



# SISTEMA PJSFC IFRS FINANCIAL RESULTS

1Q 2020

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Sistema's management will host a conference call today at 10:00 am (New York time) / 3:00 pm (London time) / 4:00 pm (CEST) / 5:00 pm (Moscow time) to present and discuss the 1Q 2020 results.

To participate in the conference call, please dial:

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**Conference ID: 7407014**

**Link to webcast:** <https://webcasts.egs.com/sistema20200610>

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

A replay of the conference call will be available on Sistema's website [www.sistema.com](http://www.sistema.com) for at least seven days after the event.

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**Moscow, Russia** – 10 June 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 first quarter 2020 ended 31 March 2020.

## KEY GROUP HIGHLIGHTS

- ✓ **Investments in Ozon.** Sistema invested an additional RUB 3 billion in Ozon to continue the implementation of its aggressive growth strategy.
- ✓ **Establishing a new venture capital fund.** The Company launched Sistema SmartTech, a start-up fund focused on early stage investment. Sistema SmartTech will primarily invest in projects of Russian origin, operating in a variety of sectors and demonstrating growth potential through the creation of new market niches.
- ✓ **Development of one of the largest private laboratories in Russia.** In January 2020, Sistema-Biotech signed an investment agreement with the International Medical Cluster Foundation to construct a multidisciplinary biotechnology R&D laboratory and centre for preclinical testing of cutting-edge developments and technologies in Skolkovo. The Sistema-Biotech laboratory will focus on genetic research, the production of diagnostic kits, cell-based biomedical products, biobanks and the production of biopharmaceuticals.
- ✓ **Secondary placement of series 001P-05 bonds.** In February 2020, the Group successfully completed a secondary placement of series 001P-05 exchange-traded bonds. During the tender offer, RUB 3.5 billion of bonds out of the total RUB 10 billion issue were repurchased. The Company placed all repurchased bonds through the secondary placement with a coupon rate of 6.85% at 100% of the nominal value.

## CORPORATE EVENTS AFTER THE END OF THE REPORTING PERIOD

- ✓ **Appointment of Sistema's new President.** In April 2020, Vladimir Chirakhov was appointed President of Sistema.
- ✓ **Dividends for 2019.** In May 2020, the Board of Directors of Sistema recommended that the Annual General Meeting of Shareholders distribute RUB 1.25 billion as the final dividend for FY 2019 (RUB 0.13 per ordinary share or RUB 2.6 per GDR). The Annual General Meeting of Shareholders will be held on 27 June 2020.
- ✓ **New bonds issue.** In May 2020, Sistema placed 10-year exchange-traded bonds of series 001P-13 of RUB 15 billion at a 6.60% coupon rate with a 4-year put option.
- ✓ In May 2020, **recognising increased focus on ESG** in modern corporate culture, Sistema's Board of Directors approved an amended version of the Corporate Governance Code consistent with the best international ESG practices and reflecting the Corporation's commitment to best in class ESG performance.

## INITIATIVES TO COMBAT COVID-19

- ✓ **Over RUB 1 billion of investments to combat COVID-19** related to medical aid, the production of personal protective equipment, employee healthcare and supporting the customers of the Group's companies.
- ✓ **Increasing the capabilities for COVID-19 diagnostics.** In April 2020, Sistema-Biotech obtained a registration certificate issued by Russian healthcare regulator Roszdravnadzor for its coronavirus detecting test system. In May 2020, Sistema-Biotech signed a contract with the healthcare department of the Moscow city government to supply 1 million test systems. Sistema-Biotech has also launched clinical and laboratory trials of a new rapid response test system able to detect the COVID-19 virus within 30 minutes and within the workplace.
- ✓ **Creation of a Support Centre for medical personnel** focused on providing organisational and financial support to healthcare workers during and in the aftermath of the coronavirus pandemic. RUB 500 million was raised to support the social initiative #StranaBezVirusa; 25,000 COVID-19 diagnostic test systems have been distributed for free to approximately 10 Russian regions; 200,000 protective suits purchased from China were provided for hospital staff in Moscow and the Moscow region.
- ✓ **Leveraging digital technologies against COVID-19.** MTS and Medsi have launched free online consultations with primary care doctors and pediatricians through their SmartMed telemedicine service across Russia. Medsi has also launched its quality of patient care monitoring system utilising artificial intelligence at its Clinical Hospital in Otradnoe, which was converted to admit patients with pneumonia and COVID-19. Over 1,500 patients were admitted in two months.

## 1Q 2020 FINANCIAL HIGHLIGHTS

- ✓ **Consolidated revenue<sup>1</sup> increased by 6.3%** year-on-year to RUB 158.9 billion.
- ✓ **Adjusted OIBDA<sup>2</sup> grew by 1.5% year-on-year** to RUB 54.0 billion.
- ✓ **Adjusted OIBDA margin** amounted to 34.0%.
- ✓ **Adjusted net loss attributable to Sistema** was RUB 9.4 billion.

