



FOR IMMEDIATE RELEASE

SISTEMA ANNOUNCES FINANCIAL RESULTS FOR THE THIRD QUARTER 2016

Moscow, Russia – 28 November 2016 – Sistema PJSFC (“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 September 2016.

OPERATIONAL AND STRATEGIC PROGRESS

- Consolidated revenue and adjusted OIBDA growth driven by private subsidiaries
- MTS: continued outperformance relative to peers and strong focus on shareholder returns
- Successful asset monetisation with sales of stakes in SG-trans and MTS
- Significant progress on debt optimisation

THIRD QUARTER FINANCIAL RESULTS

- Consolidated revenues grew by 1.3% YoY to RUB 185.2 billion
- Adjusted OIBDA¹ rose 8.7% YoY to RUB 56.4 billion with an adjusted OIBDA margin of 30.5%
- Adjusted profit attributable to Sistema up 12.5 times YoY to RUB 6.0 billion
- Net debt² at the Corporate Centre level amounted to RUB 80.6 billion as at 30 September 2016
- As at 30 September 2016, the cash position³ at the Corporate Centre level was RUB 18.7 billion, excluding RUB 3.2 billion represented by deposits

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

“Sistema delivered another set of strong results in the third quarter of 2016, driven by impressive performance of private assets, which together increased revenues by 6% and more than doubled OIBDA year-on-year.”

“Despite a highly competitive environment and macroeconomic pressures impacting revenues and operating income, our largest asset, MTS, maintained its market share and reported healthy results, with an OIBDA margin of 41%, the highest and most resilient among its key competitors.”

“While MTS is positioned strongly to benefit from future easing of competition and macro recovery in Russia, it remains focused on remuneration to shareholders. The company distributed RUB 52 billion in dividends in the course of the year and also announced a share buyback of up to RUB 10 billion in the fourth quarter of 2016.”

“Superior revenue growth of our private subsidiaries was driven by continued expansion at Detsky Mir and Segezha Group, which posted revenue increases of 35% and 19% year-on-year, respectively. We also saw very solid results from Agroholding Steppe, which again confirm that this business is developing as a major driver of growth for the Group.”

“We maintain strong investment momentum across the most promising segments of our home market, Russia. After the end of the reporting period we expanded our agriculture portfolio with an acquisition of an additional 66,000 hectares in the south of Russia, bringing our total land bank to 313,000 hectares. Earlier this month we also acquired nine high-quality Regional Hotel Chain hotels located in Moscow and eight other cities in Russia, which brings the total number of hotel rooms operated by Sistema’s assets to over 3,660. We expect this transaction will position us to benefit from growth in domestic tourism while it also creates a basis for the restructuring and turnaround of our asset pool in the sector.”

“In the third quarter, we continued to monetise our assets, with the sale of a 50% stake in SG-trans and 1.27% of MTS. Successful divestments provide us with additional funds and help the Group to demonstrate to the market the value of its non-public businesses. In line with our strategy, we continue to consider options for further monetisation of Detsky Mir, including a private placement or an IPO, potentially as early as the first half of 2017.”

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.

“We are committed to increasing shareholder returns, and this year saw Sistema pay a total of RUB 10.1 billion in dividend, 123% growth vs. 2015.”

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

“In the third quarter of 2016, our adjusted OIBDA increased by 8.7% year-on-year, with over 21% of the portfolio’s total OIBDA coming from our private subsidiaries versus 10% in the same period of 2015. A significant contribution to this growth came from MTS Bank, which achieved profitability on both OIBDA and bottom-line levels due to improved operational performance.

“This year, we expect that strong growth at our private assets will result in their cash return to the Corporate Centre of over RUB 12 billion, which together with MTS dividends and asset monetisations will support our investment resources and deleveraging initiatives.

“After the reporting period we also continued our debt optimisation initiatives as we successfully placed local bonds totalling RUB 16.5 billion, replacing FX liabilities and lengthening repayment terms on rouble debt. We plan to further optimise the structure of our debt portfolio, which will position Sistema for continued growth and successful delivery on our strategic targets.”

Conference call information

Sistema’s management will host a conference call today at 9:00 am (EST) / 2:00 pm (London time) / 3:00 pm (CET) / 5:00 pm (Moscow time) to present and discuss the third quarter 2016 results.

The dial-in numbers for the conference call are:

Russia

+7 495 213 1767

8 800 500 9283 (toll free)

United Kingdom

+44 330 336 9105

0800 358 6377 (toll free)

United States

+1 719 325 4756

+1 800 347 6311 (toll free)

Conference ID: 2626901

Alternatively, you can quote the conference call title: “Sistema Third 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:

Investor Relations

Yuri Krebs

Tel: +7 (495) 730 66 00

y.krebs@sistema.ru

Public Relations

Sergey Kopytov

Tel.: +7 (495) 228 15 27

kopytov@sistema.ru

FINANCIAL SUMMARY AND GROUP OPERATING REVIEW

| <i>(RUB millions)</i> | 3Q 2016 | 3Q 2015 | Change | 2Q 2016 | Change |
|--|----------------|----------------|---------------|----------------|---------------|
| Revenues | 185,204 | 182,885 | 1.3% | 175,044 | 5.8% |
| Adjusted OIBDA | 56,425 | 51,898 | 8.7% | 45,935 | 22.8% |
| Operating income | 25,937 | 28,823 | (10.0%) | 21,391 | 21.3% |
| <i>Adjusted operating income</i> | 30,571 | 28,823 | 6.1% | 21,391 | 42.9% |
| Profit attributable to Sistema | 1,371 | 481 | 185.1% | 149 | 820.0% |
| <i>Adjusted profit attributable to Sistema</i> | 6,005 | 481 | 1,148.5% | 149 | 3,929.0% |

In the third quarter of 2016 Sistema's consolidated revenues increased by 1.3% year-on-year largely as a result of the continued expansion of Detsky Mir's business in line with the company's strategy to grow its market share in Russia, consolidation of new assets and strong results in agriculture, as well as robust growth at Segezha supported by increased production of paper sacks and doubling of sawn timber production following consolidation of Lesosibirsk Wood-Processing Plant No.1.

