



FOR IMMEDIATE RELEASE

SISTEMA ANNOUNCES FINANCIAL RESULTS FOR THE SECOND QUARTER 2016

Moscow, Russia – 30 August 2016 – Sistema PJSC (“Sistema” or the “Company”, together with its subsidiaries, “the Group”) (LSE: SSA, MOEX: AFKS), a publicly-traded diversified holding company operating primarily in Russia and the CIS, today announces its unaudited consolidated financial results in accordance with International Financial Reporting Standards (IFRS) for the quarter ended 30 June 2016.

OPERATIONAL AND STRATEGIC PROGRESS

- Strong top-line growth across the breadth of the portfolio
- Detsky Mir, Segezha Group and new assets in agriculture are important growth drivers
- Significant progress achieved on deleveraging plan in 2016 year-to-date
- Board of Directors decision taken to pay Sistema’s first interim dividend under new dividend policy

SECOND QUARTER FINANCIAL RESULTS

- Consolidated revenues grew by 8.0% YoY to RUB 177.1 billion
- OIBDA¹ up 6.5% YoY to RUB 46.2 billion with an OIBDA margin of 26.1%
- Adjusted profit attributable to Sistema of RUB 149 million
- Net debt² at the Corporate Centre level amounted to RUB 67.7 billion as at 30 June 2016
- As at 30 June 2016, cash position³ at the Corporate Centre level amounted to RUB 38.8 billion, excluding RUB 8.5 billion represented by deposits

Mikhail Shamolin, President and Chief Executive Officer of Sistema, said:

“Sistema delivered solid financial results in the second quarter of 2016, with continued top-line growth across almost all of our portfolio companies. Despite robust market competition and a challenging operating environment, MTS again outperformed its peers with revenue growth of 5%, driven primarily by rising handset sales and strong data revenue in Russia and Ukraine. Children’s goods retailer Detsky Mir and pulp and paper holding Segezha Group remained Sistema’s primary growth drivers, recording revenue growth of 38% and 28%, respectively.

“Our newly consolidated agricultural assets are rapidly gaining scale, while improving operational efficiency and implementing state-of-the-art technologies. This diversified business is transforming into one of our most promising assets in terms of value creation, and has started to make a notable contribution to our overall performance.

“Together, our non-listed assets more than doubled their combined OIBDA year-on-year, contributing 15% to the Group’s total OIBDA as compared to 7% in the same quarter last year. This in particular reflects new asset consolidations as well as OIBDA growth at Detsky Mir (+156% year-on-year) and Segezha (+60% year-on-year).”

“Finally, we continue to focus on increasing pay-outs to Sistema shareholders. Earlier this year we paid out RUB 6.5 billion in dividends for 2015, and in August Sistema’s Board of Directors recommended we pay our first interim dividend, as per the new dividend policy, of a total of RUB 3.7 billion. The increase in dividend distribution is an important sign that we remain on track to further grow the value of Sistema’s assets in any environment while enhancing the Group’s financial stability and its capacity to generate shareholder returns.”

Vsevolod Rozanov, Senior Vice President and Chief Financial Officer of Sistema, added:

“The underlying quality of Sistema’s assets and our track record of monetising our investments have enabled us to continue to reduce debt and optimise our liabilities. During the second and third quarters of 2016 we repaid in full the debt guaranteed by Sistema at our Indian subsidiary SSTL, and exercised an early redemption of our more expensive local bonds worth RUB 10 billion. While we continue to work on the merger of SSTL’s telecommunications business with RCom, one of the leading telecom

¹ See Attachment A for definitions and reconciliation of OIBDA to IFRS financial measures.

² Including highly liquid deposits and liquid financial investments, based on management accounts. See Attachment A for reconciliation to IFRS financial measures.

³ Including highly liquid deposits and liquid financial investments, based on management accounts. See Attachment A for reconciliation to IFRS financial measures.

operators in India, we also reached an agreement with the Russian Government regarding its put option on SSTL shares whereby the acquisition of the Russian Federation's stake in the company has been extended over the course of the next five years”.

“We plan to maintain our focus on deleveraging in the second half of the year and expect our liquidity to remain strong, positioning us well for exploring new attractive M&A opportunities and further delivering on our strategy.”

Conference call information

Sistema's management will host a conference call today at 10:00 am (EST)/ 3:00 pm (London time) / 4:00 pm (CET)/ 5:00 pm (Moscow time) to present and discuss the second quarter 2016 results.

The dial-in numbers for the conference call are:

Russia

+7 495 705 9451

8 800 500 9311 (toll free)

United Kingdom

+44 20 3427 1907

0800 279 4992 (toll free)

United States

+1 646 254 3367

+1 877 280 2342 (toll free)

Conference ID: 5267232

Alternatively, you can quote the conference call title: “Sistema Second Quarter 2016 Financial Results”.

A replay of the conference call will be available on the Company's website www.sistema.com for at least seven days after the event.