### Vladimir Chirakhov, President and Chief Executive Officer of Sistema, said:

"Despite the negative impact of the COVID-19 pandemic and subsequent lockdown measures in our core markets, Sistema increased both its revenue and adjusted OIBDA in 1Q 2020 as a result of the strong performance of the Group's portfolio of diversified assets.

Although there remains a substantial uncertainty about the length of the pandemic and economic recovery, our portfolio companies are pressing ahead with investment programmes: MTS is investing in network construction; Segezha Group has entered the active construction phase of a plywood production mill in the Kostroma region; Steppe enhances presence in crop production and dairy farming segments and pursues its strategy of increasing land bank; Medsi is preparing to open a new medical centre in Michurinsky prospect in Moscow; Detsky Mir continues to open new stores; and Ozon is focused on building fulfilment centres and the expansion of its delivery infrastructure.

While lockdown measures have challenged our portfolio companies operating in consumer-facing markets, they managed to promptly restructure business processes and strengthen both online sales and client communication channels. MTS raised online smartphone sales by 70% compared to the pre-lockdown period. Detsky Mir increased its share of online sales up to 25% from total sales in 1Q 2020 and up to 42% in April. Etalon Group was one of the first companies in the real estate market to launch online bookings and sales of apartments. Finally, Ozon, which operates solely online, has not only managed to maintain record growth in GMV but has significantly increased it to 115% year-on-year in 1Q 2020 and up to almost 200% in April.

Sistema's assets demonstrated resilience in the face of the global pandemic measures, successfully adjusting their business processes to the new environment. And while we may see a stronger impact of COVID-19 on the performance of some of our portfolio companies in the second quarter 2020, I am convinced that this crisis will allow our assets to further increase efficiency and continue market consolidation. Likewise, at the Corporate Centre level, we have focused on costs optimisation and introduced measures to reduce SG&A, which will be fully reflected in 2021 results."

<sup>1</sup> Hereinafter the results for 1Q 2019 are presented taking into account reclassification of Detsky Mir, Leader-Invest, MTS operations in Ukraine and RTI microelectronics businesses as discontinued operations.

<sup>2</sup> Hereinafter see Appendix A for the definitions of adjusted OIBDA, adjusted operating profit, adjusted net profit attributable to Sistema, consolidated debt and consolidated net debt and their reconciliation to IFRS financials.

## SISTEMA RESULTS REVIEW

<i>(RUB million)</i>	<b>1Q 2020</b>	<b>1Q 2019</b>	<b>Change</b>
Revenue	<b>158,885</b>	149,465	6.3%
Adj. OIBDA	<b>54,045</b>	53,234	1.5%
Operating profit	<b>23,172</b>	24,649	(6.0%)
Net profit/ (loss) attributable to Sistema	<b>(10,214)</b>	16,641	-
Adj. net profit / (loss) attributable to Sistema	<b>(9,409)</b>	15,713	-

In 1Q 2020, Sistema's **consolidated revenue increased by 6.3% year-on-year to RUB 158.9 billion** primarily driven by strong performance of MTS due to revenue growth amid strong dynamics of mobile services revenue, increased smartphone sales and MTS Bank's contribution; BPGC due to revenue growth as a result of higher electricity transmission tariffs, an increase in utility connection services and higher rental payments; and Medsi due to significant revenue growth from the Voluntary Health Insurance (VHI), Mandatory Health Insurance (MHI) and individual patients segments.

**Adjusted OIBDA increased by 1.5% year-on-year** driven by improved results at BPGC due to an increase in revenue while costs remained flat compared with 1Q 2019; at Medsi due to an increase in revenue; and at Steppe due to positive dynamics in its key operating segments. The dynamics of the Group's adjusted OIBDA was also impacted by the decrease in OIBDA of Segezha Group, as well as by the reflection of Sistema's share in the increase of Ozon's net loss: in 1Q 2020, the Group's share in Ozon's net loss amounted to RUB 2.4 billion compared to RUB 1.1 billion in 1Q 2019.

**Year-on-year adjusted net income dynamics** is primarily accounted for by the recognition of the gain from the divestiture of Sistema's 51% stake in Leader Invest and subsequent revaluation of investments in associates (remaining 49% stake in Leader Invest) in the first quarter 2019.

**The Group's selling, general and administrative expenses (SG&A) increased** by 7.7% year-on-year to RUB 30.5 billion in 1Q 2020 primarily driven by higher SG&A at MTS due to increase in headcount as MTS enhances presence in the digital areas. The SG&A/revenue increased slightly year-on-year and amounted to 19.2%.

**CAPEX grew** by 31.9% year-on-year and amounted to RUB 28.1 billion in 1Q 2020, mainly driven by CAPEX growth at MTS related to network development, as well as investments in the capacity increase at Segezha Group.