Group selling, general and administrative expenses (SG&A) increased by 11.0% year-on-year to RUB 37.5 billion, reflecting in particular higher SG&A at MTS as the retail network continued to grow, expansion of Detsky Mir's business and consolidation of new assets. Depreciation and amortisation expenses increased by 12.0% year-on-year and by 5.3% quarter-on-quarter to RUB 25.9 billion.

In the third quarter of 2016, Group adjusted OIBDA increased by 8.7% year-on-year largely due to MTS Bank's performance driven by improvement in net provision charges, as well as stronger OIBDA at Detsky Mir, Segezha and agriculture. Adjusted OIBDA increased by 22.8% quarter-on-quarter. The Group's adjusted OIBDA margin was 30.5% in the reporting quarter, compared to 28.4% in the corresponding period of 2015 and 26.2% in the second quarter of 2016.

Adjusted profit attributable to Sistema grew 12.5 times year-on-year to RUB 6.0 billion in the reporting quarter largely due to the improved result of MTS Bank. Adjusted profit attributable to Sistema increased quarter-on-quarter as a result of profit growth at MTS's Russia business and MTS Bank reaching profitability.

OPERATING REVIEW⁴

MTS

| <i>(RUB millions)</i> | 3Q 2016 | 3Q 2015 | Change | 2Q 2016 | Change |
|--------------------------------|----------------|----------------|---------------|----------------|---------------|
| Revenues | 112,181 | 113,709 | (1.3%) | 106,055 | 5.8% |
| OIBDA ⁵ | 45,769 | 47,092 | (2.8%) | 40,345 | 13.4% |
| Operating income | 24,230 | 27,667 | (12.4%) | 20,180 | 20.1% |
| Profit attributable to Sistema | 6,518 | 7,696 | (15.3%) | 4,842 | 34.6% |

In the third quarter of 2016, MTS's revenue declined by 1.3% year-on-year to RUB 112.2 billion, in particular due to weaker roaming traffic and lower revenue contributions from Ukraine and other subsidiaries outside Russia partially due to depreciation of local currencies against the RUB. On the quarter-on-quarter basis revenue was 5.8% stronger, mainly due to seasonal factors.

OIBDA was down by 2.8% year-on-year, reflecting roaming usage trends and the impact of continued expansion of the retail network. The OIBDA margin stood at 40.8%, largely flat year-on-year and up from 38.0% in the previous quarter.

Profit attributable to Sistema declined by 15.3% year-on-year to RUB 6.5 billion, affected by lower OIBDA and a RUB 2.7 billion loss on the disposal of MTS's Uzbekistan operations.

MTS continued to maintain its market share and expand its customer base. The total number of active subscribers grew by 2.5% over the 12 months ending 30 September 2016, to 108.8 million.

Significant events after the end of the reporting period

In November 2016, MTS completed payment of semi-annual dividends of RUB 11.99 per ordinary MTS share (RUB 23.98 per ADR), for a total of RUB 23.961 billion. Together with the earlier payment of RUB 28.0 billion based on MTS full year 2015 results, the total dividend paid per share in calendar year 2016 was RUB 26, a company record.

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 profit / loss of MTS Bank

In October 2016, MTS announced a purchase of its shares in the amount of up to RUB 10 billion, including through a tender offer, with a proposed return of approximately RUB 4,935 million to the company's minority shareholders at a price determined by a modified Dutch auction. Upon completion of the tender offer, Sistema will sell MTS shares proportionally to its effective stake in MTS at a price determined at the auction for a total consideration of up to approximately RUB 5,065 million.

Detsky Mir

| <i>(RUB millions)</i> | 3Q 2016 | 3Q 2015 | Change | 2Q 2016 | Change |
|--------------------------------|----------------|----------------|---------------|----------------|---------------|
| Revenues | 20,490 | 15,222 | 34.6% | 17,322 | 18.3% |
| OIBDA | 2,227 | 1,623 | 37.2% | 1,605 | 38.8% |
| Operating income | 1,823 | 1,395 | 30.7% | 1,204 | 51.3% |
| Profit attributable to Sistema | 753 | 289 | 161.1% | 394 | 91.3% |

Detsky Mir's revenues increased by 34.6% year-on-year to RUB 20.5 billion in the third quarter of 2016 mainly due to a 12.2% rise in like-for-like sales and stores opened in 2014-2015 reaching traffic maturity. Like-for-like growth in the number of tickets was 3.1%, the strongest growth rate since the second quarter of 2015.

Detsky Mir's OIBDA increased by 37.2% year-on-year to RUB 2.2 billion, driven by both revenue growth and improved operational efficiency. SG&A as a percentage of revenues continued to decline, totalling 22.7% in the reporting quarter, a 2.0 percentage point decrease year-on-year. This was the result of optimisation of key expense lines including salaries and rental costs.

Detsky Mir's e-commerce segment continued to grow rapidly with year-on-year sales growth of 2.8 times for the first nine months of 2016, in part due to synergies between the online store and the Detsky Mir retail chain.

Profit attributable to Sistema rose by 161.1% year-on-year to RUB 753 million.

Detsky Mir continues to implement a strategy focused on increasing market share in Russia. Detsky Mir Group opened 21 new stores in the reporting quarter, bringing the total number of stores to 464 as of 30 September 2016. Total selling space rose to 533,000 square metres by the end of the quarter, an increase of 22.5% over the previous twelve months.

