



JOINT-STOCK FINANCIAL CORPORATION
SISTEMA

IFRS financial results
2Q 2019



IFRS FINANCIAL RESULTS

2Q 2019



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Sistema's management will host a conference call today at 10:00 am (New York time) / 3:00 pm (London time) / 4:00 pm (CEST) / 5:00 pm (Moscow time) to present and discuss the 2Q 2019 results.

To participate in the conference call, please dial:

Russia

+7 495 646 9190
8 10 8002 8675011 (toll-free)

UK

+44 330 336 9411
0800 279 7204 (toll-free)

US

+1 646 828 8143
800 263 0877 (toll-free)

Conference ID: 6975387

Link to webcast: <https://webcasts.egs.com/sistema20190829>

Or quote the conference call title: "Sistema Second Quarter 2019 Financial Results".

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

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

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Moscow, Russia – 29 August 2019 – Sistema PJSC (“Sistema” or the “Company”, together with its subsidiaries, “the Group”) (LSE: SSA, MOEX: AFKS), a publicly-traded diversified Russian holding company, today announces its unaudited consolidated financial results in accordance with International Financial Reporting Standards (IFRS) for the second quarter ended 30 June 2019.

SUCCESSFUL REALIZATION AGAINST STRATEGIC AND OPERATIONAL GOALS

- ✓ **Sustained revenue growth¹** due to strong results from the majority of portfolio companies.
- ✓ **OIBDA growth** at MTS of +1.5% and at least double-digit OIBDA growth at Detsky Mir, Segezha Group and Medsi driven by excellent operating results and financial discipline.
- ✓ **Increased scale of pharmaceutical business:** In August 2019 Sistema completed the acquisition of equity stakes in Sintez and Biocom. The acquired companies – together with Alium, a pharmaceutical company being created by Sistema through the merger of OBL Pharm and Binnopharm – will be a major market player, possessing the potential to become a top-3 Russian pharmaceutical company in the commercial segment. The combined product portfolio of Sintez, Biocom and Alium will include more than 500 products, and its manufacturing capacity will consist of six production facilities in Moscow, the Moscow region, Kurgan and Stavropol.
- ✓ **Creation of a residential real estate market leader in Moscow and St Petersburg:** In August 2019 Sistema sold its remaining 49% of Leader Invest to Etalon Group for a consideration of RUB 14.6 billion. As a result of the transaction Etalon now owns 100% of the shares of Leader Invest. The transaction will enable Etalon Group to streamline the ownership structure of its development assets and accelerate the integration of the two businesses with the aim of creating a leader in the Moscow and St Petersburg residential real estate markets. Sistema remains the largest shareholder of Etalon Group, with a 25% equity stake.
- ✓ **Strengthened position in the fast-growing e-commerce market:** In April 2019, Sistema increased its direct equity stake in Ozon from 19.3% to 21.9% following the acquisition of shares from a number of Ozon minority shareholders. In addition, Sistema's venture fund Sistema_VC owns a 16.3% stake in Ozon. The decision to increase the stake is based on Sistema's strategic bet on the growth of e-commerce and market consolidation through investments in the market leader.

2Q 2019 FINANCIAL RESULTS

- ✓ **Consolidated revenue increased by 9.6%¹** year-on-year to RUB 194.1 billion.
- ✓ **Adjusted OIBDA² increased by 1.3%** year-on-year to RUB 65.6 billion; the adjusted OIBDA margin was 33.8%.
- ✓ **Adjusted net profit attributable to Sistema³** was RUB 7.5 billion.

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

“Despite challenges related to softer global commodities prices and weaker consumer behaviour in Russia, the Group's portfolio companies reported high-quality growth in the second quarter, which is a clear sign that our investment strategy is delivering results.

“While operating in a highly competitive industry, MTS continues to increase revenue not only from traditional telecommunications services but also through increased sales of system integration services and software, as well as the successful integration of MTS Bank, which has been making excellent use of MTS's expertise in big data analytics. MTS has been expanding the boundaries of its industry and is already competing with banks, fintech firms and IT companies as it creates its own ecosystem.

“While growth has slowed down in the children's goods market, Detsky Mir has gone from strength to strength thanks to new store openings, growth in like-for-like sales and the rapid development of its online sales channel. All this, combined with large-scale plans for expansion outside Russia, has created significant potential for growth in shareholder value.

“Segezha Group's results are starting to feel the impact of cyclical price reductions in the forest products markets. Prices are under pressure from declining demand in key global markets like China, Egypt and Saudi Arabia, where the construction industry is slowing. We already saw a significant decrease in prices for sawn timber and plywood in the second quarter, and we expect a decline in the paper and paper sack markets starting in the third quarter. Segezha Group is entering this challenging period with significant capacity to adapt to these changes due to its low production costs, its ability to meet a significant portion of its own needs for wood, its diversified customer base, as well as measures introduced in recent quarters to improve business efficiency in production, logistics, and trading.

“Agroholding Steppe achieved significant revenue growth in the second quarter thanks to the development of new business lines such as exporting cereal crops and domestic sales of sugar and groceries, as well as continued growth in the operating performance of its

¹ Here and hereafter the financial results of Sistema and its portfolio companies are presented in accordance with IFRS 9, 15 and 16. RTI's results and Sistema's consolidated results for 2Q 2019 and the 6M 2019 are presented to reflect the reclassification of RTI's microelectronics business as discontinued operations; RTI's results and Sistema's consolidated results for 2Q 2018 and 6M 2018 were recalculated to reflect this reclassification. Here and hereafter Sistema's results for 2Q 2019 and 6M 2019 are presented to reflect the reclassification of Leader Invest as discontinued operations; Sistema's results for 2Q 2018 and 6M 2018 were recalculated to reflect this reclassification.

² Here and hereafter see Appendix A for definitions and reconciliations of adjusted OIBDA, adjusted operating income, adjusted net profit attributable to Sistema, consolidated debt and consolidated net debt with IFRS financial performance.

³ 2Q 2019 net profit reflects the revised valuation of the gain from sale of 51% of Leader Invest to Etalon Group in February 2019. Upon conclusion of an independent appraisal, the effect on net income in 2Q 2019 was RUB 2.8 billion.



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dairy farms. The results for the year will largely depend on the gross grain yield, the size of which has been affected by inclement weather in the first half of the year.

“Medsi has delivered growth across all of its operational metrics: patient visits, services provided, and average patient cheque. The company continues to expand its in-patient services and to increase its efficiency per square metre of medical space, while at the same time investing in new capacities. A multifunctional medical centre is under construction on Michurinsky Prospect, the opening of which is scheduled for 2020.