## OVERVIEW OF PORTFOLIO COMPANIES<sup>3</sup>

### MTS



#### LEADING TELECOMMUNICATIONS OPERATOR AND DIGITAL SERVICES PROVIDER IN RUSSIA

(RUB million <sup>4</sup> )	1Q 2020	1Q 2019	Change
Revenue	<b>119,608</b>	109,832	8.9%
Adj. OIBDA <sup>5</sup>	<b>51,836</b>	54,025	(4.1%)
Adj. OIBDA margin <sup>5</sup>	<b>43.3%</b>	49.2%	(5.9 p.p.)
Operating profit	<b>26,816</b>	30,428	(11.9%)
Adj. net profit attributable to Sistema <sup>6</sup>	<b>9,031</b>	7,076	27.6%

In 1Q 2020, **MTS's revenue grew by 8.9% year-on-year** to RUB 119.6 billion driven by growth in mobile service revenue, backed by an increase in tariffs and a spike in smartphone sales in expectation of rouble depreciation. Moreover, MTS Bank positively contributed to the growth in the group revenue.

In 1Q 2020, **adjusted OIBDA slightly decreased year-on-year and amounted to RUB 51.8 billion**. Revenue growth in the key telecoms sector had a positive effect on OIBDA, while negative dynamics were primarily due to income from assets disposal: the sale of a stake in Ozon to Sistema PJSC in 1Q 2019<sup>7</sup>, and the sale of MGTS real estate venues to JSC Business Nedvizhimost.

**Adjusted OIBDA margin amounted to 43.3%** in 1Q 2020, which is 5.9 p.p. less than in 1Q 2019.

In 1Q 2020, **growth in adjusted net profit by 27.6% year-on-year to RUB 9.0 billion** was primarily due to a positive revaluation effect related to the use of derivative instruments to manage the currency position of MTS Group. A negative effect on the dynamics of the net profit growth year-on-year was driven by 1Q 2019 income related to discontinued operations in Ukraine.

**CAPEX**. In 1Q 2020, the amount of capital expenditure increased primarily due to increased levels of investment in the network development. In the first three months of 2020, MTS Group commissioned 3,800 base stations in 69 Russian regions.

#### OUTLOOK FOR 2020

MTS expects a slight growth in revenue in 2020 in the range of 0-3%, a possible OIBDA decline by up to 2%, while capital expenditure is estimated to remain flat at RUB 90 billion.

#### KEY EVENTS IN 1Q 2020 AND AFTER THE END OF THE REPORTING PERIOD

**Special dividend**. In February 2020, MTS completed the payment of the special dividend totalling RUB 26.48 billion, or RUB 13.25 per share.

**Share buyback programme**. In March 2020, MTS's Board of Directors approved a buyback programme of a total of RUB 15 billion until the end of 2020.

**Dividend for 2019**. In April 2020, the Board of Directors recommended the final dividend for 2019 of RUB 20.57 per share to be approved at the Annual General Meeting of Shareholders on 24 June 2020.

**New bond issues**. In May 2020, MTS successfully placed exchange-traded series 001P-15 bonds in the amount of RUB 5.0 billion with a maturity of 6.5 years, as well as RUB 7.0 billion seven-year exchange-traded series 001P-16 bonds. The coupon rates of both issues amounted to 6.60%.

In early June 2020, MTS placed two-year exchange-traded series 001P-17 bonds in the amount of RUB 10.0 billion with a coupon rate of 5.50%.

**COVID-19**. Since the end of March 2020, MTS has observed increased traffic on its fixed and mobile networks. A sharp drop in revenue from international roaming is expected, and approximately a third of retail outlets remain closed.

MTS is supporting medical professionals in the fight against the spread of the virus. MTS is also developing new complex product offerings, combining TV, books, music, telemedicine and fitness apps to support clients and retain their loyalty after the crisis.

<sup>3</sup> Here and hereafter 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.

<sup>4</sup> MTS results are presented with reclassification of business in Ukraine as part of discontinued operations from 4Q 2019. The results for 1Q 2019 have been restated to reflect the results of this reclassification.

<sup>5</sup> Adjustment for the one-off write off of non-current assets in the amount of RUB 0.3 billion in 1Q 2020.

<sup>6</sup> Here and hereafter net profit is presented in Sistema's share. Adjustments include revaluation of liabilities under SEC investigation and non-current assets write-off in the first quarter 2020.

<sup>7</sup> In the financial statement of MTS, this income is reflected below operating profit.

