



SISTEMA PJSFC IFRS FINANCIAL RESULTS

3Q 2020



Sistema's management will host a conference call today at 09:00 am (New York time) / 2:00 pm (London time) / 3:00 pm (CEST) / 5:00 pm (Moscow time) to present and discuss the 3Q 2020 results.

To participate in the conference call, please dial:

Russia

+7 495 283 98 58

UK

+44 203 984 9844

US

+1 718 866 4614

Germany

+49 30 25 555 323

Sweden

+46 10 551 30 20

Conference ID: 657738

Link to webcast: <https://mm.closir.com/slides?id=657738>

Or quote the conference call title: "Sistema Third Quarter 2020 Financial Results".

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

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

Investor Relations
Nikolai Minashin
Tel.: +7 (495) 730 66 00
n.minashin@sistema.ru

Public Relations
Sergei Kopytov
Tel.: +7 (495) 228 15 32
kopytov@sistema.ru

Moscow, Russia – 03 December 2020 – Sistema PJSC ("Sistema" or the "Company", together with its subsidiaries and associates, "the Group") (LSE: SSA, MOEX: AFKS), a publicly-traded diversified Russian holding company, today announces its unaudited consolidated financial results in accordance with International Financial Reporting Standards (IFRS) for the third quarter 2020 ended 30 September 2020.

KEY GROUP HIGHLIGHTS IN 3Q 2020

- ✓ **Offering of Detsky Mir shares.** In September 2020, Sistema and the Russia-China Investment Fund (RCIF) fully exited Detsky Mir shareholding through a public offering of Detsky Mir shares, resulting in an increase of Detsky Mir free float up to almost 100%. Proceeds to Sistema amounted to RUB 16.9 billion.
- ✓ **MTS share buyback.** As part of the MTS's share buyback programme of up to RUB 15 billion, Sistema's wholly-owned subsidiary Sistema Finance S.A sold 7,445,927 ordinary shares of PJSC MTS to a wholly-owned subsidiary of MTS LLC Bastion for RUB 2.5 billion.
- ✓ **Optimisation of the debt portfolio.** In September 2020, Sistema and Sberbank signed an agreement that fully released Sistema's stake in MTS from pledge. A loan secured by a pledge of 16% MTS shares was signed in February 2018.
- ✓ **Operations in the debt market.** In September 2020, Sistema placed RUB 10 billion series 001P-15 bonds at a 6.70% coupon rate and with a 4-year put option. In July 2020, the Corporation placed RUB 10 billion series 001P-14 bonds at a 6.35% coupon rate and with a 2.75-year put option. In July 2020, Sistema also repurchased its series 001P-06 exchange-traded bonds in the amount of RUB 4.4 billion, and series 001P-09 bonds in the amount of RUB 6.2 billion.
- ✓ **Credit ratings upgrades.** In September 2020, S&P upgraded Sistema's rating from BB- to BB with stable outlook, and Expert RA upgraded Sistema's rating by two notches from ruA to ruAA- with stable outlook.

CORPORATE EVENTS AFTER THE END OF THE REPORTING PERIOD

- ✓ **IPO of Ozon.** In November 2020, Ozon held an initial public offering (IPO) of its American Depositary Shares (ADSs) on NASDAQ and obtained listing of the ADSs on the Moscow Exchange. Gross proceeds to the company, including the underwriters' overallotment option and the concurrent private placement, where Sistema participated and invested USD 67.5 million, amounted to approximately USD 1.25 billion. Upon completion of the initial public offering of Ozon, fulfilment of the private placement agreement and conversion of the convertible loans previously provided to Ozon, Sistema's total stake in Ozon will amount to at least 33.1%¹.
- ✓ **Secondary placement of series 001P-04 bonds.** In November 2020, the Corporation held a secondary placement of series 001P-04 exchange-traded bonds. During the tender offer, the Corporation repurchased bonds in the amount of RUB 4.3 billion out of the total RUB 6.5 billion issue. All bonds repurchased during the tender offer were placed through secondary bond placement at a 6.35% coupon rate at 100.15% of the nominal value.
- ✓ **Placement of series 001P-16 bonds and 001P-17 bonds.** In November 2020, Sistema completed the book-building process for RUB 5 billion series 001P-16 bonds with a put-option in 2.25 years and RUB 14 billion series 001P-17 bonds with a put-option in 4.5 years. As a result of the book-building, the coupon rate was set at 6.10% per annum for series 001P-16 bonds and at 6.75% per annum for series 001P-17 bonds.
- ✓ **MTS share buyback.** As part of the MTS's share buyback programme of up to RUB 15 billion, Sistema's wholly-owned subsidiary Sistema Finance S.A sold 14,534,801 ordinary shares of PJSC MTS to a wholly-owned subsidiary of MTS LLC Bastion for RUB 4.8 billion.

PROGRESS IN ESG

- ✓ **Attracting ESG financing.** In November 2020, Sistema for the first time attracted ESG-financing from Sberbank. The RUB 10 billion credit line comes with an option to tie the interest rate on each loan to sustainability performance (Sustainability Improvement Loan). Under this agreement, integration of ESG factors into Sistema's investment process and the adoption of the Corporation's Environmental Policy were set as KPIs to measure Sistema's sustainability performance. This pioneering transaction, first between a Russian bank and a Russian borrower, positions Sistema among the leaders of sustainable investing in Russia.

¹ Assuming 4,472,969 ordinary shares issuable upon exercise of outstanding vested share-based awards under the employee incentive program of Ozon.

3Q 2020 FINANCIAL HIGHLIGHTS

- ✓ **Consolidated revenue² grew by 9.6% year-on-year** and stood at RUB 184.9 billion.
- ✓ **Adjusted OIBDA³ increased by 14.0% year-on-year** and amounted to RUB 71.7 billion
- ✓ **Adjusted OIBDA margin** rose by 1.5 p.p. year-on-year to 38.8%.
- ✓ **Adjusted net profit attributable to Sistema** amounted to RUB 2.6 billion.

Vladimir Chirakhov, President and Chief Executive Officer of Sistema, noted:

"In the third quarter 2020, Sistema demonstrated strong business growth, increasing its revenue by 9.6% and adjusted OIBDA by 14.0% year-on-year due to the exceptional performance of its portfolio companies. MTS continued to strengthen its leadership in the telecom market by actively developing segments that are complementary to its core business, including fintech, media, and B2B digital and cloud-based services. Segezha Group achieved record revenue and OIBDA figures due to increases in production and sales volumes, and against the backdrop of a weakening rouble. Steppe achieved an impressive increase in revenue and OIBDA, on the back of an increase in its gross harvest and agricultural products sales amid an increase in grain prices. The growth in Medsi's financial performance was driven by deferred demand for medical services caused by the lifting of lockdown restrictions, and ongoing work to diagnose, treat and rehabilitate COVID-19 patients.