“In August we strengthened our footprint in the pharmaceuticals sector, an industry of strategic importance for Sistema, with the acquisition of a stake in Sintez, a top-10 Russian pharmaceuticals manufacturer. In total, our pharmaceuticals assets produce more than 500 products at six production facilities and possess the potential to become a top-3 Russian pharmaceuticals company in the commercial segment.

“Earlier this month we also closed a transaction to sell 49% of Leader Invest to Etalon Group for RUB 14.6 billion. Etalon's consolidation of 100% of Leader Invest will accelerate the integration of the two companies and create a leading player in the residential real estate markets of Moscow and St Petersburg, ensuring Sistema, as Etalon's largest shareholder, will achieve long-term growth in the value of our investment. In accordance with our deleveraging strategy, the proceeds from the transaction will be used to pay down our debt at the corporate centre level.”



FINANCIAL SUMMARY AND GROUP OPERATING REVIEW

(RUB million)	2Q 2019	2Q 2018	Change	6M 2019	6M 2018	Change
Revenue	194,101	177,160	9.6%	379,645	345,174	10.0%
Adj. OIBDA	65,578	64,718	1.3%	127,541	123,986	2.9%
Operating profit	30,418	31,820	(4.4%)	58,302	58,311	(0.0%)
Net profit / (loss) attributable to Sistema	6,540	(1,676)	-	23,181	(2,919)	-
Adj. net profit/(loss) attributable to Sistema	7,466	(1,328)	-	23,179	(1,542)	-

4.45 RUB/share

Detsky Mir's final FY 2018 dividend

8.68 RUB/share

MTS Board recommendation for 6M 2019 dividend

34.1%

Year-on-year increase in Medsi revenue in 2Q 2019

44.8%

Year-on-year growth of Segezha's adj. OIBDA in 2Q 2019

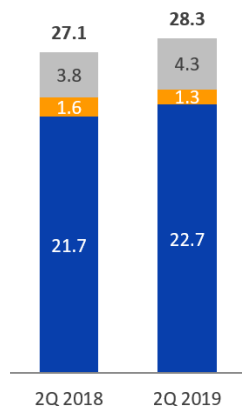
2.7x

Growth of exports at Agroholding Steppe in the 2018/2019 season

35%

Year-on-year growth in new contract sales (in RUB) at Etalon Group in 2Q 2019

GROUP CAPEX, RUB bln



■ MTS ■ Segezha ■ Others

In 2Q 2019, Sistema's consolidated revenue increased by 9.6%

year-on-year as a result of higher revenue from key assets: MTS, thanks to continued growth of mobile service revenue in Russia and Ukraine, increased software sales and the consolidation of MTS Bank; Detsky Mir, as a result of the ramp-up of stores opened in 2017-18, ongoing improvement in like-for-like sales in Russia and Kazakhstan and growing contributions from the e-commerce segment; Segezha Group, primarily as a result of strong sales in the paper and packaging segment; Agroholding Steppe, due to increased exports via the Agrotading segment, higher sales volumes in the sugar and grocery product marketing division, and a gradual rise in production in the dairy segment; Medsi, as a result of an increase in in-patient volumes under the Mandatory Health Insurance programme as well as revenue growth in the Voluntary Health Insurance and individual patients segments.

Group adjusted OIBDA in 2Q 2019 increased by 1.3%

year-on-year, reflecting strong OIBDA growth at MTS, driven by strong results across all geographies; Detsky Mir as a result of strong revenue dynamics, optimisation of purchasing prices, efficient management of the product assortment and a programme to increase operational efficiency; Segezha Group, due to revenue growth, a shift in the sales mix in favour of higher margin paper sacks and due to a decline in expenses related to oil and electricity used in the production of paper; Medsi, as in-patient volumes increased, revenue per square metre of medical facilities rose and provisions created in 2018 and 1Q 2019 were released. Group OIBDA was impacted by equity pick-up of the net loss of Ozon (treated as investment in associates) in the amount of RUB 2.7 bln, including the impact of the write-off of deferred tax assets in the amount of RUB 0.8 billion. **Net of Ozon's impact, Group adjusted OIBDA increased by 5.2% year-on-year.**

Group selling, general and administrative expenses (SG&A)

increased by 5.8% year-on-year in 2Q 2019 to RUB 35.3 billion, driven by higher SG&A at MTS, Detsky Mir and Segezha Group as a result of continued business development. The SG&A/revenue ratio declined year-on-year from 18.8% to 18.2% due to sustained cost controls. SG&A at the Corporate Centre decreased by 14.0% year-on-year to RUB 1.1 billion as a result of optimisation of employee compensation expenses and reduced administrative expenses.

Group capital expenditures increased by 4.6% year-on-year to RUB 28.3 billion.



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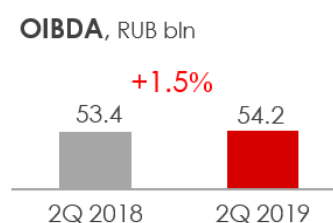
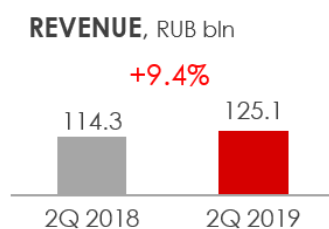
OVERVIEW OF PORTFOLIO COMPANIES⁴

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



LEADING TELECOMMUNICATIONS OPERATOR AND DIGITAL SERVICES PROVIDER IN RUSSIA

(RUB million)	2Q 2019	2Q 2018	Change	6M 2019	6M 2018	Change
Revenue	125,148	114,346	9.4%	243,173	222,272	9.4%
OIBDA	54,189	53,391	1.5%	112,746	105,467	6.9%
OIBDA margin	43.3%	46.7%	(3.4 p.p.)	46.4%	47.4%	(1.1 p.p.)
Operating income	27,215	27,105	0.4%	59,354	53,859	10.2%
Adjusted profit attributable to Sistema	6,353	7,141	(11.0%)	13,429	14,852	(9.6%)



In 2Q 2019, **revenue at MTS rose by 9.4%** year-on-year, driven primarily by growth in mobile services revenue in Russia and Ukraine, as well as increased system integration and software sales and the consolidation of MTS Bank.

OIBDA grew by 1.5% year-on-year in 2Q 2019 largely due to the robust results across MTS Group in all geographical segments, among which the greatest contribution was made by Russia and Ukraine. The OIBDA margin decreased by 3.4 p.p. year-on-year as a result of the consolidation of MTS Bank, growth in retail sales where margins are lower than for the core business, increased personnel expenses as a result of salary indexation in July 2018, as well as VAT increases that took effect in January 2019.

Adjusted net profit decreased by 11.0% year-on-year in 2Q 2019, primarily as a result of higher interest rates and other expenses. This was partially mitigated by FX income.

MTS continues to **develop its ecosystem of digital products** in fintech, cloud services, systems integration, Internet of Things, artificial intelligence, Big Data, as well as television and entertainment.