## FORESTRY HOLDING SEGEZHA GROUP

### LEADING RUSSIAN VERTICALLY INTEGRATED FORESTRY HOLDING

(RUB million)	1Q 2020	1Q 2019	Change
Revenue	<b>14,332</b>	14,487	(1.1%)
OIBDA	<b>2,627</b>	3,970	(33.8%)
OIBDA margin	<b>18.3%</b>	27.4%	(9.1 p.p.)
Operating profit	<b>1,091</b>	2,714	(59.8%)
Net profit/(loss) attributable to Sistema	<b>(5,221)</b>	2,730	-

In 1Q 2020, **Segezha Group's revenue slightly decreased by 1.1% year-on-year** primarily due to a decline in global paper prices. Growth in the sales of plywood and sawn timber contributed positively to the revenue dynamics.

**Segezha Group's OIBDA** amounted to RUB 2.6 billion in 1Q 2020. The year-on-year decline was due to lower paper prices compared to record high levels in 1Q 2019. Higher share of low-margin products sales (sawn timber and plywood) in product mix also contributed to negative OIBDA dynamics.

**OIBDA margin declined by 9.1 p.p. year-on-year to 18.3%** in 1Q 2020.

**Net loss** amounted to RUB 5.2 billion in 1Q 2020. The year-on-year dynamics were driven by currency exchange differences from the revaluation of the company's FX-denominated debt.

**Paper output decreased by 1.6% year-on-year to 99,300 tonnes<sup>8</sup>** in 1Q 2020 due to scheduled repair works. Paper sales grew by 1.8% year-on-year to 66,000 tonnes due to reduced stock inventory. The additional volume of paper was sold largely to existing clients.

**The production volume of paper sacks and bags** grew by 4.6% year-on-year to 334.3 million units<sup>9</sup> due to the launch of a new line for the production of industrial paper packaging in Salsk in November 2019. Sales increased by 12.1% year-on-year to 313.4 million units following the growth in production volume, while a share of the output produced in the low winter season will be sold in summer and autumn. Decreased sales of paper packaging in the European market and in the Middle East and North Africa became a negative factor.

**Plywood production increased by 3.1% year-on-year to 49,500 cu m in 1Q 2020** due to the new plywood production facility in the Kirov region, commissioned in July 2018, reaching its full production capacity.

**Plywood sales** grew by 30.7% year-on-year to 48,900 cu m in 1Q 2020, which corresponds to the production level in 1Q 2019. The growth in sales was supported by favourable market conditions at the beginning of 2020 and the expansion of the product range.

**Sawn timber output** increased by 13.4% year-on-year to 245,200 cu m in 1Q 2020 on the back of the acquisition of Karelian Wood Company LLC, a logging and wood processing enterprise located in the Republic of Karelia, at the beginning of 2020. The volume of sawn timber sales increased by 9.0% year-on-year to 207,100 cu m in 1Q 2020 backed by the subsequent production increase. The additionally produced stock of sawn timber is sold to new clients in Finland.

**Sustainable development.** Based on the 2019 performance, Segezha Packaging, Segezha Group's European paper packaging operation, has been awarded a Silver Medal sustainability rating by the EcoVadis for the second consecutive year. The platform assesses corporate, social and ecological responsibility.

In 1Q 2020, four Segezha Group enterprises were certified in accordance with the standards of the voluntary forestry certification PEFC (The Programme for the Endorsement of Forest Certification). Three of them, Segezha Pulp & Paper Mill, PLO Onegales, and PAO Onegales, achieved sustainable forest management certification, while Onega Sawmills received the PEFC supply chain certificate.

As part of its sustainable forestry policy, Segezha Group has initiated a project focused on the development of seed plantation centres, in order to produce containerised tree seedlings.

### KEY EVENTS IN 1Q 2020 AND AFTER THE END OF THE REPORTING PERIOD

**Business development.** In January 2020, Segezha Group purchased the Karelian Wood Company LLC, a logging and wood processing enterprise, from Finland's Pin Arctic Oy Company. The facility is located near the city of Kostomuksha in the Republic of Karelia. It has an output capacity of up to 250,000 cu m of sawn timber per year, and an annual allowable cut of over 200,000 cu m.

**Debut in the debt market.** In January 2020, the Group successfully placed three-year series 001P-01R bonds in the volume of RUB 10 billion with a coupon rate of 7.1%. The company was assigned a ruA- credit rating by Expert RA.

<sup>8</sup> About 34% of paper produced was supplied to converting facilities to produce paper packaging.

<sup>9</sup> Including 20.5 million consumer paper bags.



JOINT-STOCK FINANCIAL CORPORATION  
**SISTEMA**

**Commencing construction of a plywood production mill** in Galich, Kostroma Region. The mill's design capacity is 130,000 cu m of large-sized birch plywood per year.

**Launch of the second phase of pellet production at Lesosibirsky LDK.** The total pellet production capacity increased from 70,000 to 110,500 tonnes per year.

In April 2020, Segezha Group made a donation to the Segezha Central District Hospital for the purchase of medical equipment to fight coronavirus, including ambulances with portable ventilators.