Segezha Group

| <i>(RUB millions)</i> | 3Q 2016 | 3Q 2015 | Change | 2Q 2016 | Change |
|--------------------------------|----------------|----------------|---------------|----------------|---------------|
| Revenues | 10,467 | 8,803 | 18.9% | 10,028 | 4.4% |
| OIBDA | 2,182 | 1,680 | 29.8% | 2,222 | (1.8%) |
| Operating income | 1,403 | 1,121 | 25.1% | 1,350 | 3.9% |
| Profit attributable to Sistema | 227 | 551 | (58.7%) | 488 | (53.4%) |

Segezha Group's 18.9% year-on-year increase in revenue was mainly driven by increased production and sale of paper sacks and a doubling of sawn timber production following the consolidation of Lesosibirsk Wood-Processing Plant No.1 in the first quarter of 2016.

Segezha's OIBDA for the reporting period increased by 29.8% year-on-year to RUB 2.2 billion. The OIBDA margin rose by 1.7 percentage points year-on-year to 20.8% thanks to an increase in the share of sales accounted for by high-margin products within the paper sack and sawn timber product lines, as well as optimisation of production costs.

Profit attributable to Sistema decreased by 58.7% year-on-year to RUB 227 million, reflecting in particular an increase in interest expense as the holding continues to finance its extensive CAPEX programme.

Major capital investments in the third quarter of 2016 related to the modernisation of Segezha Pulp & Paper Mill (PPM), the construction of a new plywood plant in Kirov and modernisation of forestry equipment. In September 2016 Segezha Group launched a planned shutdown for modernisation of pulping equipment at Segezha PPM. The upgrades to the pulp and paper mill, which returned to operating at full capacity in the beginning of the fourth quarter of 2016, are expected to increase production by 28% to 1,150 tonnes of paper pulp per day.

Significant events after the end of the reporting period

In November 2016, Segezha Group signed a five-year EUR 383.6 million syndicated loan facility to finance its investment programme and for general corporate purposes.

Agroholding Steppe

| <i>(RUB millions)</i> | 3Q 2016 | 3Q 2015 | Change | 2Q 2016 | Change |
|---------------------------------------|----------------|----------------|---------------|----------------|---------------|
| Revenues | 3,462 | 1,215 | 185.0% | 1,776 | 94.9% |
| OIBDA | 1,030 | 306 | 237.1% | 523 | 96.8% |
| Operating income | 819 | 287 | 185.7% | 233 | 252.0% |
| Profit/(loss) attributable to Sistema | 579 | 175 | 230.1% | (122) | - |

Agroholding Steppe's year-on-year performance was mainly driven by consolidation of new assets in its four business lines (field crops, dairy farming, vegetables and fruits), as well as by a stronger harvest in Russia and operational improvements across the holding's entities.

In the third quarter of 2016 Steppe delivered RUB 3.5 billion in revenues and RUB 1.0 billion in OIBDA with an OIBDA margin of 29.8%.

Wheat and vegetable production were the main drivers of Steppe's revenue and OIBDA growth during the reporting period.

Field crop production across Sistema's assets (Steppe and RZ Agro) grew by 48.5% year-on-year in nine month 2016 thanks to expansion of the land bank (a total of approximately 120,000 hectares of land were acquired in 2015 and the first half of 2016), implementation of modern technologies and Steppe's standards on new assets and reduced timeframe to harvest.

Production growth in the vegetables segment during the first nine months of 2016 (38.4% and 6.4% year-on-year in cucumbers and tomatoes, respectively) was driven mainly by higher yields. Milk production grew by 19.9% year-on-year during the same period reflecting 12% growth in the dairy cow headcount and an increase in productivity.

Apple production grew 14.1% year-on-year during the first nine months of 2016. In the third quarter of 2016, new apple orchards were established over an area of 150 hectares, with the first harvest expected in 2018.

Significant events after the end of the reporting period

Sistema is making significant investments in agricultural assets. In November 2016 Agroholding Steppe completed the acquisition of entities producing wheat, barley and corn and operating a total land bank of 66,000 hectares in the Stavropol and Rostov regions. The acquisition brings Sistema's land bank to approximately 313,000 hectares. The acquired assets have strong potential to increase production and OIBDA through crop rotation, soil enrichment, and increasing the share of cultivated land.

RTI

| <i>(RUB millions)</i> | 3Q 2016 | 3Q 2015 | Change | 2Q 2016 | Change |
|------------------------------|----------------|----------------|---------------|----------------|---------------|
| Revenues | 10,278 | 17,788 | (42.2%) | 11,418 | (10.0%) |
| OIBDA | 1,116 | 2,861 | (61.0%) | 856 | 30.4% |
| Operating income | 493 | 2,261 | (78.2%) | 247 | 99.0% |
| Loss attributable to Sistema | (572) | (736) | - | (590) | - |

RTI's revenues declined by 42.2% year-on-year in the reporting quarter to RUB 10.3 billion, in particular reflecting the disposal of the Information and Communications Technology (ICT) Business Unit (BU) and lower revenues in the Defence Solutions BU due to customers delaying several key projects under long-term contracts. Microelectronics BU revenue also declined due to orders from large clients being placed later in the year.

The year-on-year decrease in OIBDA and OIBDA margin were mainly the result of the disposal of the ICT business unit. OIBDA increased quarter-on-quarter due to lower provisions for accounts receivable and inventory in the Microelectronics BU.

Net debt grew by 19.8% year-on-year to RUB 33.4 billion, mainly due to increased borrowing as part of RTI's fulfilment of the state defence order.

In October 2016, RTI's Board of Directors approved a decision to separate the duties of Chief Executive Officer (CEO) and Chief Designer. Igor Bevzyuk, RTI First Deputy CEO, was named CEO. Sergei Boev continues to hold the position of Chief Designer and was elected Chairman of the Board of Directors of RTI.