Our pharmaceutical holding Binnopharm Group, which is engaged in the production of the Sputnik V vaccine and drugs for the treatment of COVID-19, saw significant growth in its financial performance as a result of strong sales growth in all segments: retail, tender and export. In October 2020, Binnopharm Group announced new strategic development priorities aimed at significantly increasing the scale of its business. The diversification of sales channels, new product development and updating the portfolio of medical products will become the main drivers of further growth.

The strong results of our portfolio companies during the first nine months of 2020 have created a solid basis for the Corporation's management to recommend to the Board of Directors to double the amount of dividends for FY 2020, provided that the positive trends continue in the fourth quarter. We are also continuing to work on modifying our dividend policy, and will present our proposals to the Board of Directors over the course of 2021. By then, we hope that further progress will have been made in the global fight against the COVID-19 pandemic, and the global and domestic economic outlook will sufficiently improve to provide a better visibility of future cash flows from our portfolio companies.

Crystallising the value of our private assets is an integral part of our portfolio strategy. On this front, I am delighted to highlight the initial public offering of American Depositary Shares (ADSs) of Ozon on NASDAQ with simultaneous listing of the ADSs on MOEX in November 2020. This offering raised gross proceeds of approximately USD 1.25 billion, including underwriters' over-allotment option and the concurrent private placement, and generated exceptionally strong interest from the international investment community. We are delighted that a wide range of investors – including Russian retail investors – now have the opportunity to share in the success of this outstanding company."

² Hereinafter results for 3Q 2019 are presented to reflect the reclassification of assets of Detsky Mir, MTS's business in Ukraine as part of discontinued operations, and AGK Yuzhny divestiture.

³ Hereinafter please see Appendix A of the financial results press-release for 3Q 2020.

SISTEMA RESULTS REVIEW

(RUB million)	3Q 2020	3Q 2019	Change	9M 2020	9M 2019	Change
Revenue	184,890	168,682	9.6%	498,260	473,457	5.2%
Adj. OIBDA	71,662	62,861	14.0%	180,159	171,044	5.3%
Operating profit	40,535	29,357	38.1%	86,824	79,353	9.4%
Net profit/ (loss) attributable to Sistema	2,334	(2,266)	-	(7,299)	20,915	-
Adj. net profit / (loss) attributable to Sistema	2,598	3,363	(22.7%)	(4,876)	26,541	-

In 3Q 2020, Sistema's **consolidated revenue grew by 9.6% year-on-year** due to increases in revenue across key assets. At MTS, revenue increased as a result of growth in mobile service revenue and the robust performance of the Fintech, Media and B2B Digital & Cloud segments. Segezha Group saw **revenue increase** amid growth in output and sales of paper and sawn timber, and backed by rouble depreciation, while revenue growth at Agroholding Steppe was largely driven by increased sales volumes in agricultural products in the Crop Production and Agrot trading segments, higher grain prices, and positive dynamics in the Dairy Farming segment. At Medsi, revenue increased as a result of deferred demand for medical services, growth in revenue from COVID-19 diagnostics and treatment, and the development of home care services.

Adjusted OIBDA⁴ rose by 14.0% year-on-year to RUB 71.7 billion backed by increases in the adjusted OIBDA of subsidiaries including: MTS, following revenue growth due to reduction of commercial and personnel expenses; Segezha Group, driven by revenue increase as a result of an increase in the share of higher-margin products and amid rouble depreciation; as well as gains from the sale of Detsky Mir shares in September 2020.

Adjusted net profit decreased by 22.7% year-on-year and amounted to RUB 2.6 billion in 3Q 2020.

The Group's selling, general and administrative expenses (SG&A) declined by 10.5% year-on-year in 3Q 2020 mainly driven by a decline in the Corporate Centre's SG&A as a result of the high base effect – bonuses were paid out in 3Q 2019 due to the monetisation of assets, and the reduction of commercial and personnel expenses at MTS.

CAPEX increased by 4.8% year-on-year and amounted to RUB 30.6 billion in 3Q 2020 due to increased investment by MTS in network development, growth in the foreign currency component amid rouble depreciation, and the expansion of production capacities at Segezha Group.

⁴ The dynamics of the Group's adj. OIBDA in 3Q 2020 were also affected by the reflection of the financial result from the sale of Detsky Mir shares in September 2020 in the amount of RUB 3.7 bln, and the reflection of the Group's share in reduction of Ozon's net loss in the amount of RUB 0.2 bln (in 3Q 2020 the loss amounted to RUB 1.6 bln, in 3Q 2019 – RUB 1.8 bln).

OVERVIEW OF PORTFOLIO COMPANIES

MTS



LEADING TELECOMMUNICATIONS OPERATOR AND DIGITAL SERVICES PROVIDER IN RUSSIA

(RUB million) ⁵	3Q 2020	3Q 2019	Change	9M 2020	9M 2019	Change
Revenue	129,048	123,045	4.9%	366,386	349,042	5.0%
Adj. OIBDA ⁶	58,804	57,435	2.4%	161,812	160,829	0.6%
Adj. OIBDA margin	45.6%	46.7%	(1.1 p.p.)	44.2%	46.1%	(1.9 p.p.)
Operating profit	33,451	33,377	0.2%	85,859	89,018	(3.5%)
Adj. net profit attributable to Sistema ⁷	9,436	9,197	2.6%	24,812	22,626	9.7%

In 3Q 2020, **MTS's revenue grew by 4.9% year-on-year** to RUB 129.0 billion, primarily backed by an increase in mobile service, and the strong performance of the Fintech, Media, and B2B Digital & Cloud segments.

In 3Q 2020, **adjusted OIBDA increased by 2.4% year-on-year and amounted to RUB 58.8 billion**, driven by revenue growth and reduced commercial and personnel expenses, and despite a fall in revenue from international roaming.

Adjusted OIBDA margin amounted to 45.6% in 3Q 2020.

In 3Q 2020, **adjusted net profit rose by 2.6% year-on-year** largely due to steady revenue from the core telecom business and lower net interest expenses on the back of lower interest rates.