## AGRICULTURE HOLDING STEPPE

### ONE OF RUSSIA'S LARGEST AGRICULTURE HOLDINGS AND LAND OWNERS

(RUB million) <sup>10</sup>	1Q 2020	1Q 2019	Change
Revenue	<b>5,475</b>	6,282	(12.8%)
OIBDA	<b>1,115</b>	829	34.5%
OIBDA margin	<b>20.4%</b>	13.2%	7.2 p.p.
Operating profit	<b>756</b>	597	26.5%
Net profit attributable to Sistema	<b>122</b>	117	4.5%

In 1Q 2020, **Steppe's revenue decreased** by 12.8% year-on-year as a result of a decline in crop carry-overs. This negative effect was partially offset by positive dynamics in the Dairy and Orchards segments.

**Steppe's OIBDA** demonstrated a remarkable increase **by 34.5% year-on-year** in 1Q 2020 and amounted **to RUB 1.1 billion** despite the decrease in revenue. The increase is due to increased production and efficiency in the Dairy segment, an increase in apple sales during high season in the Orchards segment, as well as positive dynamics in the Agrotrading, Sugar and Grocery Trading segments. **OIBDA margin grew by 7.2 p.p.** year-on-year and amounted to 20.4%.

**Steppe's CAPEX** amounted to **RUB 0.4 billion** in 1Q 2020. Key investment areas included the renewal of the farm machinery fleet and the construction of dairy farms.

**Steppe's net profit** in 1Q 2020 amounted to RUB 122 million, which is 4.5% higher year-on-year.

**Land bank of Steppe** in 1Q 2020 **increased to 532,000 hectares** as a result of the consolidation of land assets in the Rostov region. **The total area of orchards reached 780 hectares.** The average export price of wheat sales in 1Q 2020 remained at the level of 1Q 2019.

**Export volumes in the Agrotrading segment have slightly decreased year-on-year since the beginning of the 2019/2020 season and amounted to 1,103,000 tonnes in 1Q 2020.** The decline in export volumes was offset by executing transactions with a higher margin.

**The Dairy Farming segment reported solid growth:** gross milk yield increased by 31% year-on-year to 17,300 tonnes in

1Q 2020, while cow productivity grew by 5.6% year-on-year. The herd amounted to 6,014 lactating cows at the end of the reporting period.

**Sales volumes in the Sugar and Grocery Trading segment increased substantially by 6% year-on-year in 1Q 2020** and amounted to 69,000 tonnes.

#### KEY EVENTS IN 1Q 2020 AND AFTER THE END OF THE REPORTING PERIOD

In May 2020, **Steppe acquired three agricultural enterprises in the Stavropol region**, including a dairy farm which, following renovation, will have the capacity to accommodate 9,000 heads of lactating cows (18,900 heads of cattle) and will become the largest dairy farm in Russia, with milk production volume exceeding 100,000 tonnes per year. The deal has also **increased Steppe's land bank by 28,000 hectares.**

In May 2020, **Steppe sold 100% of shares of the Yuzhny agricultural enterprise**, which specialises in tomato and cucumber production, to focus on the key business segments – crop production, agrotrading and dairy.

**The Ministry of Agriculture of Russia included Steppe Agroholding in the list of strategically important agricultural enterprises** in the crop producers category.

**COVID-19.** Growing demand for grocery products in March 2020 had a positive impact on the performance of the Sugar and Grocery Trading segment.

<sup>10</sup> 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) <sup>11</sup>	1Q 2020	1Q 2019	Change
Revenue	<b>5,902</b>	5,190	13.7%
Adj. OIBDA	<b>1,117</b>	883	26.5%
Adj. OIBDA margin	<b>18.9%</b>	17.0%	1.9 p.p.
Operating profit	<b>624</b>	160	290.8%
Adj. net profit attributable to Sistema	<b>333</b>	211	58.3%

**Medsi's revenue increased by 13.7% year-on-year** in 1Q 2020 and amounted to RUB 5.9 billion. Revenue growth in 1Q 2020 was due to an 11% year-on-year increase in revenue from the Voluntary Health Insurance (VHI) segment to RUB 2.6 billion, alongside growth in the individual patients segment by 13% year-on-year to RUB 1.7 billion and the Mandatory Health Insurance (MHI) segment by 18.6% year-on-year to RUB 1.5 billion.

**Adjusted OIBDA increased by 26.5% year-on-year to RUB 1.1 billion** in 1Q 2020 on the back of the growth in revenue.

Medsi's **adjusted OIBDA margin rose by 1.9 p.p.**, year-on-year and amounted to 18.9%.

In 1Q 2020, **adjusted net profit grew significantly by 58.3% year-on-year to RUB 333 million.** This was driven by increased adjusted OIBDA.

**Revenue from the Clinical-Diagnostic Centre (CDC) in Belorusskaya amounted to RUB 753 million** in 1Q 2020. OIBDA reached RUB 272 million at an OIBDA margin of 36%.

