	17,542,340
other	(2,674)	(700,671)
Change in deferred tax liabilities	3,908	3,333
Tax on income in form of dividends	(2,233,665)	(2,014,047)
Current income tax	(16,865)	(32,187)
including: controlled foreign entities	(11,698)	(32,187)
transactions taxed at 15%	(5,167)	-
Non-recognition of deferred tax assets with regard to tax losses carried forward	(16,000,000)	(6,000,000)

In 2018, the Company recognised an income tax loss, as a result of which the increase in deferred tax assets by RUB 8,781,703 thousand was recorded.

In 2018 and 2017, based on the analysis of the probability of DTA being used in respect of tax losses, the Company did not recognise a part of the DTA in the amount of RUB 16,000,000 thousand and RUB 6,000,000 thousand, respectively.

9. LEGAL CLAIM OF PJSC ROSNEFT OIL COMPANY, PJSC BASHNEFT JOINT-STOCK OIL COMPANY AND THE REPUBLIC OF BASHKORTOSTAN, AND THE SETTLEMENT AGREEMENT

In May 2017, PJSC NK Rosneft, PJSC Bashneft and the Ministry of Land and Property Relations of the Republic of Bashkortostan (the "MLPR of the RB") filed legal claims against the Company and its subsidiary JSC Sistema-Invest with the Republic of Bashkortostan Arbitration Court seeking to recover RUB 106,630 million of damages allegedly suffered by Bashneft as a result of its reorganisation (hereinafter the "Claim") arranged by the Company in the past. The Republic of Bashkortostan Arbitration Court accepted the Claim and opened case #A07-14085/2017. The amount of damages under the Claim was subsequently increased to RUB 170,619 million.

On 22 December 2017, Sistema, Sistema Invest, Rosneft, Bashneft and the MLPR of the RB signed a settlement agreement under the Claim (the "Settlement Agreement"). According to the Settlement Agreement, all sides recall all their lawsuits and abandon all claims against each other, and the Company is obliged to pay Bashneft RUB 100 billion by 30 March 2018 in three tranches: RUB 20 billion before 29 December 2017 (JSC Sistema-Invest), RUB 40 billion before 28 February 2018 (Sistema PJSC) and RUB 40 billion before 30 March 2018 (Sistema PJSC).

On 26 December 2017, the Republic of Bashkortostan Arbitration Court approved the Settlement Agreement. The decision of the court on approval of the Settlement Agreement stipulated that on approval of the Settlement Agreement the dispute is considered to be

resolved and the decision of the Republic of Bashkortostan Arbitration Court of 30 August 2017 under the Claim should not be enforced.

In February and March 2018, the Company raised loans of the total amount of RUB 80 billion from Garprombank and Sberbank which are secured by 52.09% of the shares of Detsky Mir and shares of MTS, which are recorded as collateral in proportion to the drawdown of the loan from Sberbank.

By 5 March 2018, the Company made an early repayment of the liability under the Settlement Agreement partially from its own funds and partially from borrowed funds.

On 21 March 2018, the Republic of Bashkortostan Arbitration Court satisfied a motion by Bashneft, Rosneft and the MLPR of the RB regarding the withdrawal of claims totalling RUB 131.6 billion that were filed against the Company and Sistema-Invest in December 2017, and terminated the proceedings on case #A07-38665/2017.

The Company and JSC Sistema-Invest have also withdrawn previously filed claims as per the terms of the Settlement Agreement.

The Parties have thus fully and duly performed the Settlement Agreement.

10. BOARD OF DIRECTORS AND MANAGEMENT BOARD

Members of the Board of Directors in 2018:

Vladimir Evtushenkov	Chairman of the Board of Directors, non-executive director, chairman of the Strategy Committee
Felix Evtushenkov	Deputy Chairman of the Board, Chairman of the Ethics and Control Committee
Andrey Dubovskov	Member of the Board of Directors, President of the Company from 13/03/2018
Anna Belova	Independent director, chairman of the Investor Relations and Dividend Policy Committee
Sergey Boev	Non-Executive Director
Ron Sommer	Non-Executive Director
Robert Kocharyan	Independent director, chairman of the Nomination, Remuneration and Corporate Governance Committee
Jeannot Krecké	Independent Director
Roger Munnings	Independent director, chairman of the Audit, Finance and Risks Committee
Mikhail Shamolin	Member of the Board of Directors, President of the Company until 12/03/2018
David Iakobachvili	Independent Director