CAPEX. In 3Q 2020, capital expenditure grew year-on-year primarily as a result of increased investments in the network development and growth in the foreign currency component of the capital expenditure amid rouble depreciation.

OUTLOOK FOR 2020

MTS forecasts revenue growth of over 3% and OIBDA growth of up to 2%. Capital expenditure will remain at the level of RUB 90 billion, including the realised effect from the use of derivative financial instruments.

KEY EVENTS IN 3Q 2020 AND AFTER THE END OF THE REPORTING PERIOD

Russia's first 5G license. In July 2020, MTS was granted Russia's first license for 5G operations in the 24.25–24.65 GHz mmWave band under the 5G/IMT-2020 standard. The license covers 83 Russian regions. Business clients and large industrial enterprises will be the first to use the 5G network.

Dividends. In September 2020, the Extraordinary General Meeting of Shareholders approved dividends for 1H 2020 to the amount of RUB 8.93 per ordinary share.

Credit rating upgrade. In September 2020, S&P upgraded its credit rating on MTS to the BBB- investment grade.

Partnership with Spotify. MTS has announced a partnership with the Spotify streaming service. As part of an exclusive offer, MTS subscribers receive a free subscription to Spotify Premium for six months.

⁵ MTS's results reflect reclassification of the Ukrainian business as part of discontinued operations since 4Q 2019. The results for 3Q 2019 and 9M 2019 have been restated to reflect the results of this reclassification.

⁶ Adjustment for a one-off asset disposal in the amount of RUB 1.2 bln in 9M 2020.

⁷ Here and hereafter net profit is presented in Sistema's share.

FORESTRY HOLDING SEGEZHA GROUP

LEADING RUSSIAN VERTICALLY INTEGRATED FORESTRY HOLDING

(RUB million)	3Q 2020	3Q 2019	Change	9M 2020	9M 2019	Change
Revenue	18,966	13,745	38.0%	50,177	43,738	14.7%
Adj. OIBDA	5,079	2,469	105.8%	11,284	10,221	10.4%
Adj. OIBDA margin	26.8%	18.0%	8.8 p.p.	22.5%	23.4%	(0.9 p.p.)
Operating profit	3,509	998	251.7%	6,612	6,126	7.9%
Adj. net (loss) / profit attributable to Sistema	(3,319)	247	-	(5,383)	4,302	-

In 3Q 2020, **Segezha Group's revenue rose by 38.0% year-on-year** and amounted to RUB 19.0 billion primarily due to a surge in the volumes of sales and production of paper and sawn timber. The growth of the average FX rate against the rouble year-on-year, - EUR by 20%, USD by 14% - had a significant impact on the dynamics of export revenues.

Segezha Group's adjusted OIBDA increased more than twofold year-on-year and amounted to RUB 5.1 billion in 3Q 2020 following the growth in revenue due to increased share of higher-margin products, and amid rouble depreciation.

Adjusted OIBDA margin grew by 8.8 p.p. year-on-year to 26.8% in 3Q 2020.

Adjusted net loss amounted to RUB 3.3 billion in 3Q 2020, largely driven by the negative effect of FX differences from the revaluation of the company's FX-denominated debt.

Paper output increased by 16.4% year-on-year to 102,710 tonnes⁸ in 3Q 2020 primarily due to improved operating efficiencies and the postponement of planned annual equipment maintenance works from 3Q to 4Q 2020.

Paper sales increased by 58.1% to 81,200 tonnes following the growth of production volumes and as a result of inventory reduction. Additional volume was sold to existing customers.

The output volume of paper sacks declined by 1.0% year-on-year to 335.6 million units amid a fall in demand in the Russian market during the COVID-19 pandemic.

Sales of paper sacks increased by 4.9% year-on-year to 358.9 million units⁹ due to an increase in sales volumes, on the back of a recovery in demand from the European construction industry, following a downturn in 1H 2020 due to the COVID-19 pandemic. The recovery in demand has allowed for a reduction in warehouse inventory.

In 3Q 2020, **birch plywood output amounted to 45,800 cu m**, a decrease of 2.7% year-on-year. **Plywood sales** volume declined by 21.1% year-on-year to 38,100 cu m in 3Q 2020 largely due to the weakening of demand within the main sectors of plywood

consumption during the COVID-19 pandemic. Revenue from plywood sales remained flat compared with 3Q 2019 due to an increased share of higher-margin products in sales to key markets, and the promotion of a new plywood type in Australia, New Zealand and North America.

Sawn timber output increased by 17.2% year-on-year to 325,600 cu m following the acquisition of Karelian Wood Company LCC, a logging and woodworking enterprise, in early 2020, and due to an increase in production volumes at existing enterprises. Output was also significantly impacted by the redistribution of production capacity at the Sokol PPM from glulam products to sawn timber, due to the commissioning of a new splicing line. The new line will increase glulam production capacity at the Sokol PPM by 20%.

In 3Q 2020, **sales of sawn timber rose by 55.9% year-on-year** to 339,300 cu m on the back of the increase in output. Year-on-year growth was also driven by an uneven distribution of revenue in the segment between 3Q and 4Q 2019.

KEY EVENTS IN 3Q 2020 AND AFTER THE END OF THE REPORTING PERIOD

Launch of a new technical powdered lignosulphonates production facility. In August 2020, the Sokol PPM launched a new production facility for technical powdered lignosulphonates, which are used in the production of black carbon for cement manufacturing and road construction, with an annual capacity of 21,000 tonnes.

Launch of a new splicing line of glued products. In July 2020, a new splicing line of glued products, with a capacity of 25 cu m per hour, was launched at the Sokol Wood Processing Plant in the Vologda region. The new line will boost output of finished glued products by 20% to 100,000 cu m per year.

Completion of CLT plant construction. In October 2020, the first panel was produced at a new cross-laminated timber (CLT) plant in the Vologda region. The capacity of the new production line will amount to 50,000 cu m. The CLT plant is at the final stage of construction, and is scheduled for launch in December 2020.

⁸ Circa 26.7% of paper produced was supplied to Seghezha Group's own converting facilities to produce paper packaging.

⁹ Including 18.8 mln consumer paper bags.