Medsi

| <i>(RUB millions)</i> | 3Q 2016 | 3Q 2015 | Change | 2Q 2016 | Change |
|--------------------------|----------------|----------------|---------------|----------------|---------------|
| Revenues | 2,246 | 1,959 | 14.7% | 2,307 | (2.6%) |
| OIBDA | 419 | 152 | 175.7% | 129 | 225.5% |
| Operating income/ (loss) | 87 | (2) | - | (177) | - |

| | | | | | |
|---------------------------------------|----|-----|---------|-------|---|
| Profit/(loss) attributable to Sistema | 77 | 116 | (33.6%) | (238) | - |
|---------------------------------------|----|-----|---------|-------|---|

Medsi's revenues grew by 14.7% year-on-year to RUB 2.2 billion driven principally by an increase in the average ticket of 17.2%. The 2.6% decline in revenues on a quarter-on-quarter basis was the result of seasonality affecting demand for medical services.

Revenues at Medsi's largest facility, the Clinical Diagnostic Centre (CDC) at Belorusskaya in Moscow, rose by 10.3% year-on-year. The CDC opened at Krasnaya Presnya in late 2015 continues to successfully ramp up capacity utilisation and patient visit numbers (+39% quarter-on-quarter).

Medsi's OIBDA increased 175.7% year-on-year to RUB 419 million while the OIBDA margin increased 10.8 percentage points. These strong results were due to a 9.5% reduction in SG&A versus the third quarter 2015, as well as one-time income from a counterparty repaying accounts receivables and fines.

In October 2016, Medsi's CDC at Belorusskaya launched a centre for preventative care and treatment of diabetes.

Bashkirian Power Grid Company (BPGC)

| (RUB millions) | 3Q 2016 | 3Q 2015 | Change | 2Q 2016 | Change |
|--------------------------------|---------|---------|--------|---------|--------|
| Revenues | 3,892 | 3,371 | 15.4% | 3,462 | 12.4% |
| OIBDA | 1,402 | 1,225 | 14.5% | 1,104 | 27.0% |
| Operating income | 875 | 658 | 32.9% | 560 | 56.1% |
| Profit attributable to Sistema | 668 | 516 | 29.5% | 474 | 40.9% |

In the third quarter of 2016, BPGC's revenues grew by 15.4% year-on-year and by 12.4% quarter-on-quarter to RUB 3.9 billion, mainly due to indexation of electricity transmission tariffs that came into force on 1 July 2016.

OIBDA increased by 14.5% year-on-year primarily due to stronger revenues. The OIBDA margin contracted by 0.3 percentage point to 36.0% against the backdrop of increased payments for electricity losses caused by an increase in wholesale prices.

BPGC's profit increased by 29.5% year-on-year to RUB 668 million in the reporting quarter.

The company continues to invest into the development and modernisation of network assets in Bashkortostan, including construction of major substations (Irek, Zubovo, Gvardeyskaya), with plans to launch them in the fourth quarter of 2016. BPGC also continues investing into the development of the Smart Grid project in Ufa, Bashkortostan's largest city. As part of the Smart Grid project, equipment has been installed in 51 transformer modules in Ufa since the start of the year.

Sistema Shyam TeleServices Ltd. (SSTL)

| (RUB millions) | 3Q 2016 | 3Q 2015 | Change | 2Q 2016 | Change |
|------------------------------|---------|---------|---------|---------|---------|
| Revenues | 2,989 | 3,687 | (18.9)% | 3,440 | (13.1)% |
| OIBDA | (262) | (458) | - | (444) | - |
| Operating loss | (478) | (677) | - | (662) | - |
| Loss attributable to Sistema | (816) | (2,063) | - | (1,468) | - |

The decline in SSTL's revenue of 18.9% year-on-year and 13.1% quarter-on-quarter reflects lower customer acquisitions and strong competition in the Indian voice and data markets.

Sistema continues to work towards a potential merger of 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 end-November 2016, the transaction has been approved by the Securities and Exchange Board of India (SEBI), the Competition Commission of India, India's tax authorities, the shareholders and creditors of RCom and SSTL, as well as by the Rajasthan and Bombay High Courts. In November 2016, Sistema Group and RCom submitted documents for final approval of the transaction by the Department of Telecommunications (DoT) of India. DoT's decision on the matter is expected in the fourth quarter of 2016.

During the reporting quarter, the Group completed repayment of SSTL's debt guaranteed by Sistema.

MTS Bank

| (RUB millions) | 3Q 2016 | 3Q 2015 | Change | 2Q 2016 | Change |
|----------------|---------|---------|---------|---------|--------|
| Revenues | 5,026 | 6,445 | (22.0)% | 5,087 | (1.2)% |

| | | | | | |
|---------------------------------------|------------|---------|---|-------|---|
| OIBDA | 951 | (3,896) | - | (777) | - |
| Operating income/ (loss) | 785 | (4,082) | - | (950) | - |
| Profit/(loss) attributable to Sistema | 652 | (3,288) | - | (819) | - |

MTS Bank's revenues declined by 22.0% year-on-year due to lower interest income, the result of a reduction in the size of the balance sheet and a decrease in interest rates on the Russian market. Interest income grew by 2.4% quarter-on-quarter against a backdrop of conservative lending growth in the retail and corporate segments. In line with the bank's strategy to increase the share of revenue derived from risk-free transaction products, commission income increased by 8.9% quarter-on-quarter.

MTS Bank delivered OIBDA of RUB 951 million in the reporting quarter, compared to a loss of RUB 3.9 billion for the same period in 2015, driven largely by a reduction in provision charges. The bank returned to profitability at the bottom-line level in the third quarter of 2016.

In the fourth quarter of 2016, MTS Bank is to complete an increase of its capital totalling RUB 10.5 billion through an additional share issue in favour of Sistema and MTS. The share issue aims to optimise the bank's capital structure and support further development of its business.