Members of the Management Board in 2018:

Andrey Dubovskov	President, Chairman of the Management Board, Executive Director (on Management Board from 13/03/2018)
Mikhail Shamolin	President, chairman of the Management Board, executive member of the Board of Directors (on Management Board until 12/03/2018)
Felix Evtushenkov	(on Management Board until 01/04/2018)
Alexey Katkov	(on Management Board from 02/04/2018)
Oleg Mubarakshin	Managing Partner
Vsevolod Rozanov	Managing Partner
Artyom Sirazutdinov	Managing Partner
Ali Uzdenov	Managing Partner
Maxim Yanpolsky	(on Management Board from 24/09/2018)
Igor Alyoshin	Vice President for Security
Alexander Gorbunov	(on Management Board until 01/04/2018)
Alexey Guryev	Vice President for HR
Artyom Zasursky	Vice President for Strategy
Leonid Monosov	(on Management Board until 01/04/2018)
Andrey Pilipenko	Vice President for Government Relations (on Management Board from 07/09/2018)
Vladimir Travkov	Vice President for Finance and Investment (on Management Board from 02/04/2018)
Joshua Blair Tulgan	Vice President for External Relations (on Management Board from 24/07/2018)

Mikhail Cherny	(on Management Board until 01/04/2018)
Evgeny Chuikov	(on Management Board until 01/04/2018)
Sergey Shishkin	Vice President for Corporate Governance and Legal Matters
Vladimir Shukshin	(on Management Board until 01/04/2018)

The total amount of remuneration paid to the members of the Board of Directors and Management Board for 2018 and 2017 (including compulsory retirement and health insurance contributions) is presented as follows:

	2018	(RUB thousand) 2017
Short-term bonuses	2,468,818	2,412,885
Remuneration in the form of option plans and shares	-	529,321
Total	2,468,818	2,942,206

11. RELATED PARTIES

The Company's related parties are its subsidiaries and affiliates and the key management of the Company and its subsidiaries and affiliates.

11.1. Related party transactions

Interest expenses from loans	2018	(RUB thousand) 2017
PJSC MTS Bank*	42,650	-
JSC Steppe AgroHolding	-	19,291
Other	443	450
Total	43,093	19,741

* loan in the form of an instalment plan

Interest income	2018	(RUB thousand) 2017
JSC Sistema Invest	1,465,140	12,139
LLC Sistema Hotel Management	501,848	473,810
JSC Sistema Finance	447,671	879,925
CJSC RTI Microelectronics	369,632	369,632
JSC Steppe AgroHolding	363,724	211,898
LLC Kronstadt Group	329,787	334,283
LLC Sistema Telecom Assets	270,700	346,142
JSC Mosdachtrest	212,351	220,812
JSC Sistema Venture Capital	125,963	52,341
Rangecroft Limited	121,074	121,074
JSC Leader Invest	64,624	171,432
JSC Business Nedvizhimost	-	78,533
Other	66,614	134,385
Total	4,339,128	3,406,406

Sale of goods, works and services	2018	(RUB thousand) 2017
LLC Sistema Capital MC	10,123	6,799
LLC Segezha Group MC	1,259	-
LLC Sistema Capital Consulting	341	543
JSC Sistema Invest	207	207
JSC Sistema Finance	207	207
CJSC DM Finance	-	1,666
Other	449	451
Total	12,586	9,873

UNOFFICIAL TRANSLATION

Dividends received	(RUB thousand)	
	2018	2017
PJSC MTS	16,501,531	16,501,531
Sistema Finance S.A.	6,522,210	-
LLC Sistema Telecom Assets	4,499,991	-
PJSC Detsky Mir	3,184,056	2,483,333
Other	470,800	93,481
Total	31,178,588	19,078,345

Sale of other property	Type of earnings	(RUB thousand)	
		2018	2017
Mobile Telesystems B.V.	sale of shares, interests and stakes	8,273,152	-
PJSC MTS Bank	sale of shares, interests and stakes	-	1,116,997
Other	sale of shares, interests and stakes	248,318	319,243
Other	sale of fixed assets and inventories	69	1,284
Total		8,521,539	1,437,524