OUTLOOK FOR 2019

MTS forecasts **revenue growth of 4-6%** and low single-digit **OIBDA growth**.

DIVIDENDS

Under its dividend policy for 2019-2021 MTS will seek to pay at least RUB 28.0 per ordinary share per calendar year, distributed in two semi-annual payments. The Annual General Meeting of shareholders on 27 June 2019 **approved dividends for FY 2018 in the amount of RUB 19.98 per share** (RUB 39.96 per ADR). In July 2019, the Board of Directors of MTS recommended shareholders **approve dividends for 6M 2019 in the amount of RUB 8.68 per share** (RUB 17.36 per ADR).

KEY EVENTS AFTER THE REPORTING PERIOD

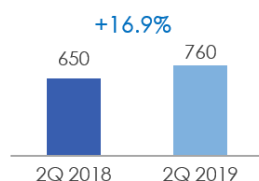
With the aim of enhancing its **focus on digital services development**, in July 2019 a revised management structure was approved. Among the new roles introduced are: Vice President for Financial Services, Vice President for Cloud and Digital Solutions, and Vice President for TV Services (MTS Media).



LARGEST CHILDREN'S GOODS RETAILER IN RUSSIA

(RUB million)	2Q 2019	2Q 2018	Change	6M 2019	6M 2018	Change
Revenue	28,014	24,096	16.3%	55,899	48,116	16.2%
Adj. OIBDA	5,752	4,994	15.2%	9,918	8,483	16.9%
Adj. OIBDA margin	20.5%	20.7%	(0.2 p.p.)	17.7%	17.6%	0.1 p.p.
Operating income	3,227	2,414	33.7%	4,720	3,493	35.1%
Adj. profit attributable to Sistema	1,132	477	137.1%	1,142	660	73.1%

NUMBER OF STORES



In 2Q 2019, **Detsky Mir's revenue grew by 16.3% year-on-year**. Growth was driven by the ramp-up of stores opened in 2017-2018 to full operating capacity, ongoing improvement of like-for-like (LFL⁵) sales in Russia and Kazakhstan and increased contributions from online sales⁶, which rose by 70.8% year-on-year and accounted for 9.7% of total revenue in the period. In-store pickup accounted for 88% of online orders.

Adjusted OIBDA increased by 15.2% in 2Q 2019 due to robust revenue performance, optimisation of purchasing costs, effective management of the product assortment and a programme to increase operational efficiency. The adjusted OIBDA margin declined immaterially to 20.5% in 2Q 2019.

Adjusted profit attributable to Sistema increased by 137.1% year-on-year to RUB 1.1 billion.

Seventeen new Detsky Mir stores were opened in 2Q 2019, including three in the Moscow region and one in Belarus. As of 30 June 2019, the total number of stores⁷ stood at 760. Detsky Mir plans to open no fewer than 90 stores in 2019, an increase over previously announced plans to open 70 new stores.

Detsky Mir plans to implement a number of projects in the second half of 2019 to strengthen the online store, including the launch of a new mobile app and the expansion and promotion of express delivery service (last mile delivery).

On 16 May 2019, the Annual General Meeting of shareholders **approved a final dividend for FY 2018 in the amount of RUB 4.45 per share**, for a total of RUB 3.3 billion.

⁵ Like-for-like (Lfl) growth in RUB terms. Lfl growth includes only Detsky Mir stores in Russia and Kazakhstan that have been operational for at least 12 full calendar months

⁶ This segment consists of online orders via www.detmir.ru, including with in-store pickup at Detsky Mir stores.

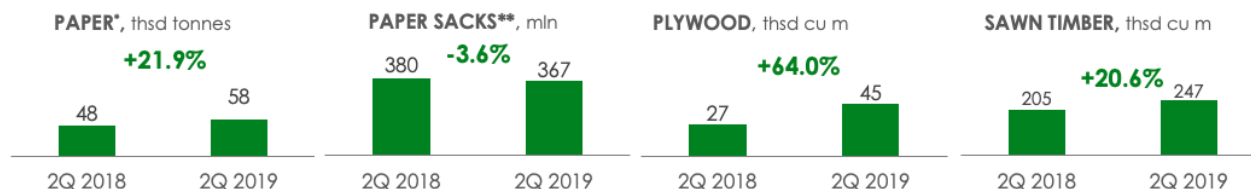
⁷ The number of Detsky Mir stores including ELC, ABC and Zozavr.



LEADING RUSSIAN VERTICALLY INTEGRATED FORESTRY HOLDING

(RUB million)	2Q 2019	2Q 2018	Change	6M 2019	6M 2018	Change
Revenue	15,505	13,231	17.2%	29,992	25,360	18.3%
Adj. OIBDA	3,782	2,613	44.8%	7,752	4,789	61.9%
Adj. OIBDA margin	24.4%	19.7%	4.6 p.p.	25.8%	18.9%	7.0 p.p.
Operating income	2,419	1,465	65.1%	5,128	2,524	103.2%
Adj. net profit / (loss) attributable to Sistema	1,325	(759)	-	4,055	(1,297)	-

Sales



* 44% of paper output was delivered to the company's own conversion facilities for producing paper packaging
** Including 16 mln consumer paper bags

Segezha Group's revenue grew by 17.2% year-on-year to RUB 15.5 billion in 2Q 2019, due in significant measure to positive Paper and Packaging sales dynamics, against a backdrop of high prices for most Segezha Group paper and packaging products. A decrease in sawn timber prices was offset by increased production volumes on the back of improved efficiency. Another factor that made a positive contribution to revenue was growth of plywood sales following the commissioning of new production capacity in the Kirov region in July 2018. Segezha's plywood revenue increased despite a significant decline in global plywood prices.

Adjusted OIBDA increased year-on-year by 44.8% to RUB 3.8 billion in the second quarter of 2019 on the back of higher revenue, changes in the sales mix in favour of higher-margin paper sack products and a decline in expenses related to oil and electricity used in the production of paper at the Segezha Pulp & Paper Mill, in part thanks to the commissioning of a hybrid fuel boiler. Segezha's **OIBDA margin increased by 4.6 percentage points** year-on-year to 24.4% due to increased efficiency against a backdrop of high paper and packaging prices.

Adjusted net profit was RUB 1.3 billion vs. a loss of RUB 0.8 billion in 2Q 2018. Net profit was impacted by higher operating profit and the lack of an FX-revaluation effect that contributed to the net loss in the same period a year earlier.

Paper output totalled 101,000 tonnes in Q2 2019, up 20.4% year-on-year. The production increase was mainly the result of reductions in time spent on equipment repairs. **In 2Q**

2019 Segezha's sack paper sales increased by 21.9% to 58,100 tonnes due to increased volumes shipped to existing customers and expansion of the client base in Europe, Asia and Latin America.