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

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FINANCIAL SUMMARY AND GROUP OPERATING REVIEW

<i>(RUB millions)</i>	2Q 2016	2Q 2015	Change	1Q 2016	Change
Revenues	177,125	163,996	8.0%	173,320	2.2%
OIBDA	46,163	43,327	6.5%	44,273	4.3%
Operating income	20,953	20,698	1.2%	19,910	5.2%
Profit attributable to Sistema	149	15,173	(99.0%)	2,486	(94.0%)
<i>Adjusted profit attributable to Sistema</i>	149	6,353	(97.6%)	2,486	(94.0%)

In the second quarter of 2016 Sistema's consolidated revenues increased by 8.0% year-on-year largely as a result of handset sales and data traffic revenue growth at MTS, the continued expansion of Detsky Mir's business in line with the company's strategy to grow its market share in Russia, as well as robust revenue growth at Segezha supported by the rouble devaluation and consolidation of Lesosibirsk LDK No. 1, one of the largest vertically integrated wood processing enterprises in Russia.

The 2.2% quarter-on-quarter increase in Group revenues was mainly driven by stronger revenue at RTI, the continued growth at Detsky Mir, as well as seasonally stronger revenues at Agroholding Steppe.

Group selling, general and administrative expenses (SG&A) increased by 10.9% year-on-year to RUB 38.4 billion, reflecting higher SG&A at MTS as the retail network continued to grow, expansion of Detsky Mir's business and consolidation of new assets. SG&A at the Corporate Centre contracted by 6.4% year-on-year to RUB 1.8 billion. Depreciation and amortisation expenses increased by 11.4% year-on-year and by 3.5% quarter-on-quarter to RUB 25.2 billion.

In the reporting quarter, Group OIBDA increased by 6.5% year-on-year and by 4.3% quarter-on-quarter to RUB 46.2 billion. MTS Bank improved its OIBDA performance thanks to lower provision charges and a focus on cost optimisations. Detsky Mir, where OIBDA increased by 155.6% year-on-year, and Segezha, where OIBDA increased by 60.1% year-on-year, were also strong drivers of OIBDA growth. The Group's adjusted OIBDA margin was 26.1% in the reporting quarter, compared to 26.4% in the corresponding period of 2015 and 25.5% in the first quarter of 2016.

Adjusted profit attributable to Sistema declined by 97.6% year-on-year and 94.0% quarter-on-quarter to RUB 149 million in the reporting quarter largely due to the decline in profit at MTS stemming from the company's lower OIBDA and higher finance costs due to the repurchase of USD 267 million of MTS's outstanding 2020 Eurobond Notes. A year-on-year and quarter-on-quarter decline in FX gains at MTS and at the Corporate Centre was another factor impacting the adjusted profit.

OPERATING REVIEW⁴

MTS

<i>(RUB millions)</i>	2Q 2016	2Q 2015	Change	1Q 2016	Change
Revenues	108,136	102,690	5.3%	108,090	0.0%
OIBDA ⁵	40,574	42,036	(3.5%)	40,475	0.2%
Operating income	19,742	21,815	(9.5%)	20,226	(2.4%)
Profit attributable to Sistema	4,842	9,129	(47.0%)	7,756	(37.6%)

In the second quarter of 2016, MTS revenues grew 5.3% year-on-year mainly driven by stronger retail sales and growth in data traffic consumption in Russia and Ukraine.

OIBDA decreased by 3.5% year-on-year, while it remained substantially flat quarter-on-quarter. The OIBDA margin declined 3.4 percentage points year-on-year to 37.5% mainly due to lower-margin handset sales accounting for a larger share of MTS' overall revenues (10% in the second quarter), weaker mobile services usage, lower margins on roaming, and expenses related to expanding the retail network.

Profit attributable to Sistema declined to RUB 4.8 billion as a result of lower OIBDA as well as higher finance costs due to the repurchase of USD 267 million of the company's outstanding 2020 Eurobond Notes.

Significant events after the end of the reporting period

In August 2016, MTS announced the reduction of its authorised capital to 1,998,381,575 outstanding ordinary registered shares or RUB 199.8 million, from 2,066,413,562 shares or RUB 206.6 million through cancellation of 68,031,987 treasury shares.

In August 2016 MTS completed payments of 2015 dividends totalling RUB 28.0 billion, or RUB 14.01 per ordinary MTS share (RUB 28.02 per ADR).

In August 2016, MTS sold its 50.01% stake in Uzbekistan telecommunications operator Universal Mobile Systems (UMS) to the State Unitary Enterprise Centre of Radio Communication, Radio Broadcasting and Television of The Ministry of Development of Information Technologies and Communications of the Republic of Uzbekistan.

In July 2016 the MTS Board of Directors recommended that an Extraordinary General Meeting of Shareholders (EGM) approve semi-annual dividends for the first half of 2016 in the amount of RUB 11.99 per ordinary MTS share (RUB 23.98 per ADR), or a total of RUB 24.0 billion.