**Revenue from the CDC in Krasnaya Presnya totalled RUB 698 million.** OIBDA reached RUB 227 million at an OIBDA margin of 33%.

**Net debt increased** in 1Q 2020 due to the use 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.

#### KEY EVENTS IN 1Q 2020 AND AFTER THE END OF THE REPORTING PERIOD

In March 2020, Medsi **acquired ASPEC clinic network** in Izhevsk, which includes a CDC with a daytime in-patient clinic, an adult clinic, a children's clinic, and a women's health clinic with a total area of 4,344 sq m.

**Out-patient network development in Moscow.** Medsi opened the first Smart 500 clinic on Pokryshkin Street in Moscow. This new format of "convenience" clinics, with an area of 500 sq m, includes 12-15 rooms for out-patient medical care for children and adults, laboratory and functional diagnostics facilities, and ultrasound. Medsi plans to open a family clinic with advanced diagnostics in Maryino in the summer of 2020, with a total area of 4,400 sq m.

The construction of the medical centre on Michurinsky Prospekt continues, with the opening planned for late 2020.

**COVID-19.** Since the second half of March, there has been a sharp drop in patient flow due to self-isolation and social distancing restrictions. Medsi is at the forefront of the fight against COVID-19: the hospital in Otradnoe has been repurposed as an in-patient infectious diseases' unit, a comprehensive COVID-19 diagnostics programme has been launched, COVID-19 testing is carried out in clinics and at patients' homes, and telemedical support for out-patient treatment is underway.

<sup>11</sup> Adjusted OIBDA, adjusted OIBDA margin and adjusted net profit are adjusted 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)	1Q 2020	1Q 2019	Change
Revenue	988	739	33.7%
OIBDA	272	113	140.2%
OIBDA margin	27.5%	15.3%	12.2 p.p.
Operating profit	155	13	1,107.2%
Net profit/(loss) attributable to Sistema	188	(38)	-

Revenue from the rental assets of Business Nedvizhimost increased by 33.7% year-on-year and amounted to RUB 1.0 billion in 1Q 2020. Positive dynamics year-on-year were due to growth in the rental real estate portfolio as a result of the acquisition of 54 ATS buildings from PJSC MGTS by JSC Business Nedvizhimost in 2019.

In 1Q 2020, OIBDA grew significantly by 140.2% year-on-year to RUB 272 million; OIBDA margin increased by 12.2 p.p. year-on-year to 27.5%. This was driven by revenue growth and the optimisation of maintenance costs for rental assets.

Business Nedvizhimost's net profit increased to RUB 188 million on the back of positive OIBDA dynamics.

#### KEY EVENTS IN 1Q AND AFTER THE END OF THE REPORTING PERIOD

**The exchange-traded bonds programme.** In March 2020, JSC Business Real Estate registered 001P series exchange-traded bonds programme of a total of RUB 20 billion.

## RTI

### LEADING DEVELOPER OF HIGH-TECH SOLUTIONS

(RUB million)	1Q 2020	1Q 2019	Change
Revenue	<b>3,708</b>	3,826	(3.1%)
Adj. OIBDA <sup>12</sup>	<b>(165)</b>	163	-
Adj. OIBDA margin	-	4.3%	-
Operating loss	<b>(294)</b>	(421)	-
Adj. net loss attributable to Sistema	<b>(1,557)</b>	(1,223)	-

In 1Q 2020, **RTI's revenue decreased slightly by 3.1% year-on-year to RUB 3.7 billion** due to expected revenue fluctuations. Typically, most of RTI's revenue falls on the second half of the year.

**Adjusted OIBDA** decreased year-on-year in 1Q 2020 due to the financial results of Element LLC, a joint venture with the Rostec State Corporation specialising in microelectronics.

In 1Q 2020, **adjusted net loss** increased year-on-year due to the negative adjusted OIBDA.

**The decrease in net debt by 32.1% year-on-year to RUB 19.8 billion<sup>13</sup>** was due to the transfer of part of RTI Group's debt together with the microelectronics assets to Element LLC, as well as repayment of a debt loan of RUB 1.0 billion. RTI's accounts include RUB 5.0 billion of funds earmarked for the execution of the works under state defense contracts, which are not included in the calculation of net debt.

<sup>12</sup> As at 31.03.2019, the financial results of microelectronic assets transferred to Element LLC were recorded in the financial statements as assets for sale in net profit (or loss). Adjusted OIBDA in 1Q 2020 includes the 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, the adjusted OIBDA of RTI in 1Q 2020 amounted to RUB 0.2 billion.