Paper sack sales totalled 366.5 million in 2Q 2019. Production volumes in the reporting quarter were in line with volumes in the same period a year earlier.

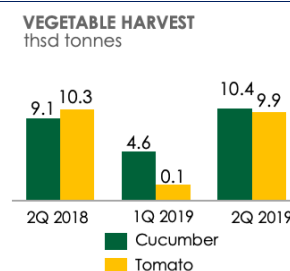
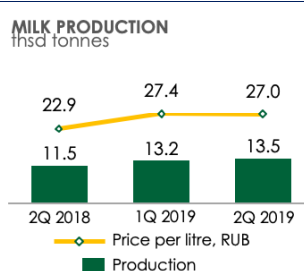
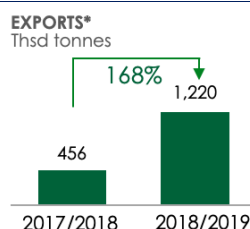
Birch plywood sales volumes increased by 64.0% year-on-year to 44,900 cu m in 2Q 2019. Output growth was driven by the launch of the new plywood production facility in the Kirov region in July 2018. Higher production volumes drove growth in shipments to existing clients as well as expansion of the client portfolio in the US, Canada, Asia and Northern Europe. Industrial clients accounted for a higher share of sales, in part as a result of new products such as film faced plywood.

Sawn timber output increased year-on-year by 20.4% to 245,300 cu m in 2Q 2019 primarily due to increased production efficiency at the Lesosibirsk facility. Sales volumes increased on the back of higher production volumes.

Segezha Group began construction of a new plant producing cross-laminated timber (CLT) with annual capacity of 35,000 cu m at the Sokol Wood Processing Plant. Construction of the CLT plant will support an increase in margins across the portfolio by introducing a next-generation product. Total investment in the new facility will be RUB 1.5 billion. The plant is expected to begin production in late 2020-early 2021.

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

(RUB million)	2Q 2019	2Q 2018	Change	6M 2019	6M 2018	Change
Revenue	4,699	3,773	24.6%	10,981	6,309	74.1%
OIBDA	1,606	2,101	(23.6%)	2,434	2,790	(12.8%)
OIBDA margin	34.2%	55.7%	(21.5 p.p.)	22.2%	44.2%	(22.1 p.p.)
Operating income	1,145	1,782	(35.7%)	1,743	2,118	(17.7%)
Net profit attributable to Sistema	645	1,481	(56.4%)	762	1,417	(46.2%)



* Results are presented for 2H 2017-1H 2018 and 2H 2018-1H 2019, respectively.

Agroholding Steppe's performance reflects the seasonal nature of the agricultural business, in which the majority of revenue and OIBDA are concentrated in the second half of the calendar year.

Revenue at Agroholding Steppe rose 24.6% year-on-year to RUB 4.7 billion in 2Q 2019 due to increased export volumes in the Agrotrading segment, sales growth in the Sugar and Grocery Product Trading segment, as well as the gradual ramp-up of production volumes in the Dairy segment.

OIBDA decreased due to the revaluation of biological assets, lower inventories carried over from the previous year's harvest and a higher share of sales in the second half of 2019.

Steppe's net profit decreased to RUB 0.6 billion as a result of higher interest expenses.

Capex grew by 42.1% in the second quarter of 2019 year-on-year and amounted to RUB 0.6 billion. Key areas of investment were upgrades to Steppe's fleet of farm machinery, buyout of land shares and increasing the proportion of owned land in Steppe's overall landbank, as well as the construction of new dairy farms.

Wheat harvest in the first half of 2019 at Agroholding Steppe grew by 3% year-on-year despite challenging agroclimatic conditions, while grain quality levels remained high. Crop rotation schedules supported **an increase in higher-margin crops**, the harvest of which is planned for the second half of

2019. Steppe's average grain export price during the 2018/2019 season rose by 15% compared to the 2017/2018 season.

As a result of aggressive development in the Agrotrading segment, export volumes during the 2018/2019 season amounted to 1,220,000 tonnes, an increase of 168% year-on-year, which enabled Steppe to become Russia's seventh largest grain exporter as of the end of the grain season.

The Dairy segment demonstrated continued growth across its operational metrics: average milk yield in 2Q 2019 amounted to 13,500 tonnes, an increase of 17.6% year-on-year, while productivity per lactating cow rose 6.1% year-on-year and the herd consisted of over 5,000 lactating cows at the end of the reporting period.

The Vegetable segment has shown positive dynamics: gross vegetable harvest in 2Q 2019 grew to 20,400 tonnes, an increase of 5.0% year-on-year.

Sales volumes in the Sugar and Grocery Products Trading segment experienced twofold growth during the first half of 2019 and amounted to 139,000 tonnes.

KEY EVENTS AFTER THE REPORTING PERIOD

In August 2019, Steppe launched sales of its own branded sugar and cereals on the Ozon.ru e-commerce platform. Steppe is currently in discussions concerning cooperation with other marketplaces and delivery services. Steppe plans to increase the share of internet sales of its grocery products to 30% by 2024.

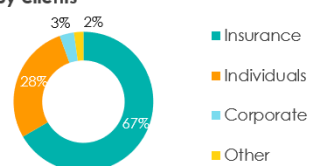


LEADING PRIVATE HEALTHCARE OPERATOR IN RUSSIA

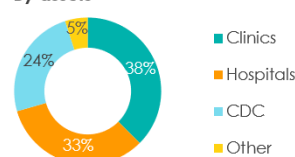
(RUB million)	2Q 2019	2Q 2018	Change	6M 2019	6M 2018	Change
Revenue	5,511	4,111	34.1%	10,701	7,622	40.4%
Adj. OIBDA ⁸	1,638	572	186.5%	2,520	1,035	143.5%
Adj. OIBDA margin ⁸	29.7%	13.9%	15.8 p.p.	23.6%	13.6%	10.0 p.p.
Operating income / (loss)	923	(259)	-	1,083	(275)	-
Adj. profit / (loss) attributable to Sistema	927	(41)	-	1,138	(144)	-

Revenue, 2Q 2019

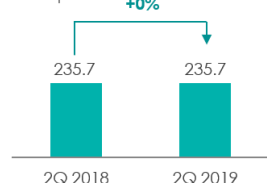
By clients



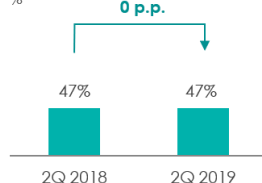
By assets



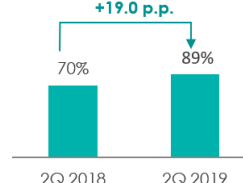
FLOOR SPACE
thsd sq m



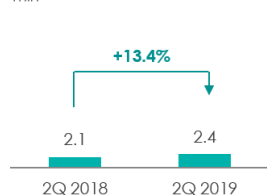
UTILISATION, CLINICS
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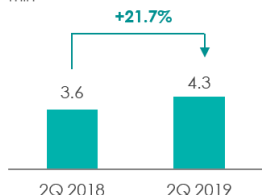
UTILISATION, HOSPITALS
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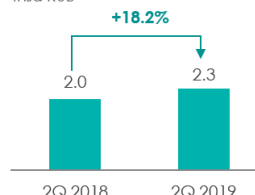
PATIENT VISITS
mln