11.2. Accounts receivable

	(RUB thousand)		
	2018	31 December 2017	2016
Sale of goods, work, services, property rights			
CJSC RTI Microelectronics	96,364	79,898	84,139
JSC Binnopharm	8,216	8,216	8,216
individuals	-	253,039	397,158
Other	327	6,386	8,522
Purchase of goods, work, services, property rights			
PJSC MGTS	1,854	-	-
JSC NVision Group	1,615	5,218	6,235
JSC Premier Avia	803	772	1,905
JSC RTI	-	-	656,900
Other	1,328	1,558	5,108
Issuing non-interest-bearing loans and promissory notes			
CJSC Region	49,796	60,842	60,842
Other	1,585	1,585	1,585
Interest on issued loans and notes received			
JSC Sistema-Invest	1,408,114	12,139	-
LLC Sistema Hotel Management	1,004,682	502,833	29,024
CJSC RTI Microelectronics	743,304	373,672	4,040
JSC Mosdachtrest	627,419	422,764	232,003
JSC Steppe AgroHolding	575,623	211,898	-
LLC Sistema Telecom Assets	284,304	13,604	-
Rangecroft Limited	242,147	121,074	-
JSC PromTorgTsentr	162,441	140,399	118,357
JSC Sistema Venture Capital	154,063	28,100	-
LLC Altay Resort	117,909	96,309	74,709
PJSC MTS Bank	42,620	8,057	74,872
JSC Binnopharm	27,436	27,398	27,360
JSC Sitronics	20,746	46,900	155,334
JSC Sistema Finance	20,666	234,649	230,156
LLC Kronstadt Group	12,795	486,170	151,886
Sistema Holding Ltd.	3,469	51,313	14,736
JSC Leader Invest	-	187,915	201,232
Other	481	603	34,250
Dividends receivable			
PJSC Detsky Mir	-	1,143,488	-
JSC RTI	319,630	319,630	319,630
Bad debt allowance	(1,528,343)	(1,543,691)	(326,069)
Total	4,401,394	3,302,738	2,572,130

11.3. Accounts payable

	(RUB thousand)		
	31 December		
	2018	2017	2016
Purchase of goods, work, services, property rights			
LLC Sistema Capital MC	7,042	2,363	-
JSC Cottagestroy-17	4,200	7,800	3,900
LLC Serebryany Bor Complex	2,681	1,651	438
LLC Altay Resort	1,251	1,207	1,207
JSC NVision Group	1,111	13	-
PJSC MTS	1,096	4,009	3,035
JSC Jet Air Group	-	2,570	-
JSC Premier Avia	-	1,980	-
LLC Mac-Nabbs	-	257	2,177
Other	714	1,245	1,105
Sale of goods, works and services	32	32	32
Other			
JSC Leader Invest	-	-	2,647
Interest on loans received			
JSC Steppe AgroHolding	-	-	1,950
JSC Sistema Finance	-	730	280
Total	18,127	23,857	16,771

11.4. Investments

Information on investments in debt securities and loans to related parties is given in Notes 3.3 and 3.4.

11.5. Cash flows with related parties

	(RUB thousand)	
	2018	2017
Cash flows from operating activities		
Proceeds from sale of products, goods, works and services	14,644	13,236
Proceeds in form of dividends	30,231,806	15,920,810
Other proceeds from operating activities	381,382	39,649
Payment for goods, works and services	(377,708)	(386,690)
Payment of interest on debts	(2,247,052)	(2,049,543)
Other payments for operating activities	(8,946)	(32,741)
Cash flows from investment activities		
Proceeds from sale of fixed assets and other property	18	1,700
Proceeds from sale of shares and equity interests in other companies	8,521,471	1,277,085
Proceeds from repayment of loans and sale of debt securities	25,077,942	37,684,722
Received interest on investments in debt securities and loans, and similar proceeds from shareholding in other companies	1,093,535	2,038,550
Other proceeds from investment activities	-	894
Payments related to acquisition, creation, modernisation, reconstruction and preparation for use of non-current assets	(11,045)	(15,458)
Payments related to acquisition of shares and equity interests in other companies	(1,262,650)	(4,525,261)
Payments related to acquisition of debt securities, provision of loans to other entities	(25,146,924)	(57,585,030)
Other payments related to investment transactions	(15,074)	(227,262)
Cash flows from financing activities		
Payment of dividends and other income distribution to owners (shareholders)	(800,052)	(5,148,980)
Repayment of borrowings	(623,457)	(722,000)
Total	34,827,890	(13,716,319)

12. BASIC AND DILUTED (LOSS)/EARNINGS

Basic and diluted (loss)/earnings for 2018 and 2017 totalled:

	2018	2017
Basic and diluted earnings/(loss), RUB thousand	(46,495,402)	(31,509,403)
Weighted average number of ordinary shares in circulation	9,650,000,000	9,650,000,000
Basic and diluted earnings/(loss) per share, RUB	(4.8)	(3.3)

13. CONTINGENT LIABILITIES**Operating environment**

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

Starting from 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies.