<sup>13</sup> Including financial lease

## BPGC

### ONE OF RUSSIA'S BIGGEST POWER GRID COMPANIES

(RUB million)	1Q 2020	1Q 2019	Change
Revenue	<b>5,841</b>	5,348	9.2%
OIBDA	<b>1,910</b>	1,428	33.8%
OIBDA margin	<b>32.7%</b>	26.7%	6.0 p.p.
Operating profit	<b>1,210</b>	770	57.0%
Net profit attributable to Sistema	<b>886</b>	585	51.5%

**Revenue of BPGC** in 1Q 2020 **grew by 9.2% year-on-year to RUB 5.8 billion**. This was due to an increase in the electricity transmission tariff from 01 July 2019, growth in utility connection services - including in connection with changes in accounting policy - and an increase in rental payments.

In 1Q 2020, **OIBDA and OIBDA margin grew by 33.8% and 6.0 p.p. year-on-year**, respectively. This significant increase in OIBDA was due to revenue growth, while costs remained flat compared to the previous year. A decrease in grid losses had a significant impact.

**Net profit of BPGC** in 1Q 2020 rose by 51.5% year-on-year to RUB 0.9 billion amid positive OIBDA dynamics.

#### KEY EVENTS IN 1Q 2020 AND AFTER THE END OF THE REPORTING PERIOD

**Upgrade of distribution networks.** In 1Q 2020, the Company continued its comprehensive reconstruction of distribution networks in the Ufa city district. During the reporting period, 12 distribution points and 1 transformer substation were upgraded, and 2 km of cable lines were laid.

**Construction of large infrastructure projects.** In 1Q 2020, BPGC continued construction of a 110 kV "Uizan-Baynazarovo" in the Beloretsk region, Romanovka, as well as a TPS-4 in Ufa.

**Inclusion of LLC Bashkirenergo in the list of strategically important enterprises within the fuel and energy sector of Russia.** The enterprise has a leading position in the Republic of Bashkortostan and is regularly counted among the leading enterprises in the region.

## COSMOS HOTEL GROUP<sup>14</sup>

### ONE OF RUSSIA'S LEADING HOTEL MANAGEMENT COMPANIES

(RUB million)	1Q 2020	1Q 2019	Change
Revenue	<b>811</b>	1,083	(25.1%)
Adj. OIBDA <sup>15</sup>	<b>24</b>	7	222.9%
Adj. OIBDA margin <sup>15</sup>	<b>2.9%</b>	0.7%	2.2 p.p.
Operating loss	<b>(1,261)</b>	(302)	-
Adj. net loss attributable to Sistema <sup>15</sup>	<b>(428)</b>	(621)	-

In 1Q 2020, **the revenue of the Cosmos Hotel Group decreased by 25.1% year-on-year to RUB 0.8 billion** due to a sharp drop in revenue from foreign hotels and the Cosmos hotel complex due to the coronavirus pandemic.

**Adjusted OIBDA of the Cosmos Hotel Group remained largely unchanged** in 1Q 2020 despite negative revenue dynamics. This was mainly due to cost optimisation.

**Adjusted OIBDA margin grew by 2.2 p.p.** year-on-year and amounted to 2.9% in 1Q 2020.

**Adjusted net loss** year-on-year in 1Q 2020 decreased due to the optimisation of the debt portfolio.

In 1Q 2020, the **share of revenue from hotels outside Russia** decreased by 4 p.p. year-on-year and **amounted to 12.7%. FX revenue** from hotels outside of Russia **decreased by 32%** year-on-year in 1Q 2020 due to a sharp decline in occupancy in March.

**ADR<sup>16</sup>** for the Group's hotel portfolio **increased** year-on-year **from RUB 3.1 thousand to RUB 3.7 thousand** in 1Q 2020 due to the

ADR growth of Cosmos hotel complex, Cosmos Collection Izumrudny Les and Cosmos Collection Altay Resort hotels resulting from increased room capacity.

**Average occupancy decreased by 9 p.p. year-on-year to 45.9%** in 1Q 2020 due to a drop in tourist flow in February-March caused by the spread of coronavirus. The decline in occupancy was offset by ADR growth. As a result, the hotel portfolio's **RevPAR<sup>17</sup> remained unchanged year-on-year and amounted to RUB 1.7 thousand.**

#### KEY EVENTS IN 1Q 2020 AND AFTER THE END OF THE REPORTING PERIOD

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

<sup>14</sup> Management accounts

<sup>15</sup> Adjustments in 1Q 2020 related to one-off impairment of the hotels outside of Russia due to COVID-19 pandemic's influence on their financial performance

<sup>16</sup> Average Daily Rate

<sup>17</sup> Revenue per available room per day

## CORPORATE

(RUB million)	1Q 2020	1Q 2019	Change
OIBDA	<b>(4,198)</b>	(1,548)	-
Net loss	<b>(11,793)</b>	(2,474)	-
Corporate Centre's financial liabilities <sup>18</sup>	<b>207,808</b>	<b>231,485</b>	(10.2%)

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

Negative dynamics of OIBDA was partly attributable to Ozon's net loss accounted for using the equity method (investment in associates).