SERVICES PROVIDED
mln



AVERAGE CHEQUE
thsd RUB



Medsi's revenue increased by 34.1% year-on-year in 2Q 2019 to RUB 5.5 billion due to a significant increase in in-patient treatments under the Mandatory Health Insurance programme (MHI), year-on-year revenue growth of 30% to RUB 2.2 billion in the Voluntary Health Insurance segment (VHI), and a year-on-year increase in revenue from individual patients of 21% to RUB 1.5 billion.

Adjusted OIBDA⁸ increased by 186.5% in 2Q 2019 to RUB 1.6 billion due to the continued ramp-up of in-patient facilities and an increase in revenue per sq m of medical

space. Adjusted OIBDA was also impacted by the reversal of provisions from 2018 and 1Q 2019 totalling RUB 0.3 billion as a result of changes in methodology of provisioning related to accounts receivable. **The adjusted OIBDA margin grew by 15.8 p.p. to 29.7% in 2Q 2019**, thanks to growth in capacity utilisation, an increase in efficiency per sq m and growth of treatment volumes at previously opened clinics as well as the one-off reversal of provisions.

⁸ Adjusted OIBDA, the adjusted OIBDA margin and adjusted net profit are adjusted for accruals related to the LTI programme.



JOINT-STOCK FINANCIAL CORPORATION
SISTEMA

IFRS financial results
2Q 2019

Adjusted net profit was RUB 927 million in the quarter versus an adjusted net loss a year earlier, primarily on the back of OIBDA dynamics.

Revenue in 2Q 2019 at the Clinical-Diagnostic Centre (CDC) on Belorusskaya was RUB 686 million, OIBDA totalled RUB 272 million and the OIBDA margin came in at 39.7%. Revenue at the CDC on Krasnaya Presnya was RUB 605 million, OIBDA totalled RUB 173 million and the OIBDA margin came in at 28.6%.

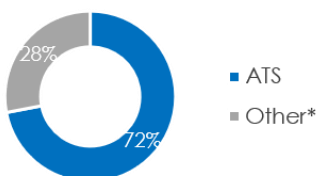
The significant growth in capacity utilisation of in-patient treatment facilities – up 19.0 percentage points year-on-year – is a result of increased treatment volumes across all channels, with MHI acting as the main driver.

The average cheque in 2Q 2019 grew by 18.2% to approximately RUB 2,300 due to the increased proportion of complex procedures in the in-patient and diagnostic segments, and also due to the effect of price increases in line with market trends.

The company is continuing construction of a new Multifunctional Centre on Michurinsky Prospect with more than 34,000 sq m of space, with a planned opening in 2020. The facility will house a CDC for children and adults, a daytime in-patient clinic and a 24-hour in-patient clinic with a centre for high-tech surgery. **Additionally, Medsi is expanding its network of clinics to three districts outside central Moscow.**

**RENTAL ASSETS WITH A UNIQUE POOL OF PROPERTIES****Business Nedvizhimost and its subsidiary Mosdachrest**

(RUB million)	2Q 2019	2Q 2018	Change	6M 2019	6M 2018	Change
Revenue	1,738	1,151	51.0%	2,477	2,008	23.4%
OIBDA	1,623	614	164.2%	1,736	850	104.3%
OIBDA margin	93.4%	53.4%	40.0 p.p.	70.1%	42.3%	27.8 p.p.
Operating income	1,504	546	175.7%	1,517	713	112.9%
Net profit attributable to Sistema	1,098	329	234.1%	1,059	369	186.9%

PORTFOLIO OF ASSETS UNDER OWNERSHIP

*Warehouses, cottages in Moscow and the Moscow region, other commercial buildings

In 2Q 2019 **revenue from Sistema's rental assets rose by 51.0% to RUB 1.7 billion** driven by a year-on-year increase in commercial real estate sales volumes and growth in the rental portfolio following Business Nedvizhimost's acquisition of 54 telephone exchanges from PJSC MGTS. The company sold 23,700 sq m of

commercial real estate in 2Q 2019, compared to 4,000 sq m of commercial real estate sold in 2Q 2018. Sale of land plots was unchanged at 18,000 sq m in 2Q 2019.

OIBDA and the OIBDA margin grew by 164.2% and 40.0 p.p. year-on-year, respectively, in 2Q 2019 as a result of higher revenue, a greater share of higher-margin commercial real estate sales and the effect from the disposal of non-core assets.

Net profit in 2Q 2019 increased by 234.1% year-on-year to RUB 1.1 billion driven by OIBDA growth and the effect from the sale of non-core assets.

In the second quarter of 2019 Business Nedvizhimost signed an agreement with a self-storage operator to renovate telephone exchange buildings to be used for individual storage.



JOINT-STOCK FINANCIAL CORPORATION
SISTEMA

RTI radar systems
technology
information

IFRS financial results
2Q 2019

LEADING DEVELOPER OF HIGH-TECH SOLUTIONS⁹

(RUB million)	2Q 2019	2Q 2018	Change	6M 2019	6M 2018	Change
Revenue	4,639	4,595	1.0%	8,465	9,214	(8.1%)
Adjusted OIBDA	83	221	(62.6%)	246	278	(11.5%)
Adjusted OIBDA margin	1.8%	4.8%	(3.0 p.p.)	2.9%	3.0%	(0.1 p.p.)
Operating (loss)	(1,161)	(203)	-	(1,582)	(608)	-
Adjusted profit/(loss) attributable to Sistema	2,744	(898)	-	1,521	(2,247)	-

In 2Q 2019, **revenue at RTI remained stable** year-on-year. At the same time, the majority of the business's revenue is traditionally concentrated in the second half of the calendar year.

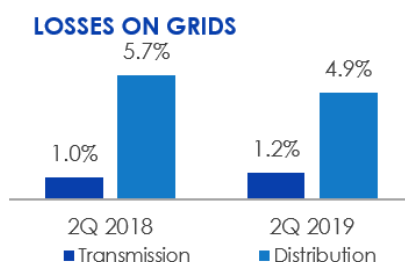
Adjusted OIBDA in the second quarter decreased year-on-year due to uneven allocation of expenses throughout the year related to work carried out under one specific contract.