AGRICULTURE HOLDING STEPPE

ONE OF RUSSIA'S LARGEST AGRICULTURE HOLDINGS AND LAND OWNERS

(RUB million) ^{10,11}	3Q 2020	3Q 2019	Change	9M 2020	9M 2019	Change
Revenue	14,712	9,917	48.4%	22,292	19,103	16.7%
OIBDA	2,199	1,216	80.9%	4,893	3,563	37.3%
OIBDA margin	14.9%	12.3%	2.7 p.p.	21.9%	18.7%	3.3 p.p.
Operating profit	1,358	720	88.5%	3,594	2,589	38.8%
Net (loss)/profit attributable to Sistema	(227)	(42)	-	1,612	720	124.1%

Steppe's revenue grew by 48.4% year-on-year and amounted to RUB 14.7 billion in 3Q 2020. The significant increase was driven primarily by revenue increase in the Crop Production and Agrotrading segments as a result of increased sales volumes of agricultural products and higher grain prices. Revenue growth was also driven by positive dynamics in the Dairy Farming segment as a result of higher production volumes due to an increase in the number of highly productive lactating cows and the improved efficiency of dairy farms, in addition to increases in the sales volume and price of sugar.

In 3Q 2020, **Steppe's OIBDA increased by 80.9% year-on-year to RUB 2.2 billion** as a result of an impactful sales strategy for own agricultural products, improved operating efficiency in the Agrotrading segment, and a successful time arbitrage strategy in the Sugar and Grocery Product Trading segment.

OIBDA margin amounted to 14.9% in 3Q 2020.

Steppe's CAPEX amounted to **RUB 0.9 billion in 3Q 2020**. Capital investments were focused primarily on the renewal of agricultural machinery fleet, building and modernising dairy farms, and buying out of land shares.

In 3Q 2020, **Steppe's net loss** amounted to RUB 0.2 billion.

Land bank of Steppe in 3Q 2020 amounted to **560,000 hectares**.

As of 30 September 2020, the **gross harvest of Steppe grew by 6.8% year-on-year to 1,238,000 tonnes**. Despite adversary weather conditions, Steppe managed to deliver high volume of the harvest. **The average export price of wheat sales rose by 20.3% year-on-year** in 3Q 2020.

The total area of orchards amounted to 780 hectares.

Sales volumes of wheat in the Agrotrading segment increased by 15.1% year-on-year and amounted to 817,000 tonnes in 9M 2020. Higher wheat sale prices and improvements in operational efficiencies due to the adoption of an efficient trading strategy helped to increase the OIBDA in the segment.

The Dairy Farming segment demonstrated stable growth: gross milk yield rose by 28% year-on-year amounting to approximately 18,000 tonnes in 3Q 2020. **Productivity per lactating cow increased by 4.4% year-on-year**, and the lactating herd consisted of 6,526 cows at the end of the reporting period.

Sales volumes in the Sugar and Grocery Trading segment rose by 7.4% year-on-year to 244,000 tonnes in 9M 2020. OIBDA growth was facilitated by higher-margin transactions undertaken as part of a time arbitrage strategy. In 3Q 2020, **the sale price of sugar increased by 32.2% year-on-year**.

¹⁰ Steppe results are presented net of results of AGK Yuzhny due to its divestiture in May 2020. Results for 3Q 2019 and 9M 2019 have been restated to reflect the results of this reclassification. OIBDA, OIBDA margin, operating profit and net loss of Steppe for 3Q 2020 and 9M 2020 reflect the adjustment as a result of 3Q 2020 review of fair value clarification of assets disposed and purchased as part of the buy and sell transactions in 1H 2020.

¹¹ RZ Agro is accounted for as an investment in a joint venture in Agroholding Steppe's IFRS financial statements.



MEDSI

LEADING PRIVATE HEALTHCARE OPERATOR IN RUSSIA

(RUB million)	3Q 2020	3Q 2019	Change	9M 2020	9M 2019	Change
Revenue	6,749	5,382	25.4%	17,244	16,084	7.2%
Adj. OIBDA ¹²	1,835	1,516	21.0%	4,107	4,036	1.8%
Adj. OIBDA margin ¹²	27.2%	28.2%	(1.0 p.p.)	23.8%	25.1%	(1.3 p.p.)
Operating profit	1,163	766	51.7%	2,164	1,849	17.0%
Adj. net profit attributable to Sistema	963	780	23.5%	1,622	1,918	(15.4%)

In 3Q 2020, **MedSi's revenue grew by 25.4% year-on-year to RUB 6.7 billion** due to deferred demand for medical services following the lifting of COVID-19 restrictions introduced in 2Q 2020, the resumption of routine medical care services, and revenues from the repurposing of the Otradnoe hospital as an in-patient infectious diseases' unit. Revenue was also positively impacted by increased demand for COVID-19 testing, and growth in home care and telemedical support services.

Adjusted OIBDA increased by 21.0% year-on-year to RUB 1.8 billion following the growth in revenue in 3Q 2020.

In 3Q 2020, MedSi's **adjusted OIBDA margin** slightly declined by 1.0 p.p. year-on-year and **amounted to 27.2%**.

Adjusted net profit increased by 23.5% year-on-year in 3Q 2020 on the back of adjusted OIBDA dynamics and amounted to RUB 1 billion.

Revenue from the Clinical Diagnostic Centre (CDC) in Belorusskaya amounted to RUB 766 million in 3Q 2020. OIBDA totalled RUB 328 million and OIBDA margin was 43%.

Revenue from the CDC in Krasnaya Presnya stood at RUB 811 million. OIBDA reached RUB 279 million at an OIBDA margin of 34.4%.

Net debt rose year-on-year in 3Q 2020 due to the drawing down of credit lines to finance CAPEX programmes, including the construction of a medical centre on Michurinsky Prospekt in Moscow. Debt to OIBDA LTM remains at a comfortable level of 0.7x.

In 3Q 2020, the average cheque increased by 34.6% year-on-year to RUB 3,100 due to the rising share of cost-intensive services in the outpatient coronavirus diagnostics segment, and

the high average cost of a COVID-19 treatment at the hospital in Otradnoe.

KEY EVENTS IN 3Q 2020 AND AFTER THE END OF THE REPORTING PERIOD

Network expansion. In September and October 2020, MedSi opened three new clinics in Moscow: a family clinic with advanced diagnostics in Maryino with a total area of 4,400 sq m, and two Smart 500 clinics on Poletayev Street and Aviatsionnaya Street with a total area of 498 sq m and 675 sq m respectively.