Detsky Mir

<i>(RUB millions)</i>	2Q 2016	2Q 2015	Change	1Q 2016	Change
Revenues	17,322	12,592	37.6%	16,414	5.5%
OIBDA	1,605	628	155.6%	806	99.2%
Operating income	1,204	401	200.7%	435	176.7%
Profit attributable to Sistema	394	344	14.4%	76	415.6%

Detsky Mir's revenues increased by 37.6% year-on-year to RUB 17.3 billion in the second quarter of 2016 mainly due to a 13.0% rise in like-for-like sales and increased traffic at existing stores. The like-for-like growth in the number of checks was 2.4%, despite generally weaker Russian consumer demand. E-commerce remained Detsky Mir's fastest growing segment, with sales increasing 3.2 times year-on-year in the reporting quarter.

Detsky Mir's OIBDA increased by 155.6% year-on-year and 99.2% quarter-on-quarter to RUB 1.6 billion driven by improved operational efficiency. The group's SG&A as a percentage of revenues was 24%, a 4 percentage point decrease year-on-year, in particular due to automation of certain business processes.

Profit attributable to Sistema rose by 14.4% year-on-year to RUB 394 million.

Detsky Mir added 15 new stores in the second quarter of 2016, bringing the total number of stores to 444. Total retail space rose to 511,000 square metres by the end of the quarter, having increased by 28% over the previous twelve months.

Significant events after the end of the reporting period

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.

⁵ Including share in net losses of MTS Bank

Detsky Mir paid RUB 1.3 billion in dividends in the third quarter of 2016.

Segezha Group

<i>(RUB millions)</i>	2Q 2016	2Q 2015	Change	1Q 2016	Change
Revenues	10,028	7,844	27.8%	11,377	(11.9%)
OIBDA	2,222	1,387	60.2%	2,407	(7.7%)
Operating income	1,350	786	71.7%	1,740	(22.4%)
Profit attributable to Sistema	488	333	46.6%	1,005	(51.5%)

Segezha Group's 27.8% year-on-year increase in revenues was driven by an increase in the sale of paper and paper sacks, as well as sawn lumber and plywood, supported by stronger EUR and USD exchange rates, the addition of paper packaging production capacity in Segezha and the Rostov region and the consolidation of Lesosibirsk LDK No. 1. The revenue decline of 11.9% quarter-on-quarter was due to a 9.6% depreciation in the average EUR exchange rate vs. the RUB, as well as a decline in paper and plywood prices on dollar markets.

During the reporting period Segezha's OIBDA increased by 60.2% to RUB 2.2 billion. An OIBDA margin increase of 4.5 percentage points year-on-year to 22.2% was facilitated by revenue trends as well as the implementation of measures to optimise production costs of paper, plywood and fibreboard. On a quarter-on-quarter basis, OIBDA decreased by 7.7%, mainly as a result of the quarter-on-quarter decline in revenue.

Profit attributable to Sistema grew by 46.6% year-on-year to RUB 488 million, while it declined 51.5% quarter-on-quarter. The decline was in particular the result of OIBDA trends as well as an increase in interest expense as the holding continues to finance its extensive CAPEX programme.

Major capital investments in the second quarter of 2016 were the modernisation of Segezha Pulp & Paper Plant, the construction of a new plywood plant, the project to increase the production of paper sacks and the second phase of the logging equipment update. During the quarter, Segezha Group also increased its ownership of Lesosibirsk LDK No. 1 to 99%.

RTI

<i>(RUB millions)</i>	2Q 2016	2Q 2015	Change	1Q 2016	Change
Revenues	11,418	16,846	(32.2%)	8,722	30.9%
OIBDA	856	1,222	(29.9%)	807	6.0%
Operating income	247	616	(59.8%)	233	6.1%
(Loss)/ profit attributable to Sistema	(590)	176	-	(675)	-

RTI's revenues declined by 32.2% year-on-year in the reporting quarter, primarily due to the disposal of the Information and Communications Technology (ICT) business unit in 2015, and also as a result of lower revenue in the Defense Solutions business unit due to uneven distribution of revenue from certain contracts over the course of the year.

Lower OIBDA and OIBDA margin in the second quarter came as a result of a one-off effect of provisions for accounts receivable and inventory in the Microelectronics business unit.

RTI's SG&A decreased by 30.3% year-on-year mainly due to the disposal of ICT.

Targin

<i>(RUB millions)</i>	2Q 2016	2Q 2015	Change	1Q 2016	Change
Revenues	6,604	6,116	8.0%	6,830	(3.3%)
OIBDA	769	917	(16.1%)	866	(11.2%)
Operating income	189	548	(65.5%)	307	(38.6%)
(Loss)/ profit attributable to Sistema	(9)	415	-	109	-

Targin's revenues increased by 8.0% year-on-year in the second quarter to RUB 6.6 billion as a result of a 4% increase in drilling volumes and a 3% increase in transportation services volumes following the addition of new clients. In the reporting quarter, Targin's OIBDA decreased by 16.1% year-on-year and the OIBDA margin declined 3.4 percentage points due to expenses incurred in the roll-out of new services – directional drilling, drill bit completion, well completion and downhole work – as well as a temporary decrease in the profitability of a number of large contracts in the Drilling division due to increased prices for consumable material and subcontracted services.