Adjusted profit in the second quarter of 2019 compared to an adjusted loss in the same period of 2018 was due to the divestiture of assets in 2Q 2019.

⁹ RTI's financial results for 2Q 2019 and 6M 2019 are presented to reflect reclassification of RTI's microelectronics business as discontinued operations, and financial results for 2Q 2018 and 6M 2018 have been revised to reflect the results of this reclassification. In February 2019, RTI Microelectronics, an RTI Group company, signed a legally binding agreement with State Corporation Rostec and JSC Roselectronica to create a combined microelectronics components company called Element LLC. In July 2019, Element LLC was created the parties contributed. Their controlling stakes in 19 microelectronics component development, production and design companies.

ONE OF RUSSIA'S BIGGEST POWER GRID COMPANIES

(RUB million)	2Q 2019	2Q 2018	Change	6M 2019	6M 2018	Change
Revenue	4,574	4,280	6.9%	9,922	9,304	6.6%
OIBDA	1,331	1,257	5.9%	2,760	2,995	(7.8%)
OIBDA margin	29.1%	29.4%	(0.3 p.p.)	27.8%	32.2%	(4.4 p.p.)
Operating income	678	637	6.5%	1,449	1,752	(17.3%)
Net profit attributable to Sistema	504	513	(1.7%)	1,089	1,400	(22.2%)



In 2Q 2019 **BPGC's revenue grew by 6.9% to RUB 4.6 billion** due to higher tariffs for electricity and an increase in lease payments for deployment of communications equipment on electricity pylons by third-parties.

OIBDA increased by 5.9% year-on-year in 2Q 2019 due to higher revenue and a decline in electricity losses on the distribution grid. The OIBDA margin decreased insignificantly in 2Q 2019 to 29.1% as a result of other operating expenses related to the creation of reserves to cover unresolved disputes.

Net profit in 2Q 2019 remained unchanged versus 2Q 2018.

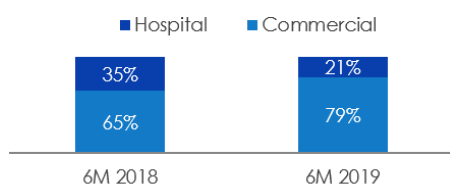
In 2Q 2019 BPGC actively continued to carry out its key project, Comprehensive Modernisation of the City of Ufa Distribution Grid: 27 distribution substations and six transformer substations were reconstructed and 3.77 kilometres of cable lines were laid. As of the end of the second quarter, the programme was 82% complete.

In May 2019 the Annual General Meeting of shareholders of BPGC approved **a final dividend for 2018 of RUB 1.36 billion**.

ONE OF RUSSIA'S LARGEST FULL-CYCLE PHARMACEUTICAL COMPANIES

(RUB million)	2Q 2019	2Q 2018	Change	6M 2019	6M 2018	Change
Revenue	707	327	116.2%	1,026	734	39.7%
OIBDA	202	53	281.2%	252	169	49.2%
OIBDA margin	28.6%	16.2%	12.4 p.p.	24.5%	23.0%	1.5 p.p.
Operating income	99	16	505.1%	90	99	(8.8%)
Net profit / (loss) attributable to Sistema	1	(42)	-	(47)	(42)	-

REVENUE BREAKDOWN BY SEGMENT



Revenue in 2Q 2019 rose by 116.2% year-on-year to RUB 707 million as a result of higher sales in the commercial segment.

OIBDA grew by 281.2% year-on-year to RUB 202 million on higher revenue. The OIBDA margin increased by 12.4 p.p. year-on-year to 28.6%.

Net profit in 2Q 2019 was RUB 1 million, compared to a net loss of RUB 42 million a year earlier.

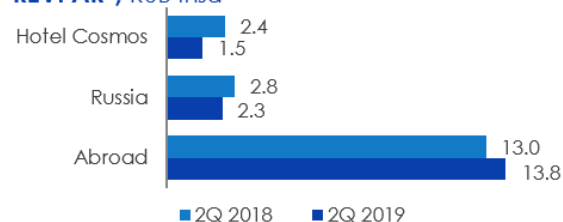
KEY EVENTS AFTER THE REPORTING PERIOD

In July 2019 a consortium of investors that includes the Russian Direct Investment Fund (RDIF), the Russia-China Investment Fund (RCIF, which was established by RDIF and China Investment Corporation), as well as leading Middle Eastern investment funds, announced the acquisition of 28% of the shares in pharmaceuticals holding Alium. Alium brings together the assets of OBL Pharm and JSC Binnopharm. Following the merger of these assets, Alium will become a top-10 pharmaceuticals company in Russia's commercial segment. The holding's well-diversified product portfolio will include around 200 items. The merged company's production capacities include four pharmaceuticals production sites in Moscow and the Moscow region.

ONE OF RUSSIA'S LEADING HOTEL MANAGEMENT COMPANIES

(RUB million)	2Q 2019	2Q 2018	Change	6M 2019	6M 2018	Change
Revenue	1,441	1,506	(4.4%)	2,524	2,466	2.3%
OIBDA	349	560	(37.6%)	354	636	(44.3%)
OIBDA margin	24.3%	37.2%	(12.9 p.p.)	14.1%	25.9%	(11.8 p.p.)
Operating profit / (loss) ¹⁰	32	376	(91.6%)	(274)	261	-
Net (Loss) / profit attributable to Sistema	(308)	51	-	(929)	(289)	-

REVPAR*, RUB thsd



*Revenue per available room per day

The year-on-year decline in revenue and OIBDA in 2Q 2019 was the result of a high base effect given a high average daily rate (ADR) in 2Q 2018 when Russia hosted the World Cup.

The share of revenue accounted for by hotels outside Russia increased by 7.5 p.p. to 22% in 2Q 2019 on the back of stronger operating results.

ADR across the hotel portfolio in 2Q 2019 declined to RUB 3,700 versus RUB 6,900 a year earlier.

The average occupancy rate in 2Q 2019 increased by 1.8 p.p. year-on-year to 69.9%. The leader in terms of growth was the Cosmos Hotel, where the average occupancy rate rose by 6.4 p.p. year-on-year to 79.5%.

In May 2019 a new 60-room hotel was opened at the Altai Resort complex.

¹⁰ Based on consolidating reporting combining management and operating companies

CORPORATE

(RUB million)	2Q 2019	2Q 2018	Change	6M 2019	6M 2018	Change
OIBDA	(2,710)	(1,559)	-	(4,259)	(3,211)	-
Net loss	(6,729)	(8,814)	-	(9,203)	(14,085)	-
Corporate Centre's financial liabilities ¹¹	222,076	236,886	(6.3%)	222,076	236,886	(6.3%)

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

In 2Q 2019 SG&A at the Corporate Centre declined by 14.0% year-on-year to RUB 1.1 billion, due to optimisation of employee compensation expenses and cuts to administrative expenses at the Corporate Centre. The SG&A/Consolidated Revenue ratio

at the Corporate Centre declined from 0.8% in 2Q 2018 to 0.6% in 2Q 2019.