The construction of a new multifunctional centre on Michurinsky Prospekt, with more than 34,000 sq m of space, is nearing completion, with the opening planned for 1Q 2021. The medical centre will include a CDC for children and adults, a daytime in-patient clinic, and a 24-hour in-patient clinic with a centre for high-tech surgery.

Active growth of SmartMed users. The number of downloads of the SmartMed telemedical application, and the number of service users, is growing rapidly. The share of appointments made through the application has reached 35-40% of total bookings. A new version of the application has been released that enables in-app payments.

COVID-19. In August 2020, a Centre for diagnostics and the treatment of health complications caused by COVID-19 was opened at the CDC in Belorusskaya.

In October 2020, MedSi launched clinical studies of the "Sputnik V" vaccine against COVID-19. Free vaccinations have been made available at the CDC in Solyanka.

During the recent new wave of COVID-19 infections, the hospital in Otradnoe has again been repurposed as an in-patient infectious diseases unit focusing on comprehensive COVID-19 diagnostics.

¹² Adjustments for accruals related to the LTI programme, the effect of clinic acquisitions in Izhevsk.

BUSINESS NEDVIZHIMOST



RENTAL ASSETS WITH A UNIQUE POOL OF PROPERTIES

(RUB million)	3Q 2020	3Q 2019	Change	9M 2020	9M 2019	Change
Revenue	2,140	2,368	(9.6%)	4,124	4,845	(14.9%)
OIBDA	635	1,712	(62.9%)	1,321	3,448	(61.7%)
OIBDA margin	29.7%	72.3%	(42.6 p.p.)	32.0%	71.2%	(39.1 p.p.)
Operating profit	498	1,596	(68.8%)	926	3,113	(70.3%)
Net profit attributable to Sistema	469	1,165	(59.8%)	744	2,224	(66.5%)

Revenue from Business Nedvizhimost's rental assets decreased by 9.6% year-on-year in 3Q 2020 due to the completion of the 2019 commercial real estate sales programme.

In 3Q 2020, OIBDA and OIBDA margin amounted to RUB 0.6 billion and 29.7% respectively. The decline year-on-year was caused by a change in revenue structure in favour of lower margin rental revenue.

Business Nedvizhimost's net profit decreased year-on-year to RUB 0.5 billion in 3Q 2020. The dynamics were driven by the decline in OIBDA.

KEY EVENTS IN 3Q 2020 AND AFTER THE END OF THE REPORTING PERIOD

Credit rating. RAEX rating agency assigned Business Nedvizhimost a ruA- rating with a stable forecast.

Debt capital market debut. In August 2020, the Company successfully placed the debut bond issue for RUB 4 billion at a 7.9% coupon rate with a 4-year put option.

Appointment of new CEO. In September 2020, Artemy Marinin was appointed CEO of Business Nedvizhimost. Mr Marinin has extensive experience in real estate and construction.

Launch of the "Territoria" project. In 2021, Business Nedvizhimost plans to launch the "Territoria" project, using 20 buildings acquired from MGTS. The project will develop a coworking network of 8,000 work places situated across Moscow.

RTI

LEADING DEVELOPER OF HIGH-TECH SOLUTIONS

(RUB million)	3Q 2020	3Q 2019	Change	9 2020	9M 2019	Change
Revenue	5,240	5,431	(3.5%)	13,661	13,896	(1.7%)
Adj. OIBDA ¹³	64	1,317	(95.2%)	(59)	1,564	-
Adj. OIBDA margin	1.2%	24.3%	(23.0 p.p.)	-	11.3%	-
Operating loss	(668)	(1,388)	-	(2,168)	(2,971)	-
Adj. net (loss)/profit attributable to Sistema	(1,140)	193	-	(3,588)	1,714	-

RTI's revenue decreased by 3.5% year-on-year to **RUB 5.2 billion** in 3Q 2020 due to a number of new public procurement contracts with RTI Group companies being postponed.

Adjusted OIBDA declined year-on-year in 3Q 2020, primarily due to the impact of the financial results of Element LLC, a joint venture with the Rostec State Corporation in microelectronics, and the effect of a high base: in 3Q 2019, RTI Group companies performed a significant amount of work on a number of projects that drove a higher adjusted OIBDA margin.

Adjusted OIBDA margin stood at 1.2% in 3Q 2020.

In 3Q 2020, **adjusted net loss** compared to adjusted net profit in 3Q 2019 was due to OIBDA dynamics.

Net debt remained largely unchanged year-on-year, amounting to RUB 20.2 billion. As of the end of 3Q 2020, RTI's accounts also include additional funds of RUB 3.1 billion earmarked for the execution of state defence contracts, which are not included in the calculation of net debt.

¹³ Adj. OIBDA includes net loss of Element LLC which is accounted for using the equity method of accounting (classified as investments in associates). Excluding the results of Element LLC, adj. OIBDA of RTI in 3Q 2020 amounted to RUB 0.3 bln.

BPGC



ONE OF RUSSIA'S BIGGEST POWER GRID COMPANIES

(RUB million)	3Q 2020	3Q 2019	Change	9M 2020	9M 2019	Change
Revenue	4,277	4,976	(14.1%)	14,658	14,898	(1.6%)
OIBDA	515	1,742	(70.5%)	3,654	4,502	(18.8%)
OIBDA margin	12.0%	35.0%	(23.0 p.p.)	24.9%	30.2%	(5.3 p.p.)
Operating profit	(192)	1,077	-	1,544	2,526	(38.9%)
Net (loss)/profit attributable to Sistema	(103)	883	-	1,155	1,972	41.4%

In 3Q 2020, **revenue of BPGC** decreased by 14.1% year-on-year to RUB 4.3 billion due to a reduction in capacity and net electricity supply. This resulted from a decrease in energy consumption in the oil and gas sector following the OPEC+ agreement, and due to reduced economic activity in the region amid the COVID-19 pandemic.

In 3Q 2020, **OIBDA** declined year-on-year on the back of the decrease in revenue, and amounted to **RUB 0.5 billion**. The decline was also due to an increase in costs, including salaries indexation, repair costs and costs of services provided by Federal Grid Company, and was significantly affected by creating provisions for accounts receivable for a number of counterparties. OIBDA dynamics were also affected by the reversal of previously accrued provision on unsettled contractual arrangements with a counterparty in 3Q 2019.

The **OIBDA margin amounted to 12.0%** in 3Q 2020.

Net loss of BPGC in 3Q 2020 compared to the net profit in 3Q 2019 was driven by OIBDA dynamics and a decline in financial income.