Targin

| <i>(RUB millions)</i> | 3Q 2016 | 3Q 2015 | Change | 2Q 2016 | Change |
|---------------------------------------|----------------|----------------|---------------|----------------|---------------|
| Revenues | 6,891 | 6,392 | 7.8% | 6,604 | 4.4% |
| OIBDA | 1,103 | 1,102 | (0.0%) | 769 | 43.4% |
| Operating income | 660 | 713 | (7.5%) | 189 | 249.7% |
| Profit/(loss) attributable to Sistema | 350 | 465 | (24.9%) | (9) | - |

Targin's revenues increased by 7.8% year-on-year in the third quarter to RUB 6.9 billion driven by its expanded client base and a 5% increase in volumes in the well workover segment, as well as a 1% increase in transportation services volumes. OIBDA increased 43.4% quarter-on-quarter thanks to improved margins in the well workover segment. The OIBDA margin decreased by 1.2 percentage points year-on-year due to expenses incurred in the roll-out of new services – directional drilling, drill bit completion, well completion and downhole work – as well as amendments to the drilling programme in the reporting quarter.

Targin is carrying out an investment programme aimed at expanding its product portfolio, developing new technologies and modernising its equipment. In the third quarter of 2016 Targin continued to borrow in order to fund key investment projects. As of 30 September 2016, Targin's net debt/LTM OIBDA ratio stood at 1.1x.

Real Estate (Leader-Invest, Business-Nedvizhimost, Mosdachtrest)⁶

| <i>(RUB millions)</i> | 3Q 2016 | 9M 2016 |
|--------------------------------|----------------|----------------|
| Revenues | 2,810 | 8,293 |
| OIBDA | 1,546 | 3,742 |
| Operating income | 1,465 | 3,535 |
| Profit attributable to Sistema | 1,117 | 2,278 |

Revenue of real estate developer Leader-Invest, a part of Sistema's real estate segment, totalled RUB 1,383 million in the third quarter of 2016. The key driver of this performance was revenue recognition on the sale of apartments in Moscow residential projects Dom na Lyusinovskoy, Dom na Samarinskoy and Dom na Izumrudnoy.

OIBDA at Leader-Invest in the third quarter of 2016 was RUB 396 million, which resulted in an OIBDA margin of 28.6%. In the reporting period the company delivered net profit of RUB 475 million.

Sistema's rental assets, Business-Nedvizhimost, and Mosdachtrest, delivered combined revenue of RUB 1,427 million, primarily as a result of seasonally higher income from rentals in Serebryany Bor cottage district, as well as income from office rentals in Moscow and the sale of assets.

OIBDA of the rental assets was RUB 1,150 million and net profit totalled RUB 624 million.

Binnopharm

| <i>(RUB millions)</i> | 3Q 2016 | 3Q 2015 | Change | 2Q 2016 | Change |
|-----------------------|----------------|----------------|---------------|----------------|---------------|
| Revenues | 295 | 307 | (3.9%) | 506 | (41.6%) |
| OIBDA | 11 | (67) | - | 80 | (86.3%) |

⁶ Based on management accounts

| | | | | | |
|------------------------------|------|------|---|------|---|
| Operating (loss)/income | (42) | (95) | - | 6 | - |
| Loss attributable to Sistema | (69) | (88) | - | (31) | - |

Binnopharm's 3.9% year-on-year decline in revenues to RUB 295 million was due to the reduction in distribution sales in the state segment, which was offset by growth of commercial sales of the company's own products, as well as improved operating results.

During the reporting quarter Binnopharm delivered OIBDA of RUB 11 million versus a loss in the third quarter 2015. The decrease in revenue and OIBDA quarter-on-quarter was due to no supplies of Regevak B being delivered during the quarter (vaccine shipments were made in the second quarter 2016 in line with the contract with the National Immunobiological Company). Additional pressure on OIBDA resulted from higher spending on the development of Binnopharm's commercial operations.

In the third quarter of 2016 Binnopharm continued to successfully execute on its strategy to grow the share of its own products in total sales. In line with this strategy, the share of lower-margin distribution sales in the reporting quarter declined to 11%, compared to 61% in the same period in 2015.

Intourist

| (RUB millions) | 3Q 2016 | 3Q 2015 | Change | 2Q 2016 | Change |
|---------------------------------------|---------|---------|--------|---------|----------|
| Revenues | 873 | 783 | 11.6% | 618 | 41.4% |
| OIBDA | 335 | 294 | 13.6% | 81 | 312.8% |
| Operating income | 276 | 236 | 16.7% | 21 | 1,212.8% |
| Profit/(loss) attributable to Sistema | 119 | 52 | 126.6% | (31) | - |

Intourist's revenues increased by 11.6% year-on-year in the third quarter of 2016 thanks to higher sales at hotels outside Russia (i.e., Italy, the Czech Republic and Namibia).

OIBDA at Intourist grew by 13.6% year-on-year and the OIBDA margin increased by 0.7 percentage points year-on-year to 38.3% as a result of improved profitability of the Cosmos Hotel in Moscow, Intourist's largest asset, on the back of higher occupancy rates in September 2016. Optimisation of direct costs also supported the improvement in OIBDA and OIBDA margin.

Intourist's SGA/revenue ratio decreased year-on-year to 17.3%, compared with 18.2% in the third quarter of 2015.

As of the end of the third quarter 2016, Intourist operated seven hotels across Russia, Italy, the Czech Republic and Namibia with a total of 2,370 rooms.

Significant events after the end of the reporting period

In November 2016 Sistema agreed to acquire nine Regional Hotel Chain (RHC) hotels across Russia for a consideration of RUB 2.6 billion. Upon completion of this transaction, the number of hotel rooms operated by Sistema will increase by more than 60% to 3,663. The properties acquired, all of which operate under major international brands, will serve as a solid basis for the integration and restructuring of Sistema's hotel assets.

Corporate

| (RUB millions) | 3Q 2016 | 3Q 2015 | Change | 2Q 2016 | Change |
|----------------|---------|---------|--------|---------|--------|
| OIBDA | (7,152) | (1,799) | - | (1,555) | - |
| Adjusted OIBDA | (2,518) | (1,799) | - | (1,555) | - |
| Loss | (7,844) | (5,265) | - | (2,242) | - |
| Adjusted loss | (3,210) | (5,265) | - | (2,242) | - |
| Indebtedness | 99,267 | 88,031 | 12.8% | 106,477 | (6.8%) |

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

During the reporting period, 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 the fourth quarter of 2016, Sistema paid an interim dividend for the first six months of the year totalling RUB 3.67 billion (RUB 0.38 per ordinary share or RUB 7.6 per GDR).