Targin is carrying out an investment programme aimed at expanding its product portfolio, developing new technologies and modernising its equipment. In the second quarter of 2016 Targin continued to borrow to fund key investment projects, which in turn put additional pressure on profit performance.

Medsi

<i>(RUB millions)</i>	2Q 2016	2Q 2015	Change	1Q 2016	Change
Revenues	2,307	2,037	13.3%	2,253	2.4%
OIBDA	129	184	(30.2%)	43	200.1%
Operating loss	(177)	(2)	-	(263)	-
Loss attributable to Sistema	(238)	(89)	-	(244)	-

Medsi's revenues increased by 13.3% year-on-year as a result of higher traffic from patients covered by insurance as well as a 13% increase in unique patients paying out-of-pocket supported by the opening of the Clinical-Diagnostic Centre (CDC) at Krasnaya Presnya in the fourth quarter of 2015. Revenues at that facility increased 2.2 times on a quarter-on-quarter basis.

Revenues at Medsi's largest facility, the CDC at Belorusskaya, rose by 7.3% year-on-year as a result of an increase in average check.

Medsi's OIBDA declined 30.2% year-on-year to RUB 129 million. In the first half of the year OIBDA was under pressure from the phased roll-out of the new Krasnaya Presnya CDC (64 medical offices were in operation by the end of the second quarter), in line with Medsi's business plan.

Medsi and MTS Bank launched a joint initiative in July 2016 whereby customers can receive a consumer finance loan to cover an annual programme of medical services, treatment and diagnostics at Medsi clinics.

Bashkirian Power Grid Company (BPGC)

<i>(RUB millions)</i>	2Q 2016	2Q 2015	Change	1Q 2016	Change
Revenues	3,461	3,287	5.3%	4,088	(15.4%)
OIBDA	1,104	1,059	4.2%	1,476	(25.2%)
Operating income	560	513	9.3%	859	(34.8%)
Profit attributable to Sistema	474	581	(18.4%)	693	(31.6%)

In the second quarter of 2016, BPGC's revenues grew by 5.3% year-on-year, mainly as a result of an increase in electricity transmission tariffs that came into force on 1 July 2015 as well as a higher number of connections. A quarter-on-quarter decrease in revenue of 15.4% reflects the seasonal decline in electricity consumption.

OIBDA increased by 4.2% year-on-year mainly as a result of stronger revenues.

BPGC's profit declined 18.4% year-on-year to RUB 474 million in particular due to a reduction in interest income.

BPGC's main capital expenditures in the second quarter of 2016 related to connecting customers, deployment of energy-saving and energy-efficiency technologies, creation of automated remote control and connectivity systems and an automated management system, as well as the acquisition of electricity networks in Bashkiria's largest city, Ufa.

Agroholding Steppe

<i>(RUB millions)</i>	2Q 2016	2Q 2015	Change	1Q 2016	Change
Revenues	1,776	50	3,452.0%	1,097	61.9%
OIBDA	523	(42)	-	180	190.8%
Operating income/ (loss)	233	(49)	-	(70)	-
Loss attributable to Sistema	(122)	(194)	-	(208)	-

In the second quarter of 2016 Agroholding Steppe delivered RUB 1,8 billion in revenue and RUB 523 million in OIBDA with an OIBDA margin of 29.5%. Steppe's financial performance in the quarter and for the first six months of 2016 reflects strong seasonality of its businesses with most revenues in open-field crop production and fruit production recognised in the second half of the year.

Steppe's significant increase in year-on-year revenue and operating income is primarily the result of the consolidation of new assets in open-field crop production, dairy, fruit production and vegetable production in the second half of 2015 and the second quarter of 2016. The quarter-on-quarter increase of revenue and OIBDA of 61.9% and 190.8%, respectively, is largely the result of seasonality.

Steppe's key capital expenditure plans in 2016-2017 are modernisation of its greenhouse complex, building a 1,800-cow dairy farm and expanding the size of its orchards.

Sistema is making significant investments in its agricultural assets. The Group added 110,000 hectares to its land bank with an acquisition in May and plans to continue to expand the land bank.

Sistema Shyam TeleServices Ltd. (SSTL)

<i>(RUB millions)</i>	2Q 2016	2Q 2015	Change	1Q 2016	Change
Revenues	3,440	3,076	11.8%	3,964	(13.2%)
OIBDA	(444)	(373)	-	47	-
Operating loss	(662)	(537)	-	(196)	-
Loss attributable to Sistema	(1,468)	(1,685)	-	(1,177)	-

SSTL's revenue grew by 11.8% year-on-year to RUB 3.4 billion due to an increase in data revenues, as the company's data subscriber base increased to 2,026 thousand subscribers as of 30 June 2016 from 1,948 thousand subscribers as of the beginning of the second quarter.