KEY EVENTS IN 3Q 2020 AND AFTER THE END OF THE REPORTING PERIOD

Appointment of new CEO. In October 2020, Sergey Gurin was appointed CEO of BPCG. Mr Gurin was Director for Human Resources and Administrative Affairs at BPCG from 2012.

Modernisation of distribution networks. BPGC actively continued its comprehensive reconstruction of distribution networks in the Ufa city district. During the reporting period, 48 distribution points and 33 transformer substations were upgraded, 12 km of cable lines were laid, and 3,700 metering devices installed.

Construction of large infrastructure energy facilities. Construction of the 110 kV overhead lines Uizan-Baynazarovo project in the Beloretsk region, and the power substation "Romanovka" with the feeding transformer tap from the 110 kV "Dema – Ufimskaya TPS-4" project in Ufa, is ongoing. Work is also underway to reconstruct and increase capacity by installing upgraded transformers at the 110 kV Gafuri substation and 110 kV Blagoveschensk substations.

COSMOS HOTEL GROUP¹⁴

ONE OF RUSSIA'S LEADING HOTEL MANAGEMENT COMPANIES

(RUB million)	3Q 2020	3Q 2019	Change	9M 2020	9M 2019	Change
Revenue	885	1,522	(41.8%)	1,889	3,798	(50.3%)
Adj. OIBDA ¹⁵	281	603	(53.4%)	112	1,063	(89.5%)
Adj. OIBDA margin ¹⁴	31.7%	39.6%	(7.9 p.p.)	5.9%	28.0%	(22.1 p.p.)
Operating profit/(loss)	107	427	(74.9%)	(1,521)	524	-
Adj. net (loss)/profit attributable to Sistema ¹⁴	(34)	187	(70.1%)	(801)	(161)	-

In 3Q 2020, the **revenue of Cosmos Hotel Group decreased to RUB 0.9 billion**. The decline in revenue year-on-year was due to a sharp drop in occupancy caused by the COVID-19 pandemic.

Adjusted OIBDA declined year-on-year in 3Q 2020 on the back of the decrease in revenue, while hotels maintained an austerity regime to minimise losses in the context of the COVID-19 pandemic.

The adjusted net loss was due to the negative adjusted OIBDA dynamics.

In 3Q 2020, **the share of revenue from hotels outside Russia** amounted to 23.3% compared to 28.8% in 3Q 2019.

In 3Q 2020, **ADR¹⁶** for the Group's hotel portfolio **grew year-on-year by 8% from RUB 4,200 to RUB 4,600** primarily due to foreign hotels amid euro appreciation and resort hotels: Cosmos Collection Izumrudny Les and Cosmos Collection Altay Resort.

RevPAR¹⁷ of the hotel portfolio **decreased** from RUB 2,900 to RUB 1,900 as a result of a collapse in occupancy.

In 3Q 2020, **the average occupancy decreased by 34.0 p.p. to 40%** due to a significant drop in demand for hotel services.

KEY EVENTS IN 3Q 2020 AND AFTER THE END OF THE REPORTING PERIOD

Modernisation of Cosmos hotel complex. Cosmos Hotel Group continued the modernisation and refurbishment of the Cosmos hotel complex. The project is due to be completed in 2023.

¹⁴ Based on management accounts.

¹⁵ Adjusted in 1Q 2020 as a result of a one-time write-off due to the COVID-19 pandemic affecting the financial performance of the international hotels.

¹⁶ Average daily rate.

¹⁷ Revenue per available room per day.

CORPORATE

<i>(RUB million)</i>	3Q 2020	3Q 2019	Change	9M 2020	9M 2019	Change
OIBDA	2,081	(4,134)	-	(5,511)	(8,393)	-
Net profit / (loss)	(2,719)	(8,515)	-	(21,131)	(17,718)	-
Corporate Centre's financial liabilities ¹⁸	171,641	203,837	<i>(15.8%)</i>	171,641	203,837	<i>(15.8%)</i>

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

The SG&A¹⁹ in Sistema's revenue in 3Q 2020 decreased by 3.5 p.p. year-on-year to 15.5% as a result of the high base effect - bonuses were paid out in 3Q 2019 due to the monetisation of assets.

Financial liabilities of the Corporate Centre declined by 15.8% year-on-year to RUB 171.6 billion as a result of the repayment of rouble-denominated loans and liability to the Federal Property Management Agency (Rosimuschestvo).

As of 30 September 2020, the share of rouble-denominated financing accounted for 97% of the financial liabilities of the Corporate Centre.

¹⁸ Including total borrowings, liability to Rosimushchestvo, financial lease net of cash and cash equivalents at the Corporate centre level.

¹⁹ Based on management accounts.

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

Investor Relations
Nikolai Minashin
Tel: +7 (495) 730 66 00
n.minashin@sistema.ru

Public Relations
Sergey Kopytov
Tel.: +7 (495) 228 15 32
kopytov@sistema.ru

Sistema PJSC is a publicly traded diversified Russian holding company serving over 150 million customers in the sectors of telecommunications, high technology, financial services, retail, paper and packaging, agriculture, real estate, tourism and medical services. The company was founded in 1993. Revenue in 2019 was RUB 656.9 billion; total assets equalled RUB 1.3 trillion as of 31 December 2019. Sistema's global depository receipts are listed under the "SSA" ticker on the London Stock Exchange. Sistema's ordinary shares are listed under the "AFKS" ticker on the Moscow Exchange. Website: www.sistema.com.

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

Some of the information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of Sistema. You can identify forward looking statements by terms such as "expect," "believe," "anticipate," "estimate," "intend," "will," "could," "may" or "might" the negative of such terms or other similar expressions. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. In addition, there is no assurance that the new contracts entered into by our subsidiaries referenced above will be completed on the terms contained therein or at all. We do not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, general economic conditions, our competitive environment, risks associated with operating in Russia, rapid technological and market change in our industries, impact of COVID-19 pandemic on macroeconomic situation on the markets of presence and financial results of Sistema and its subsidiaries and associates, as well as many other risks specifically related to Sistema and its operations.