This led to reduced access of the Russian businesses to international capital markets and an increase in inflation, economic recession and other negative economic consequences. The impact of further economic and political developments on future operations and financial position of the Company might be significant.

Guarantees, sureties, and pledges

As of 31 December 2018, the Company acted as guarantor, surety, and pledger for borrowings in the total amount of RUB 94,599,666 thousand, including RUB 64,615,385 thousand in respect of borrowings made by the Company itself.

Taxation

Laws and regulations affecting business in the Russian Federation continue to change rapidly. Management's interpretation of such legislation as applied to the activity of the Company may be challenged by the relevant regional and federal authorities. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. Fiscal periods generally remain open to tax audit by the authorities in respect of taxes for three calendar years preceding the year of tax audit. Under certain circumstances reviews may cover longer periods. Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation. However, the relevant authorities may have differing interpretations, and the effects on the financial statements could be significant.

Other

In the ordinary course of business, the Company is a party to various legal proceedings, and subject to claims, certain of which relate to the developing markets and evolving regulatory environments in which the Company and its subsidiaries operate. The Company's management believes that the outcome of such court proceedings will not have a material negative impact on the Company's financial position, financial performance or liquidity.

14. RISK MANAGEMENT POLICY

The Company's business risks and risk management policy are disclosed in the quarterly report.

15. EVENTS AFTER THE REPORTING DATE

Coupon payment on registration exempt bonds

On 1 February 2019, the Company paid the second coupon on registration exempt bonds (issue 001P-07) in the amount of RUB 488.7 million.

On 22 February 2019, the Company paid the ninth coupon on registration exempt bonds (issue 001P-05) in the amount of RUB 246.8 million.

On 6 March 2019, the Company paid the second coupon on registration exempt bonds (issue 001P-08) in the amount of RUB 691.8 million.

Issue of registration exempt bonds

On 6 March 2019, the Company issued registration exempt series 001P-09 bonds with the total nominal value of RUB 10 billion on the Moscow Stock Exchange under the Registration Exempt Bond Programme. The rates for coupons 1-6 were set at 9.9% p.a.

The bonds' maturity is in 10 years, but bond holders are provided with put options that are exercisable within 3 years after the float. The coupon period is 182 days.

Sale of shares in PJSC MTS Bank

On 12 February 2019, the Company sold 38.24% of shares in PJSC MTS Bank to Mobile TeleSystems B.V., a wholly owned subsidiary of PJSC MTS, for RUB 11 billion. As a result of the transaction, the Company's direct equity interest in PJSC MTS Bank was reduced to 5.0%.

Sale of shares in JSC Leader Invest

On 19 February 2019 the Company, in conjunction with its affiliates, sold 51% of equity in JSC Leader Invest to JSC Etalon Group for RUB 15.2 billion, including 49.8% of shares belonging to the Company, for RUB 14.8 billion. As a result of the transaction, the Company's direct equity interest in OJSC Leader Invest was reduced to 49%. On the same day, the Company's subsidiary acquired 25% of equity in ETALON GROUP PLC for USD 226.6 million (RUB 15 billion).

Acquisition of shares in OZON HOLDINGS LIMITED

On 13 March, the Company acquired 18.7% of equity in OZON HOLDINGS LIMITED from Dega Holding Limited (a wholly owned subsidiary of PJSC MTS) for RUB 7.9 billion. The consideration for the shares shall be paid in three tranches till July 2021, including interest accrued on the outstanding consideration.

As a result of the transaction the direct ownership of Sistema in OZON HOLDINGS LIMITED reached 19.3%.

Vice President
for Finance and Investment
of Sistema PJSC

Vladimir Travkov

Chief Accountant,
Managing Director

Irina Borisenkova

01 April 2019