The Corporate Centre's financial liabilities stood at RUB 222.1 billion as of 30 June 2019.

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, high technology, financial services, retail, paper and packaging, agriculture, real estate, tourism and medical services. The company was founded in 1993. Revenue in 2018 was RUB 773.9 bn; total assets equalled RUB 1.5 trn as of 31 December 2018. 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 the Moscow Exchange. Website: www.sistema.com.

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

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

¹¹ Including liability to Rosimushchestvo and finance lease.

**SISTEMA PJSC AND SUBSIDIARIES**
UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED MARCH 31, 2019 AND 2018
(Amounts in millions of Russian roubles, except for per share amounts)

	Six months ended June 30,		Three months ended June 30,	
	2019	2018	2019	2018
Revenue	379 645	345 174	194 101	177 160
Cost of sales	(181 684)	(155 545)	(92 686)	(80 005)
Selling, general and administrative expenses	(68 969)	(64 600)	(35 250)	(33 331)
Depreciation and amortisation ¹	(67 187)	(64 127)	(34 059)	(32 463)
Impairment of long-lived assets	(146)	(379)	(99)	(14)
Impairment of financial assets	(1 613)	(2 372)	(638)	(996)
Taxes other than income tax	(2 415)	(3 018)	(1 232)	(1 495)
Share of the profit or loss of associates and joint ventures	(566)	1 752	(1 102)	930
Other income	4 260	4 160	3 702	3 369
Other expense	(3 024)	(2 734)	(2 321)	(1 335)
OPERATING INCOME	58 302	58 311	30 417	31 820
Finance income	4 029	3 622	1 937	2 016
Finance costs ²	(49 486)	(32 270)	(22 514)	(16 950)
Currency exchange gain/(loss)	8 708	(7 259)	1 467	(6 633)
PROFIT BEFORE TAX	21 553	22 403	11 307	10 253
Income tax expense	(8 930)	(9 207)	(3 602)	(4 057)
PROFIT/LOSS FROM CONTINUING OPERATIONS	12 623	13 196	7 705	6 196
Results of discontinued operations	27 195	(398)	6 839	47
PROFIT FOR THE PERIOD	39 818	12 797	14 544	6 243
Attributable to:				
Shareholders of Sistema JSFC	23 181	(2 919)	6 540	(1 676)
Non-controlling interests	16 638	15 716	8 005	7 919
	39 818	12 797	14 544	6 243
Earnings per share (basic and diluted), Russian Rubles:				
From continuing operations	(0,19)	(0,26)	0,20	(0,18)
From continuing and discontinued operations	2,44	(0,31)	0,69	(0,18)

¹ Including RUB 14,277 mln of lease rights amortization for 6 months 2019 out of which RUB 13,795 mln relate to lease that would have been classified as operating under «old» standards

² Including RUB 9,403 mln of lease interest expense for 6 months 2019 out of which RUB 8,669 mln relate to lease that would have been classified as operating under «old» standards

SISTEMA PJSC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND DECEMBER 31, 2018
(Amounts in millions of Russian roubles)

	June 30, 2019	December 31, 2018
ASSETS		
NON-CURRENT ASSETS:		
Property, plant and equipment	424 981	422 321
Investment property	20 265	23 310
Goodwill	59 602	59 488
Other intangible assets	110 210	112 125
Right-of-use asset	193 777	194 247
Investments in associates and joint ventures	65 641	34 507
Deferred tax assets	35 105	32 648
Loans receivable and other financial assets	107 387	95 557
Deposits in banks	174	186
Other assets	14 973	15 618
Total non-current assets	<u>1 032 115</u>	<u>990 007</u>
CURRENT ASSETS:		
Inventories	86 346	97 131
Contract asset	5 994	7 297
Accounts receivable	61 606	63 517
Advances paid and prepaid expenses	14 792	16 984
Current income tax assets	6 724	4 195
Other taxes receivable	20 841	18 641
Loans receivable and other financial assets	81 963	106 329
Deposits in banks	2 907	15 506
Restricted cash	7 369	8 614
Cash and cash equivalents	76 578	114 183
Other assets	1 967	3 090
	<u>367 087</u>	<u>455 487</u>
Assets of disposed segment	-	19 911
Total current assets	<u>367 087</u>	<u>475 398</u>
TOTAL ASSETS	<u>1 399 202</u>	<u>1 465 405</u>

**SISTEMA PJSC AND SUBSIDIARIES**
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND DECEMBER 31, 2018 (CONTINUED)
(Amounts in millions of Russian roubles)

	June 30, 2019	December 31, 2018
LIABILITIES AND EQUITY		
SHAREHOLDERS' EQUITY:		
Share capital	869	869
Treasury shares	(4 329)	(4 759)
Additional paid-in capital	75 421	73 375
Retained earnings	(41 455)	(63 572)
Accumulated other comprehensive (loss)/income	3 975	11 204
Equity attributable to shareholders of Sistema JSFC	34 481	17 117
Non-controlling interests	27 596	45 911
TOTAL EQUITY	62 077	63 028
NON-CURRENT LIABILITIES:		
Borrowings	540 047	592 442
Lease liabilities	182 493	183 161
Bank deposits and liabilities	4 952	3 414
Deferred tax liabilities	37 985	40 161
Provisions	6 194	4 368
Liability to Rosimushchestvo	7 351	8 097
Other financial liabilities	2 318	1 473
Other liabilities	6 295	6 546
Total non-current liabilities	787 635	839 662
CURRENT LIABILITIES:		
Borrowings	162 662	105 893
Lease liabilities	25 104	24 206
Accounts payable	107 814	126 917
Bank deposits and liabilities	136 003	129 872
Income tax payable	1 818	2 775
Other taxes payable	18 884	20 409
Dividends payable	24 344	4 415
Provisions	11 444	73 244
Liability to Rosimushchestvo	7 635	8 113
Contract liabilities and other non-financial liabilities	50 215	50 141
Other financial liabilities	3 567	9 904
Liabilities of disposed segment	549 490	555 889
Total current liabilities	549 490	562 715
TOTAL LIABILITIES	1 337 125	1 402 377
TOTAL LIABILITIES AND EQUITY	1 399 202	1 465 405

SISTEMA PJSFC AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(Amounts in millions of Russian roubles)