SSTL's OIBDA loss was RUB 444 million in the second quarter. In Indian rupees SSTL narrowed its OIBDA loss year-on-year by 5.1% year-on-year.

In November 2015, Sistema and SSTL entered into an agreement to merge SSTL's telecommunications business with the business of Reliance Communications (RCom), one of India's leading telecom operators. Completion of the transaction is conditional upon a number of approvals being obtained. As of mid-August 2016, the transaction has been approved by the Securities and Exchange Board of India (SEBI), the Competition Commission of India, India's tax authorities, as well as the shareholders and creditors of RCom and SSTL. The Rajasthan and Bombay High Courts' consideration of the transaction is coming to an end now, with final decisions expected to be received in September 2016. Due to the new frequency auction announced by the Indian Government, all consolidation transactions have been suspended until the auction's completion, with the final approval of the transaction with RCom by the Department of Telecommunications of India expected in the fourth quarter of 2016.

MTS Bank

<i>(RUB millions)</i>	2Q 2016	2Q 2015	Change	1Q 2016	Change
Revenues	5,087	6,824	(25.4%)	5,373	(5.3%)
OIBDA	(777)	(2,346)	-	26	-
Operating loss	(950)	(2,530)	-	(148)	-
Loss attributable to Sistema	(819)	(2,173)	-	(143)	-

MTS Bank's revenues declined year-on-year and quarter-on-quarter due to a contraction of the bank's balance sheet and net assets.

A decrease in provisions enabled the bank to reduce its OIBDA loss to RUB 777 million in the second quarter of 2016 as compared to a loss of RUB 2.3 billion for the same period in 2015. This factor also supported the bank's improvement in bottom line performance.

In line with MTS Bank's objective to maintain healthy capital adequacy ratios, its shareholders meeting held in July 2016 took the decision to increase the bank's charter capital by issuing 10 million shares in a closed subscription offered to Sistema Group companies. The offering price of the shares will be determined by the MTS Bank Board of Directors.

MTS Bank's strategic priorities include the development of its retail business by leveraging the MTS client base and retail network, as well as building a quality credit portfolio among mid-sized businesses and companies within the Sistema Group.

Binnopharm

<i>(RUB millions)</i>	2Q 2016	2Q 2015	Change	1Q 2016	Change
Revenues	506	383	32.1%	312	62.2%
OIBDA	80	38	111.3%	2	5028.3%
Operating income/ (loss)	6	(1)	-	(30)	-
Loss attributable to Sistema	(31)	(5)	-	(29)	-

In the reporting quarter, Binnopharm's revenues grew by 32.1% year-on-year and by 62.2% quarter-on-quarter driven by a contract for the Regevak B vaccine with the National Immunobiological Company and increased sales of Binnopharm's own drugs on the back of its strengthened marketing and sales capacities. Sales of Salbutamol rose 1.6 times year-on-year and sales of Noben rose 5.8 times year-on-year in the quarter.

OIBDA increased 2.1 times year-on-year to RUB 80 million, as lower margin distribution sales accounted for 14% of revenues in the second quarter, versus 56% during the same period last year.

Binnopharm's loss of RUB 31 million in the second quarter was primarily due to higher amortisation costs and debt service expenses.

Intourist

<i>(RUB millions)</i>	2Q 2016	2Q 2015	Change	1Q 2016	Change
Revenues	618	588	5.1%	519	18.9%
OIBDA	81	105	(22.6%)	35	132.5%
Operating income/ (loss)	21	54	(61.2%)	(30)	-
Loss attributable to Sistema	(31)	(2)	-	(74)	-

Intourist's revenues increased by 5.1% year-on-year in the second quarter of 2016 thanks to higher sales at its hotels in Italy and the Czech Republic, in part as a result of the weaker rouble relative to the EUR and Czech krona.

As of the end of the second quarter 2016, Intourist managed seven hotels across Russia, Italy, the Czech Republic and Namibia. The number of hotel rooms under Intourist's management decreased 5.2% quarter-on-quarter to 2,370 due to ending of a lease agreement with a 131-room hotel in Yelets.

Corporate

<i>(RUB millions)</i>	2Q 2016	2Q 2015	Change	1Q 2016	Change
OIBDA	(1,555)	(2,496)	-	(2,434)	-
(Loss) / profit	(2,242)	8,166	-	(4,230)	-
Indebtedness	106,477	69,120	54.0%	110,612	(3.7%)

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

In the second quarter of 2016, the Corporate Centre's SG&A decreased by 6.4% year-on-year and by 3.9% quarter-on-quarter to RUB 1.8 billion.

KEY GROUP HIGHLIGHTS IN 2Q 2016 AND AFTER THE REPORTING PERIOD

In August 2016 Sistema exercised an early redemption of its 15-year RUB 10 billion BO-01 series exchange-traded bond issue. The bonds were redeemed at par value and the Company also paid out the coupon for the third coupon period in the amount of RUB 847.7 million.