JOINT-STOCK FINANCIAL CORPORATION

SISTEMAIFRS financial results
3Q 2020

SISTEMA PJSFC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Amounts in millions of Russian roubles, except for per share amounts)

	Nine months ended September 30,		Three months ended September 30,	
	2020	2019	2020	2019
Revenue	498 260	473 457	184 890	168 682
Cost of sales	(231 703)	(214 122)	(88 205)	(76 520)
Selling, general and administrative expenses	(87 155)	(89 803)	(28 675)	(32 031)
Depreciation and amortisation ¹	(89 869)	(85 359)	(30 749)	(28 900)
Impairment of long-lived assets	(2 177)	(2 401)	425	(2 227)
Impairment of financial assets	(3 344)	(3 688)	(1 078)	(2 095)
Taxes other than income tax	(3 272)	(3 492)	(1 114)	(1 224)
Share of the profit or (loss) of associates and joint venture	(1 324)	(1 346)	790	(780)
Other income	10 992	9 066	5 876	5 006
Other expenses	(3 584)	(2 959)	(1 625)	(554)
OPERATING INCOME	86 824	79 353	40 535	29 357
Finance income	4 310	5 183	1 345	1 401
Finance costs ²	(54 315)	(59 370)	(18 059)	(20 523)
Currency exchange gain/(loss)	(14 387)	9 065	(5 551)	145
Change in fair value of financial instruments	9 046	(7 130)	122	334
PROFIT BEFORE TAX	31 478	27 101	18 392	10 714
Income tax expense	(17 945)	(15 906)	(6 657)	(7 790)
PROFIT FROM CONTINUING OPERATIONS	13 533	11 195	11 735	2 924
Results of discontinued operations	2 882	36 085	(232)	4 539
PROFIT FOR THE PERIOD	16 415	47 280	11 503	7 463
Attributable to:				
Shareholders of Sistema JSFC	(7 299)	20 914	2 334	(2 266)
Non-controlling interests	23 714	26 366	9 169	9 729
	16 415	47 280	11 503	7 463
Earnings/(loss) per share (basic and diluted), Russian Rubles:				
From continuing operations	(0,94)	(0,90)	0,29	(0,48)
From continuing and discontinued operations	(0,78)	2,20	0,25	(0,24)

¹ Consists of depreciation charged on right-of-use assets during the 9 months ended 30 September 2020 in the amount of RUB 16 338 million, including expenses have been classified as operating lease under previous standards in the amount of RUB 15 374 million

² Consists of interest expenses on lease liabilities for the 9 months ended 30 September 2020 in the amount of RUB 10 991 million, including expenses have been classified as operating lease under previous standards in the amount of RUB 9 972 million



JOINT-STOCK FINANCIAL CORPORATION

SISTEMA**SISTEMA PJSFC AND SUBSIDIARIES**
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2020 AND DECEMBER 31, 2019
(Amounts in millions of Russian roubles)

	September 30,	December 31,
	2020	2019
	<hr/>	<hr/>
ASSETS		
NON-CURRENT ASSETS:		
Property, plant and equipment	412 217	400 083
Investment property	13 548	13 660
Goodwill	57 850	55 388
Other intangible assets	94 909	91 138
Right-of-use asset	152 367	154 865
Investments in associates and joint ventures	56 754	79 917
Deferred tax assets	28 526	26 752
Loans receivable and other financial assets	154 951	116 973
Deposits in banks	7	82
Other assets	25 560	19 438
Total non-current assets	<hr/> 996 689	<hr/> 958 296
CURRENT ASSETS:		
Inventories	49 260	45 329
Contract asset	8 941	6 474
Accounts receivable	60 017	54 703
Advances paid and prepaid expenses	16 576	14 038
Current income tax assets	4 105	4 711
Other taxes receivable	19 362	19 259
Loans receivable and other financial assets	97 122	87 138
Deposits in banks	1 492	1 659
Restricted cash	4 533	5 689
Cash and cash equivalents	110 382	63 669
Other assets	1 999	2 562
Total current assets	<hr/> 373 789	<hr/> 305 231
TOTAL ASSETS	<hr/> 1 370 478	<hr/> 1 263 527



JOINT-STOCK FINANCIAL CORPORATION

SISTEMA

SISTEMA PJSFC AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2020 AND DECEMBER 31, 2019 (CONTINUED)

(Amounts in millions of Russian roubles)

	September 30, 2020	December 31, 2019
LIABILITIES AND EQUITY		
SHAREHOLDERS' EQUITY:		
Share capital	869	869
Treasury shares	(5 473)	(5 971)
Additional paid-in capital	73 807	75 045
Retained earnings	(44 541)	(36 020)
Accumulated other comprehensive income	21 817	7 452
Equity attributable to shareholders of Sistema JSFC	46 479	41 375
Non-controlling interests	20 688	24 353
TOTAL EQUITY	67 167	65 728
NON-CURRENT LIABILITIES:		
Borrowings	620 256	491 416
Lease liabilities	148 243	149 565
Bank deposits and liabilities	17 198	6 051
Deferred tax liabilities	36 766	36 172
Provisions	6 125	5 748
Other financial liabilities	4 372	3 526
Other liabilities	6 547	5 607
Total non-current liabilities	839 507	698 085
CURRENT LIABILITIES:		
Borrowings	73 566	129 454
Lease liabilities	18 556	16 060
Accounts payable	95 188	89 203
Bank deposits and liabilities	174 066	160 511
Income tax payable	1 529	921
Other taxes payable	18 149	16 065
Dividends payable	11 091	15 569
Provisions	12 379	14 910
Liability to Rosimushchestvo	4 670	7 231
Contract liabilities and other liabilities	49 804	46 321
Other financial liabilities	4 806	3 469
Total current liabilities	463 804	499 714
TOTAL LIABILITIES	1 303 311	1 197 799
TOTAL LIABILITIES AND EQUITY	1 370 478	1 263 527



JOINT-STOCK FINANCIAL CORPORATION

SISTEMA

SISTEMA PJSFC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Amounts in millions of Russian roubles)