	Six months ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Loss)/profit for the period	39 818	12 797
Adjustments to reconcile net income to net cash provided by operations (including discontinued operations):		
Depreciation and amortization	67 187	64 759
Share of the profit or loss of associates and joint ventures, net	566	(1 767)
Finance income	(4 029)	(3 695)
Finance costs	49 487	33 308
Income tax expense	8 930	9 254
Currency exchange loss/(gain)	(12 151)	7 208
Gain from discontinued operations	(23 752)	388
(Profit)/loss on disposal of property, plant and equipment	(1 102)	(1 247)
Impairment loss on loans receivable	1 539	1 728
Dividends received from associates and joint ventures	1 990	1 551
Non-cash compensation to employees	541	287
Impairment of long-lived assets	146	379
Impairment of financial assets	1 614	2 526
Other non-cash items	(193)	2 300
	130 591	129 776
Movements in working capital:		
Bank loans to customers and interbank loans due from banks	(13 191)	9 055
Bank deposits and liabilities	9 953	9 360
Restricted cash	1 245	(4 351)
Financial assets/liabilities at fair value through profit or loss	5 170	2 561
Accounts receivable and contract assets	(3 557)	(4 997)
Advances paid and prepaid expenses	47	(2 557)
Other taxes receivable	(2 667)	(3 083)
Inventories	(1 274)	(19 510)
Accounts payable	(14 826)	(6 142)
Subscriber prepayments	791	582
Other taxes payable	(207)	3 255
Advances received and other liabilities	3 749	492
Payment in accordance with the Settlement agreement		(80 000)
Payment of fines and penalties related to SEC investigation into former operations in Uzbekistan	(55 607)	
Interest paid ³	(41 784)	(31 460)
Income tax paid	(18 127)	(12 338)
	(9 357)	(9 357)
NET CASH PROVIDED BY OPERATING ACTIVITIES	306	(9 357)

³ Including RUB 9,477 mln of lease interest paid for 6 months 2019 out of which RUB 8,744 mln relate to lease that would have been classified as operating under «old» standards

SISTEMA PJSC AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018 (CONTINUED)
(Amounts in millions of Russian roubles)

	Six months ended June 30,	
	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchases of property, plant and equipment and investment property	(36 774)	(36 576)
Proceeds from sale of subsidiaries net of cash disposed	10 786	-
Proceeds from sale of property, plant and equipment	2 939	2 678
Payments to obtain and fulfill contracts	(2 207)	(2 104)
Payments for purchases of intangible assets	(12 800)	(13 140)
Payments for businesses, net of cash acquired	(2 689)	(2 988)
Payments for investments in associates and joint ventures	(16 288)	(4 348)
Proceeds from disposal of investments in affiliated companies	524	114
Payments for purchases of financial assets, long-term	(9 848)	(10 809)
Proceeds from sale of financial assets, long-term	1 247	1 895
Payments for financial assets, short-term	(3 877)	(28 111)
Proceeds from sale of financial assets, short-term	28 019	31 260
Interest received	4 199	6 905
Other	1 105	(926)
NET CASH USED IN INVESTING ACTIVITIES	(35 664)	(56 150)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	110 706	207 631
Principal payments on borrowings	(84 552)	(87 637)
Lease liabilities payments ⁴	(11 256)	(10 230)
Acquisition of non-controlling interests in existing subsidiaries	(14 156)	(5 572)
Proceeds from sale of treasury stock	233	-
Proceeds from capital transactions with non-controlling interests	69	-
Dividends paid	(1 753)	(1 496)
Debt issuance costs	(50)	(595)
Cash outflow under credit guarantee agreement related to foreign-currency hedge	-	(981)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	(759)	101 120
Effect of foreign currency translation on cash and cash equivalents	(1 488)	1 969
Net decrease in cash and cash equivalents	(37 605)	37 582
Cash and cash equivalents at the beginning of the period	114 183	59 959
Cash and cash equivalents at the end of the period	76 578	97 541

⁴ Including RUB 10,865 mln of payments for 6 months 2019 under lease that would have been classified as operating in accordance with «old» standards



SISTEMA PJSC AND SUBSIDIARIES
UNAUDITED SEGMENTAL BREAKDOWN FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(Amounts in millions of Russian roubles)

	External revenues		Inter-segment revenue		Segment operating income/ (loss)	
	6m2019	6m2018	6m2019	6m2018	6m2019	6m2018
MTS	241 284	229 907	1 890	1 062	58 679	54 356
Detsky Mir	55 898	48 115	1	1	4 720	3 493
RTI	8 438	9 162	27	52	(1 582)	(608)
Corporate	1 067	996	456	408	(4 456)	(3 500)
Total reportable segments	306 687	288 180	2 374	1 523	57 360	53 740
Other	72 958	56 994	849	774	6 811	4 353
	379 645	345 174	3 223	2 297	64 171	58 093
Inter-segment eliminations					(5 868)	218
Operating income					58 303	58 311
Finance income					4 029	3 622
Finance costs					(49 486)	(32 270)
Foreign currency exchange loss					8 708	(7 259)
Profit before tax					21 553	22 403

Appendix 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>	2Q 2019	2Q 2018	6M 2019	6M 2018
Operating income	30,418	31,820	58,302	58,311
Accruals related to LTI program at portfolio companies	270	479	663	626
Other non-recurring (gains) / losses, net	-	(44)	382	923
Provisions for amounts due under contracts with clients at RTI	831	-	1,006	-
Adjusted operating income	31,519	32,255	60,353	59,860
Depreciation and amortisation	34,059	32,463	67,187	64,127
Adjusted OIBDA	65,578	64,718	127,541	123,986

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

<i>RUB millions</i>	2Q 2019	2Q 2018	6M 2019	6M 2018
Net profit / (loss) attributable to Sistema	6,540	(1,676)	23,181	(2,919)
Accruals related to LTI program at portfolio companies	203	392	462	453
Other non-recurring (gains) / losses, net	-	(44)	382	923
Provisions for amounts due under contracts with clients at RTI	723	-	875	-
Provision for liability with regards to the U.S. Department of Justice and the U.S. Securities and Exchange Commission investigation, including revaluation (MTS)	-	-	(1,722)	-
Adjusted net profit / (loss) attributable to Sistema	7,466	(1,328)	23,179	(1,542)

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

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

<i>RUB millions</i>	As of June 30, 2019	As of March 31, 2019
Long-term borrowings	540,047	572,745
Short-term borrowings	162,662	153,654
Liability to Rosimushchestvo	14,703	15,090
Total borrowings	717,412	741,489
Consolidated finance lease ¹	17,944 ²	18,051 ³
Consolidated total debt	735,356	759,540

¹ In accordance with the standard IAS 17

² Including RUB 1,363 million of short-term finance lease.

³ Including RUB 1,307 million of short-term finance lease.



Cash and cash equivalents	(76,578)	(104,176)
Deposits in banks	(3,081)	(2,749)
Consolidated net debt	655,871	652,615