In August 2016 Sistema's Board of Directors recommended an interim dividend for the first six months of 2016 totalling RUB 3.667 billion (RUB 0.38 per ordinary share or RUB 7.6 per GDR). An Extraordinary General Meeting of Shareholders will vote on the dividend in absentia through 23 September 2016. The proposed record date is 7 October 2016.

In July 2016 Sistema paid out a dividend for 2015 of RUB 6.47 billion (RUB 0.67 per ordinary share or RUB 13.4 per GDR).

In June 2016 Sistema announced the signing of an agreement with the Russian Federation whereby the Company will acquire 17.14% of the shares of telecommunications operator Sistema Shyam TeleServices Limited. Payment for the shares will be made to the Russian federal budget in instalments over a period of five years as follows: 30% in 2016, 25% in 2017, and 15% in each of 2018, 2019 and 2020.

In June 2016 Sistema subsidiary Sistema Finance S.A., sold 14,965,592 American Depositary Shares of PJSC MTS ("MTS"), representing 1.45% of MTS's share capital, to a non-affiliated buyer for a consideration of USD 123.5 million.

In June 2016 Sistema's 100%-owned subsidiary, Sistema Finance JSC, completed the acquisition of 98,250,000 Sistema ordinary shares, representing 1.02% of Sistema's share capital, for a total consideration of approximately RUB 2.1 billion from a non-affiliated seller. The shares were purchased for general corporate purposes, including the employee incentive programme.

In May 2016, Sistema's 100% subsidiary Agroholding Steppe acquired several companies in the Rostov and Stavropol regions controlling a total land bank of c. 110,000 hectares. As a result of completion of these transactions, the total land bank operated by Sistema's agricultural holding and its affiliates reached c. 247,000 hectares.

In April 2016, Sistema's Board of Directors approved a new dividend policy whereby the total dividend recommended by the Board for each reporting year will be, at a minimum, the higher of either an amount equivalent to a dividend yield of 4% per Sistema ordinary share or RUB 0.67 per Sistema ordinary share. Sistema will seek to distribute dividends twice per year.

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

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Sistema is a publicly-traded diversified Russian holding company serving over 150 million customers in the sectors of telecommunications, high technology, banking, retail, timber processing, agriculture, real estate, pharmaceuticals, tourism and healthcare services. The company was founded in 1993. Its revenue in 2015 reached RUB 708.6bn; its total assets equalled RUB 1.3tn as of 31 December 2015. Sistema's global depository receipts are listed under the symbol "SSA" on the London Stock Exchange. Sistema's ordinary shares are listed under the "AFKS" ticker on the Moscow Stock Exchange. Website: www.sistema.com

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

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

SISTEMA PJSFC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX AND THREE MONTHS ENDED JUNE 30, 2016 AND 2015
(Amounts in millions of Russian roubles, except for per share amounts)

	Six months ended June 30		Three months ended June 30	
	2016	2015	2016	2015
Revenue	350,445	331,705	177,125	163,997
Cost of sales	(179,749)	(169,581)	(91,365)	(83,406)
Selling, general and administrative expenses	(75,797)	(69,047)	(38,425)	(34,635)
Depreciation and amortisation	(49,573)	(46,945)	(25,210)	(22,629)
Impairment of long-lived assets	(328)	(678)	(328)	(678)
Impairment of financial assets	(1,836)	(3,546)	(898)	(1,034)
Taxes other than income tax	(2,959)	(3,766)	(808)	(1,722)
Share of the profit or loss of associates and joint ventures	2,258	1,758	1,396	710
Other income	1,043	565	770	528
Other expenses	(2,641)	(1,484)	(1,304)	(433)
OPERATING INCOME	40,863	38,981	20,953	20,698
Finance income	5,836	8,633	2,467	5,464
Finance costs	(32,257)	(24,065)	(16,999)	(11,937)
Currency exchange gain/(loss)	6,504	(223)	1,166	6,608
PROFIT BEFORE TAX	20,946	23,326	7,587	20,833
Income tax expense	(8,879)	(9,979)	(4,090)	(6,962)
PROFIT FROM CONTINUING OPERATIONS	12,067	13,347	3,497	13,871
Profit from discontinued operations	-	43,816	-	8,772
PROFIT FOR THE PERIOD	12,067	57,163	3,497	22,643
Non-controlling interests	(9,431)	(10,473)	(3,348)	(7,470)
PROFIT ATTRIBUTABLE TO SISTEMA PJSFC	2,636	46,690	149	15,173
Earnings per share (basic and diluted), Russian Rubles:				
From continuing operations	0.28	0.30	0.02	0.68
From continuing and discontinued operations	0.28	4.95	0.02	1.62

SISTEMA PJSFC AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2016 AND DECEMBER 31, 2015
(Amounts in millions of Russian roubles)