KEY GROUP HIGHLIGHTS IN 3Q 2016 AND AFTER THE REPORTING PERIOD

In November 2016, Sistema repaid its Series 03 local bonds in the amount of RUB 15 billion.

In November 2016, Sistema placed two issues of exchange-traded bonds with nominal values of RUB 6.5 billion and RUB 10 billion (coupon rate 1-8 of 9.80% and 1-13 of 9.90% per annum). The term of the Series 001P-04 bonds is 10 years, and the issue calls for a tender offer four years from the date of issuance. The term of the Series 001P-05 bonds is 10 years, and the issue calls for a tender offer 3.25 years from the date of issuance.

In November 2016, Sistema subsidiary Sistema Hotel Management LLC agreed to acquire nine hotels for a consideration of RUB 2.6 billion from VIYM, a private equity firm. The hotels are Courtyard by Marriott Paveletskaya (Moscow), Holiday Inn Express (Voronezh) and seven hotels operating under the Park Inn by Radisson brand in the cities of Astrakhan, Izhevsk, Kazan, Novosibirsk, Sochi, Volgograd and Yaroslavl. The properties include a total of 1,379 rooms with a total area of 87,613 square metres. The consolidated debt of the properties is RUB 4 billion.

In November 2016, Sistema acquired 7,362,690 ordinary shares of MTS Bank, placed as part of an additional issue, for a total consideration of RUB 7.7 billion. As a result of the transaction, Sistema's share in the capital of MTS Bank will reach 71.87%.

In October 2016, Sistema signed a binding sale-and-purchase agreement for shares of MTS in connection with a tender offer to purchase MTS shares. Under the agreement, Sistema will sell up to 25,454,636 ordinary shares of MTS (up to 1.27% of the company's issued share capital) for a consideration of up to RUB 5,065,472,700. Sistema Group's effective share of the share capital of MTS will not change materially.

In October 2016, Sistema signed a binding agreement with Rusnano on restructuring an option agreement dated 15 May 2014 with respect to shares of Mikron. Under the terms of the restructuring, in 2017 Sistema will acquire from Rusnano 20.42% of Mikron shares for a consideration of RUB 8.1 billion, of which RUB 4.8 billion is to be paid by 28 December 2016 and RUB 3.3 billion by 29 December 2017.

In September 2016, an extraordinary general meeting of shareholders held with absentee voting approved the payment of RUB 3.667 billion in dividends, or RUB 0.38 per ordinary share (RUB 7.6 per GDR), for the first six months of 2016.

In September 2016, Sistema subsidiary Sistema Finance S.A. sold 12,697,918 ADSs of MTS, representing 1.27% of MTS's share capital, to a non-affiliated buyer for a consideration of USD 100.4 million.

In September 2016, Sistema and Rusnano launched a private equity fund that will make investments in high technology companies and projects. The fund will have up to USD 100 million in capital under management. Sistema and Rusnano each hold 50% in the fund.

In August 2016, Sistema completed the sale of a 50% equity stake in SG-trans to a group of unaffiliated buyers for RUB 6 billion. Sistema maintains ownership of a number of assets previously spun out of SG-trans, including SG-trading and real estate assets.

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.

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

Investor Relations
Yuri Krebs
Tel.: +7 (495) 730 66 00
y.krebs@sistema.ru

Public Relations
Sergey Kopytov
Tel.: +7 (495) 228 15 27
kopytov@sistema.ru

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 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 NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(Amounts in millions of Russian roubles, except for per share amounts)

| | Nine months ended September 30 | | Three months ended September 30 | |
|---|-----------------------------------|---------------|------------------------------------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| Revenue | 531,342 | 513,327 | 185,204 | 182,885 |
| Cost of sales | (268,085) | (262,920) | (90,761) | (95,061) |
| Selling, general and administrative expenses | (112,204) | (102,294) | (37,469) | (33,771) |
| Depreciation and amortisation | (74,000) | (67,894) | (25,854) | (23,075) |
| Impairment of long-lived assets | (389) | (747) | (61) | (69) |
| Impairment of financial assets | (7,935) | (4,037) | (6,230) | (504) |
| Taxes other than income tax | (4,364) | (4,258) | (1,664) | (872) |
| Share of the profit or loss of associates and joint ventures | 3,208 | 3,110 | 950 | 1,352 |
| Other income | 3,388 | 573 | 2,417 | 206 |
| Other expenses | (3,117) | (3,538) | (595) | (2,268) |
| OPERATING INCOME | 67,844 | 71,322 | 25,937 | 28,823 |
| Finance income | 8,309 | 13,500 | 2,473 | 4,867 |
| Finance costs | (44,907) | (36,441) | (12,897) | (12,436) |
| Currency exchange gain/(loss) | 7,395 | (9,691) | 890 | (9,521) |
| PROFIT BEFORE TAX | 38,641 | 38,690 | 16,403 | 11,733 |
| Income tax expense | (14,987) | (15,171) | (5,947) | (4,797) |
| PROFIT FROM CONTINUING OPERATIONS | 23,654 | 23,519 | 10,456 | 6,936 |
| Results of discontinued operations | (1,295) | (4,592) | (164) | (1,355) |
| Loss on deconsolidation of discontinued operations and gain from settlements with Ural-Invest, net of tax | (2,726) | 43,816 | (2,726) | - |
| PROFIT FOR THE PERIOD | 19,633 | 62,743 | 7,566 | 5,581 |
| Non-controlling interests | (15,626) | (15,573) | (6,195) | (5,100) |
| PROFIT ATTRIBUTABLE TO SISTEMA PJSFC | 4,007 | 47,170 | 1,371 | 481 |
| Earnings per share (basic and diluted), Russian Rubles: | | | | |
| From continuing and discontinued operations | 0.42 | 5.01 | 0.15 | 0.05 |