IFRS financial results
3Q 2020

	Nine months ended September 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Loss)/profit for the period	16 415	47 280
Adjustments for:		
Depreciation and amortization	89 869	101 599
Share of the (profit)/ loss of associates and joint v entures, net	1 324	1 346
Profit from sales of ownership in associates and joint v entures	(3 537)	(828)
Finance income	(4 311)	(5 561)
Finance costs	54 315	64 100
Income tax expense	17 945	17 970
Currency exchange loss/(gain)	14 613	(12 577)
Gain from disposal of subsidiaries	(2 683)	(23 770)
Change in fair v alue of financial instruments	(8 975)	7 130
(Profit)/loss on disposal of property, plant and equipment	(2 078)	(2 618)
Impairment loss on loans receiv able	7 294	2 645
Div idends receiv ed from associates and joint v entures	2 633	3 075
Non-cash compensation to employees	683	1 458
Impairment of long-liv ed assets	2 177	2 430
Impairment loss from write-offs of financial assets	3 344	3 724
Other non-cash items	(675)	1 768
	<u>188 353</u>	<u>209 170</u>
Mov ements in working capital:		
Bank loans to customers and interbank loans due from banks	(21 337)	(28 245)
Bank deposits and liabilities	15 405	33 789
Restricted cash	1 434	1 668
Financial assets/liabilities at fair v alue through profit or loss	(3 616)	6 160
Accounts receiv able and contract assets	7	(8 727)
Adv ances paid and prepaid expenses	(2 477)	284
Other taxes receiv able	51	(2 991)
Inventories	(7 991)	(1 718)
Accounts payable	186	(10 069)
Subscriber prepayments	(922)	1 547
Other taxes payable	2 081	1 625
Adv ances receiv ed and other liabilities	2 264	4 046
Fines and penalties related to inv estigation into former operations in Uzbekistan	-	(55 607)
Interest paid ³	(53 078)	(61 129)
Income tax paid	(17 294)	(24 605)
	<u>103 066</u>	<u>65 198</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	103 066	65 198

³ Comprises interest paid on lease liabilities for the 9 months ended 30 September 2020 in the amount of RUB 10 344 million, including interest have been classified as operating lease under previous standards in the amount of RUB 9 700 million



JOINT-STOCK FINANCIAL CORPORATION

SISTEMA

SISTEMA PJSFC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (CONTINUED)
(Amounts in millions of Russian roubles)

IFRS financial results
3Q 2020

	Nine months ended September 30,	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchases of property, plant and equipment and investment property	(64 847)	(60 973)
Proceeds from sale of subsidiaries net of cash disposed	(38)	10 786
Proceeds from sale of property, plant and equipment	4 897	5 481
Payments to obtain and fulfill contracts	(3 745)	(4 026)
Payments for purchases of intangible assets	(21 208)	(17 832)
Payments for businesses, net of cash acquired	(3 415)	(2 735)
Payments for investments in associates and joint ventures	(2 523)	(16 820)
Proceeds from disposal of investments in affiliated companies	25 808	15 253
Payments for purchases of financial assets, long-term	(11 259)	(14 709)
Proceeds from sale of financial assets, long-term	5 115	4 501
Payments for financial assets, short-term	(3 144)	(6 890)
Proceeds from sale of financial assets, short-term	12 863	32 221
Interest received	3 255	5 302
Other	(1 755)	714
NET CASH USED IN INVESTING ACTIVITIES	(59 996)	(49 727)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	266 300	231 406
Principal payments on borrowings	(210 389)	(226 702)
Lease liabilities payments ⁴	(12 921)	(17 248)
Acquisition of non-controlling interests in existing subsidiaries	(9 427)	(18 805)
Proceeds from sale of treasury stock	-	233
Proceeds from capital transactions with non-controlling interests	76	101
Dividends paid	(31 757)	(21 650)
Repurchase of own shares	-	(317)
Debt issuance costs	(121)	(71)
NET CASH PROVIDED BY / (USED IN) FINANCING ACTIVITIES	1 761	(53 053)
Effect of foreign currency translation on cash and cash equivalents	1 882	(1 342)
Net decrease/increase in cash and cash equivalents	46 713	(38 924)
Cash and cash equivalents at the beginning of the period	63 669	114 183
Cash and cash equivalents at the end of the period	110 382	75 260

⁴ Comprises lease payments for the 9 months ended 30 September 2020 in the amount of RUB 12 138 million as operating lease under previous standards.



JOINT-STOCK FINANCIAL CORPORATION

SISTEMA**Appendix A**IFRS financial results
3Q 2020

Operating Income Before Depreciation and Amortisation (OIBDA) and OIBDA margin. OIBDA represents operating profit before depreciation and amortisation. OIBDA margin is defined as OIBDA as a percentage of our net revenues. Our OIBDA may not be similar to the 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 profit and profit attributable to Sistema shareholders. The Company uses adjusted OIBDA, adjusted operating profit 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 profit and adjusted OIBDA can be reconciled to our consolidated statements of profit and loss as follows:

<i>RUB millions</i>	3Q 2020	3Q 2019	9M 2020	9M 2019
Operating income	40 535	29 357	86 824	79 353
Provisions for amounts due under contracts with clients at RTI	381	2 282	991	3 288
Accruals related to LTI program at portfolio companies	2	175	134	516
Impairment of hospitality assets	-	-	1 109	-
Impairment of non-current assets (MTS)	-	-	1 248	-
Other non-recurring (gains) / losses, net	(5)	2 147	(17)	2 529
Adjusted operating income	40 913	33 961	90 290	85 685
Depreciation and amortisation	30 749	28 900	89 869	85 359
Adjusted OIBDA	71 662	62 861	180 159	171 044

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 2020	3Q 2019	9M 2020	9M 2019
Net profit / (loss) attributable to Sistema	2 334	(2 266)	(7 299)	20 915
Revaluation of the provision for liability with regards to the Securities and Exchange Commission investigation (MTS)	-	-	-	(1 722)
Accruals related to LTI program at portfolio companies	2	212	130	675
Provisions for amounts due under contracts with clients at RTI	268	1 985	706	2 861
Impairment of hospitality assets	-	-	975	-
Impairment of non-current assets (MTS)	-	-	624	-
Other non-recurring (gains) / losses, net	(5)	3 431	(11)	3 813
Adjusted net profit / (loss) attributable to Sistema	2 598	3 363	(4 876)	26 541

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



JOINT-STOCK FINANCIAL CORPORATION

SISTEMA

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

<i>RUB millions</i>	30 September 2020	30 June 2020
Long-term borrowings	620 256	607 701
Short-term borrowings	73 566	99 411
Liability to Rosimushchestvo	4 644	8 153
Total borrowings	698 466	715 265
Consolidated finance lease ¹	19 478 ²	18 511 ³
Consolidated total debt	717 943	733 776
Cash and cash equivalents	(110 382)	(128 418)
Deposits in banks	(1 499)	(1 363)
Consolidated net debt	606 063	603 995

¹ In accordance with the standard IAS 17² Including RUB 1,654 million of short-term finance lease³ Including RUB 1,481 million of short-term finance lease