	June 30,	December 31,
	2016	2015
ASSETS		
NON-CURRENT ASSETS:		
Property, plant and equipment	419,641	423,626
Investment property	12,807	14,085
Goodwill	49,454	47,723
Other intangible assets	117,983	118,188
Investments in associates and joint ventures	24,834	22,219
Deferred tax assets	26,278	25,966
Loans receivable and other financial assets	105,939	112,236
Deposits in banks	38,153	45,696
Other assets	15,595	15,328
Total non-current assets	810,684	825,067
CURRENT ASSETS:		
Inventories	79,906	74,638
Accounts receivable	78,054	74,276
Advances paid and prepaid expenses	19,387	17,544
Current income tax assets	4,660	6,051
Other taxes receivable	18,270	20,993
Loans receivable and other financial assets	70,431	78,020
Deposits in banks	31,828	76,117
Other assets	1,845	2,101
Cash and cash equivalents	89,460	122,775
Restricted cash	9,009	-
Total current assets	402,850	472,515
TOTAL ASSETS	1,213,534	1,297,582

SISTEMA PJSFC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2016 AND DECEMBER 31, 2015 (CONTINUED)
(Amounts in millions of Russian roubles)

	June 30, 2016	December 31, 2015
LIABILITIES AND EQUITY		
SHAREHOLDERS' EQUITY:		
Share capital	869	869
Treasury shares	(6,745)	(4,806)
Additional paid-in capital	85,810	80,778
Retained earnings	114,954	118,615
Accumulated other comprehensive loss	(11,137)	(7,079)
Equity attributable to shareholders of Sistema	<u>183,751</u>	<u>188,377</u>
Non-controlling interests	54,899	62,013
TOTAL EQUITY	<u>238,650</u>	<u>250,390</u>
NON-CURRENT LIABILITIES:		
Borrowings	347,571	414,103
Bank deposits and liabilities	14,240	7,275
Deferred tax liabilities	46,665	42,826
Provisions	3,676	4,190
Liability to Rosimushchestvo	34,950	-
Other financial liabilities	21,621	28,224
Other liabilities	11,658	11,172
Total non-current liabilities	<u>480,381</u>	<u>507,790</u>
CURRENT LIABILITIES:		
Borrowings	138,538	142,657
Liabilities under put option agreements	11,497	65,684
Accounts payable	128,934	137,055
Bank deposits and liabilities	101,484	115,529
Advances received	28,173	24,953
Subscriber prepayments	16,700	20,955
Income tax payable	1,045	831
Other taxes payable	16,095	14,524
Dividends payable	21,054	210
Provisions	8,509	10,151
Liability to Rosimushchestvo	15,438	-
Other financial liabilities	7,036	6,853
Total current liabilities	<u>494,503</u>	<u>539,402</u>
TOTAL LIABILITIES	<u>974,884</u>	<u>1,047,192</u>
TOTAL LIABILITIES AND EQUITY	<u>1,213,534</u>	<u>1,297,582</u>

SISTEMA PJSFC AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(Amounts in millions of Russian roubles)

	Six months ended June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the period	12,067	57,163
Profit for the period from discontinued operations, net of tax effect	-	(43,816)
	<u>12,067</u>	<u>13,347</u>
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	49,573	46,945
Share of the profit or loss of associates and joint ventures	(2,258)	(1,758)
Finance income	(5,836)	(8,633)
Finance costs	32,257	24,065
Income tax expense	8,879	9,979
Currency exchange (gain)/loss	(6,504)	223
Loss from fair value adjustment of financial instruments through profit or loss	425	18
Loss on disposal of property, plant and equipment	55	338
Gain on disposal of subsidiaries	-	(202)
Amortization of connection fees	(491)	(569)
Impairment loss on loss receivable	3,207	6,863
Dividends received from associates and joint ventures	1,181	1,471
Non-cash compensation to employees	602	1,170
Impairment of financial assets	1,836	3,546
Impairment of long-lived assets	328	678
Other non-cash items	3,336	555
	<u>98,657</u>	<u>98,036</u>
Movements in working capital:		
Bank loans to customers and interbank loans due from banks	7,387	18,573
Bank deposits and liabilities	(7,081)	(19,264)
Restricted cash	(9,009)	-
Financial assets at fair value through profit or loss	(836)	3,032
Accounts receivable	(3,070)	9,773
Advances paid and prepaid expenses	(1,289)	2,017
Other taxes receivable	3,190	(2,975)
Inventories	(4,727)	(9,669)
Accounts payable	(4,285)	(428)
Subscriber prepayments	(3,763)	(2,552)
Other taxes payable	1,485	4,445
Advances received and other liabilities	988	8,188
Interest paid	(31,804)	(19,177)
Income tax paid	(6,383)	(7,003)
	<u>39,460</u>	<u>82,996</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>39,460</u>	<u>82,996</u>

SISTEMA PJSFC AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015 (CONTINUED)
(Amounts in millions of Russian roubles)