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

| | September 30, | December 31, |
|--|----------------------|---------------------|
| | 2016 | 2015 |
| ASSETS | | |
| NON-CURRENT ASSETS: | | |
| Property, plant and equipment | 407,873 | 421,643 |
| Investment property | 13,988 | 14,085 |
| Goodwill | 48,835 | 47,723 |
| Other intangible assets | 113,601 | 118,188 |
| Investments in associates and joint ventures | 19,813 | 22,219 |
| Deferred tax assets | 25,023 | 25,966 |
| Loans receivable and other financial assets | 101,648 | 112,236 |
| Deposits in banks | 37,944 | 45,696 |
| Other assets | 16,546 | 15,326 |
| Total non-current assets | 785,271 | 823,082 |
| CURRENT ASSETS: | | |
| Inventories | 86,573 | 76,622 |
| Accounts receivable | 70,813 | 74,276 |
| Advances paid and prepaid expenses | 19,151 | 17,544 |
| Current income tax assets | 2,019 | 6,051 |
| Other taxes receivable | 18,632 | 20,993 |
| Loans receivable and other financial assets | 73,930 | 78,020 |
| Deposits in banks | 9,101 | 76,117 |
| Other assets | 2,128 | 2,102 |
| Cash and cash equivalents | 80,433 | 122,775 |
| Restricted cash | 9,132 | - |
| Total current assets | 371,912 | 474,500 |
| TOTAL ASSETS | 1,157,183 | 1,297,582 |

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

| | September 30, 2016 | December 31, 2015 |
|--|-------------------------------|------------------------------|
| LIABILITIES AND EQUITY | | |
| SHAREHOLDERS' EQUITY: | | |
| Share capital | 869 | 869 |
| Treasury shares | (6,575) | (4,806) |
| Additional paid-in capital | 90,250 | 80,778 |
| Retained earnings | 112,658 | 118,614 |
| Accumulated other comprehensive loss | (12,861) | (7,079) |
| Equity attributable to shareholders of Sistema | 184,341 | 188,376 |
| Non-controlling interests | 47,746 | 62,014 |
| TOTAL EQUITY | 232,087 | 250,390 |
| NON-CURRENT LIABILITIES: | | |
| Borrowings | 321,470 | 414,103 |
| Bank deposits and liabilities | 13,205 | 7,275 |
| Deferred tax liabilities | 45,429 | 42,826 |
| Provisions | 3,846 | 4,190 |
| Liability to Rosimushchestvo | 27,759 | - |
| Other financial liabilities | 21,450 | 28,224 |
| Other liabilities | 10,746 | 11,172 |
| Total non-current liabilities | 443,905 | 507,790 |
| CURRENT LIABILITIES: | | |
| Borrowings | 142,125 | 142,657 |
| Liabilities under put option agreements | 11,371 | 65,684 |
| Accounts payable | 117,888 | 137,055 |
| Bank deposits and liabilities | 101,527 | 115,529 |
| Advances received | 26,647 | 24,953 |
| Subscriber prepayments | 16,633 | 20,955 |
| Income tax payable | 2,251 | 831 |
| Other taxes payable | 17,631 | 14,524 |
| Dividends payable | 15,720 | 210 |
| Provisions | 8,883 | 10,151 |
| Liability to Rosimushchestvo | 14,385 | - |
| Other financial liabilities | 6,130 | 6,853 |
| Total current liabilities | 481,191 | 539,402 |
| TOTAL LIABILITIES | 925,096 | 1,047,192 |
| TOTAL LIABILITIES AND EQUITY | 1,157,183 | 1,297,582 |

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

| | Nine months ended September 30, | |
|--|------------------------------------|----------------|
| | 2016 | 2015 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Profit for the period | 19,633 | 62,743 |
| Adjustments to reconcile net income to net cash provided by operations (including discontinued operations): | | |
| Depreciation and amortization | 74,000 | 67,894 |
| Share of the profit or loss of associates and joint ventures | (3,208) | (3,110) |
| Finance income | (8,309) | (13,500) |
| Finance costs | 44,907 | 36,441 |
| Income tax expense | 14,987 | 15,171 |
| Currency transaction (gain)/loss | (7,395) | 9,691 |
| Loss from discontinued operations, net of tax effect | 1,295 | 4,592 |
| Loss on deconsolidation of discontinued operations | 2,726 | - |
| Gain from settlements with Ural-Invest, net of tax effect | | (43,816) |
| Gain from fair value adjustments of financial instruments through profit or loss | (18) | (93) |
| (Gain)/loss on sale of property, plant and equipment | (482) | 451 |
| Gain on sale of subsidiaries | (96) | (211) |
| Amortization of connection fees | (635) | (1,044) |
| Impairment loss on loans receivable | 3,451 | 12,601 |
| Dividends received from associates and joint ventures | 1,688 | 2,205 |
| Non-cash compensation to employees | 1,216 | 1,774 |
| Impairment of long-lived assets | 389 | 747 |
| Impairment of financial assets | 7,935 | 4,037 |
| Other non-cash items | 4,447 | 903 |
| | <u>156,531</u> | <u>157,476</u> |
| Movements in working capital: | | |
| Bank loans to customers and interbank loans due from banks | 16,051 | 13,004 |
| Bank deposits and liabilities | (8,072) | (14,668) |
| Restricted cash | (9,076) | - |
| Financial assets at fair value through profit or loss | (7,808) | 2,672 |
| Accounts receivable | 2,152 | (533) |
| Advances paid and prepaid expenses | (1,806) | 1,695 |
| Other taxes receivable | 2,796 | (5,291) |
| Inventories | (10,293) | (17,442) |
| Accounts payable | (14,079) | 5,153 |
| Subscriber prepayments | (3,310) | (1,810) |
| Other taxes payable | 3,021 | 2,093 |
| Advances received and other liabilities | (13,187) | 6,070 |
| Interest paid | (43,967) | (29,657) |
| Income tax paid | (11,411) | (13,625) |
| | <u>57,542</u> | <u>105,137</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 57,542 | 105,137 |

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

| | Nine months ended September 30, | |
|---|--|------------------|
| | 2016 | 2015 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Payments for purchases of property, plant and equipment | (56,536) | (76,318) |
| Proceeds from sale of property, plant and equipment | 3,229 | 2,807 |
| Proceeds from settlement with Ural-Invest | - | 10,821 |
| Payments for purchases of intangible assets | (24,735) | (25,772) |
| Payments for businesses, net of cash acquired | (5,432) | - |
| Payments for investments in associates and joint ventures | (2,410) | (1,323) |
| Proceeds from sale of investments in affiliated companies | 6,000 | - |
| Payments for financial assets, long-term | (17,673) | (57,226) |
| Proceeds from sale of financial assets, long-term | 5,140 | 1,474 |
| Payments for financial assets, short-term | (20,679) | (26,890) |
| Proceeds from sale of subsidiaries, net of cash disposed | - | 8 |
| Proceeds from sale of financial assets, short-term | 82,784 | 21,229 |
| Interest received | 8,109 | 11,838 |
| Other | 1,504 | 208 |
| NET CASH USED IN INVESTING ACTIVITIES | (20,699) | (139,144) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from borrowings | 60,063 | 111,355 |
| Principal payments on borrowings | (123,558) | (64,374) |
| Debt issuance costs | - | (1,149) |
| Purchases of non-controlling interests in existing subsidiaries | (2,078) | - |
| Payments to purchase treasury stock | (2,082) | (456) |
| Proceeds from capital transactions with non-controlling interests | 15,158 | - |
| Dividends paid | (21,200) | (22,381) |
| Cash outflow under credit guarantee agreement related to foreign-currency hedge | (2,032) | - |
| NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES | (75,729) | 22,995 |
| Impairment of cash and cash equivalents | - | (1,697) |
| Effect of foreign currency translation on cash and cash equivalents | (3,456) | (184) |
| Net decrease in cash and cash equivalents | (42,342) | (12,893) |
| Cash and cash equivalents at the beginning of the period | 122,775 | 119,967 |
| Cash and cash equivalents at end of the period | 80,433 | 107,074 |

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

| | External revenues | | Inter-segment revenue | | Segment operating income | |
|--------------------------------|--------------------------|----------------|------------------------------|---------------|---------------------------------|---------------|
| | 9m2016 | 9m2015 | 9m2016 | 9m2015 | 9m2016 | 9m2015 |
| MTS | 323,820 | 314,413 | 280 | 906 | 65,408 | 72,577 |
| Detsky Mir | 54,226 | 39,966 | - | - | 3,462 | 2,302 |
| RTI | 30,374 | 51,564 | 44 | 4,908 | 973 | 3,064 |
| MTS Bank | 14,612 | 19,873 | 875 | 492 | (313) | (7,613) |
| SSTL | 10,393 | 10,339 | - | - | (1,336) | (2,745) |
| Corporate | 1,373 | 1,414 | 835 | 838 | (11,563) | (5,933) |
| Total reportable segments | 434,797 | 437,570 | 2,034 | 7,144 | 56,631 | 61,652 |
| Other | 96,546 | 75,757 | 1,103 | 3,298 | 10,306 | 7,536 |
| | 531,342 | 513,327 | 3,137 | 10,443 | 66,937 | 69,188 |
| Inter-segment eliminations | | | | | 907 | 2,134 |
| Operating income | | | | | 67,844 | 71,322 |
| Finance income | | | | | 8,309 | 13,500 |
| Finance costs | | | | | (44,907) | (36,441) |
| Foreign currency exchange loss | | | | | 7,395 | (9,691) |
| Profit before tax | | | | | 38,641 | 38,690 |

| | Additions to non-current assets | | Depreciation and amortisation | |
|------------|--|----------------|--------------------------------------|---------------|
| | 9m2016 | 9m2015 | 9m2016 | 9m2015 |
| MTS | 60,408 | 80,102 | 61,192 | 57,967 |
| Detsky Mir | 945 | 4,337 | 1,176 | 638 |
| RTI | 2,559 | 3,914 | 1,806 | 1,891 |
| MTS Bank | 186 | 444 | 514 | 552 |
| SSTL | 248 | 750 | 678 | 617 |
| Corporate | 1,171 | 1,828 | 422 | 418 |
| Other | 15,754 | 10,715 | 8,212 | 5,810 |
| | 81,271 | 102,090 | 74,000 | 67,894 |

Attachment A

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

Adjusted OIBDA, operating income and profit/(loss) 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> | 3Q 2016 | 3Q 2015 | 2Q 2016 |
|----------------------------------|----------------|----------------|----------------|
| Operating income | 25,937 | 28,823 | 21,391 |
| Impairment of financial assets | 4,634 | | |
| Adjusted operating income | 30,571 | 28,823 | 21,391 |
| Depreciation and amortisation | 25,854 | 23,075 | 24,544 |
| Adjusted OIBDA | 56,425 | 51,898 | 45,935 |

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

| <i>RUB millions</i> | 3Q 2016 | 3Q 2015 | 2Q 2016 |
|--|----------------|----------------|----------------|
| Profit attributable to Sistema | 1,371 | 481 | 149 |
| Impairment of financial assets | 4,634 | | |
| Adjusted profit attributable to Sistema | 6,005 | 481 | 149 |

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> | 3Q 2016 | 3Q 2015 | 2Q 2016 |
|------------------------------|----------------|----------------|----------------|
| Indebtedness | 99,267 | 88,031 | 106,477 |
| Cash and cash equivalents | (8,598) | (29,507) | (17,874) |
| Liquid financial investments | (10,088) | (18,356) | (20,905) |
| Net debt | 80,581 | 40,168 | 67,697 |