	Six months ended June 30,	
	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchases of property, plant and equipment	(37,414)	(53,148)
Proceeds from sale of property, plant and equipment	1,365	1,479
Proceeds from settlement with Ural-Invest	-	10,821
Payments for purchases of intangible assets	(17,278)	(21,041)
Payments for businesses, net of cash acquired	(5,432)	-
Payments for investments in associates and joint ventures	(1,980)	(1,323)
Payments for financial assets, long-term	(11,763)	(46,363)
Proceeds from sale of financial assets, long-term	3,971	1,405
Payments for financial assets, short-term	(11,681)	(25,026)
Proceeds from sale of financial assets, short-term	53,588	11,859
Interest received	5,808	7,868
Other	1,504	288
NET CASH USED IN INVESTING ACTIVITIES	(19,312)	(113,181)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	31,857	74,703
Principal payments on borrowings	(80,220)	(49,262)
Debt issuance costs	-	(1,137)
Acquisition of non-controlling interests in existing subsidiaries	(2,078)	-
Payments to purchase treasury stock	(2,082)	(457)
Proceeds from capital transactions with non-controlling interests	8,789	-
Cash outflow under credit guarantee agreement related to foreign-currency hedge	(1,034)	-
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES	(44,768)	23,847
Impairment of cash and cash equivalents	-	(1,697)
Effect of foreign currency translation on cash and cash equivalents	(8,695)	(4,868)
Net decrease in cash and cash equivalents	(33,315)	(12,903)
Cash and cash equivalents at the beginning of the period	122,775	119,967
Cash and cash equivalents at end of the period	89,460	107,064

SISTEMA PJSFC AND SUBSIDIARIES
UNAUDITED SEGMENTAL BREAKDOWN FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(Amounts in millions of Russian roubles)

	External revenues		Inter-segment revenue		Segment operating income	
	6m2016	6m2015	6m2016	6m2015	6m2016	6m2015
MTS	215,859	202,225	367	647	40,272	41,728
Detsky Mir	33,735	24,744	-	-	1,640	907
RTI	20,117	35,263	22	3,421	481	803
MTS Bank	10,330	13,627	130	293	(1,098)	(3,531)
SSTL	7,404	6,651	-	-	(858)	(2,068)
Corporate	920	960	511	439	(4,270)	(3,345)
Total reportable segments	288,365	283,470	1,030	4,800	36,167	34,494
Other	62,080	48,235	684	2,215	4,599	3,780
	350,445	331,705	1,714	7,015	40,766	38,274
Inter-segment eliminations					97	707
Operating income					40,863	38,981
Finance income					5,836	8,633
Finance costs					(32,257)	(24,065)
Foreign currency exchange loss					6,504	(223)
Profit before tax					20,946	23,326

	Additions to non-current assets		Depreciation and amortisation	
	6m2016	6m2015	6m2016	6m2015
MTS	42,270	60,685	41,080	40,669
Detsky Mir	426	1,679	771	410
RTI	1,506	1,769	1,183	1,291
MTS Bank	73	255	347	366
SSTL	176	750	462	399
Corporate	12	1,348	282	269
Other	10,230	7,704	5,449	3,541
	54,692	74,189	49,573	46,945

Attachment A

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

Adjusted profit/(loss) attributable to Sistema shareholders. The Company uses adjusted profit/(loss) attributable to Sistema shareholders to evaluate financial performance of the Group. This represents an underlying financial measure adjusted for a 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.

OIBDA can be reconciled to our consolidated statements of profit and loss as follows:

<i>RUB millions</i>	2Q 2016	2Q 2015	1Q 2016
Operating income	20,953	20,698	19,910
Depreciation and amortisation	25,210	22,629	24,363
OIBDA	46,163	43,327	44,273

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

<i>RUB millions</i>	2Q 2016	2Q 2015	1Q 2016
Net profit attributable to Sistema	149	15,173	2,486
Second settlement agreement with Ural-Invest	-	(8,820)	-
Adjusted profit attributable to Sistema	149	6,353	2,486

Net debt at the Corporate Centre level. We define net debt as indebtedness less cash, cash equivalents and other liquid deposits and financial instruments. The indebtedness is defined as long-term debt, including its current portion, and short-term debt. We believe that the presentation of net debt at the Corporate Centre level provides useful information to investors because we use this measure in our management of the Corporate Centre's liquidity, financial flexibility, capital structure and leverage. The IFRS financial measure most directly comparable to net debt at the Corporate Centre level is the indebtedness of our Corporate segment as reported in our segment disclosures. Net debt at the Corporate Centre level can be reconciled to the indebtedness of our Corporate segment as follows:

<i>RUB millions</i>	2Q 2016	2Q 2015	1Q 2016
Indebtedness	106,477	69,120	110,612
Cash and cash equivalents	(17,874)	(19,107)	(12,738)
Liquid financial investments	(20,905)	(5,232)	(21,082)
Net debt	67,697	44,780	76,792