Financial liabilities of the Corporate Centre decreased significantly year-on-year by 10.2 % to RUB 207.8 billion.

The share of SG&A in Sistema's revenue in 1Q 2020 remained largely unchanged year-on-year at 1.0 %.

As of 31 March 2020, the share of rouble-denominated financing exceeds 95% of the financial liabilities of the Corporate Centre.

In February 2020, Sistema's wholly-owned subsidiary Sistema Finance S.A. entered into an equity commitment agreement to provide financing for the amount of up to EUR 263 million in connection with the acquisition by a group of purchasers controlled by SCP Group SARL (minority owned by Sistema) of the German hypermarket chain Real from Metro AG and its affiliates. It is expected that other equity investors will participate in the financing of the deal totaling EUR 263 million alongside Sistema Finance.

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**Sistema PJSFC is a publicly traded diversified Russian holding company serving over 150 million customers in the sectors of telecommunications, high technology, financial services, retail, paper and packaging, agriculture, real estate, tourism and medical services. The company was founded in 1993. Revenue in 2019 was RUB 656.9 billion; total assets equalled RUB 1.3 trn 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](http://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.*

<sup>18</sup> Corporate Centre's financial liabilities here and thereafter are presented in accordance with management accounts and include, among others, liability to Rosmushchestvo.



JOINT-STOCK FINANCIAL CORPORATION

**SISTEMA****SISTEMA PJSFC AND SUBSIDIARIES****UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS****FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019***(Amounts in millions of Russian roubles, except for per share amounts)*

	<b>Three months ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Revenue	158 885	149 465
Cost of sales	(71 799)	(67 177)
Selling, general and administrative expenses	(30 484)	(28 293)
Depreciation and amortisation <sup>1</sup>	(29 875)	(27 864)
Impairment of long-lived assets	(1 554)	(32)
(Impairment loss)/ loss recovery from write-offs of financial assets	196	(980)
Taxes other than income tax	(1 086)	(1 121)
Share of the profit or loss of associates and joint ventures	(1 546)	536
Other income	1 984	473
Other expenses	(1 548)	(357)
<b>OPERATING INCOME</b>	<b>23 172</b>	<b>24 649</b>
Finance income	1 106	1 923
Finance costs <sup>2</sup>	(9 893)	(25 076)
Currency exchange gain/(loss)	(11 540)	7 389
<b>PROFIT BEFORE TAX</b>	<b>2 845</b>	<b>8 885</b>
Income tax expense	(4 720)	(5 025)
<b>PROFIT/(LOSS) FROM CONTINUING OPERATIONS</b>	<b>(1 875)</b>	<b>3 861</b>
Results of discontinued operations	398	21 413
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>(1 477)</b>	<b>25 274</b>
<b>Attributable to:</b>		
Shareholders of Sistema JSFC	(10 214)	16 641
Non-controlling interests	8 737	8 633
	<b>(1 477)</b>	<b>25 274</b>
<b>Earnings/(loss) per share (basic and diluted), Russian Rubles:</b>		
From continuing operations	(1,11)	(0,27)
From continuing and discontinued operations	(1,09)	1,75

<sup>1</sup> Consists of depreciation charged on right-of-use assets during the three months ended 31 March 2020 in the amount of RUB 5 547 million, including expenses that would have been classified as operating lease under previous standards in the amount of RUB 5 216 million

<sup>2</sup> Consists of interest expenses on lease liabilities for the three months ended 31 March 2020 in the amount of RUB 3 739 million, including expenses that would have been classified as operating lease under previous standards in the amount of RUB 3 375 million



JOINT-STOCK FINANCIAL CORPORATION

**SISTEMA**

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

IFRS financial results  
1Q 2020

	<b>March 31,</b>	<b>December 31,</b>
	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
NON-CURRENT ASSETS:		
Property, plant and equipment	402 179	400 083
Investment property	13 842	13 660
Goodwill	55 789	55 388
Other intangible assets	91 284	91 138
Right-of-use asset	156 223	154 865
Investments in associates and joint ventures	80 421	79 917
Deferred tax assets	27 759	26 752
Loans receivable and other financial assets	140 006	116 973
Deposits in banks	8	82
Other assets	21 778	19 438
Total non-current assets	<u>989 289</u>	<u>958 296</u>
CURRENT ASSETS:		
Inventories	49 638	45 329
Contract asset	7 095	6 474
Accounts receivable	58 378	54 703
Advances paid and prepaid expenses	14 170	14 038
Current income tax assets	9 423	4 711
Other taxes receivable	19 689	19 259
Loans receivable and other financial assets	104 849	87 138
Deposits in banks	2 827	1 659
Restricted cash	5 004	5 689
Cash and cash equivalents	131 542	63 669
Other assets	1 840	2 562
Total current assets	<u>404 455</u>	<u>305 231</u>
<b>TOTAL ASSETS</b>	<b><u>1 393 744</u></b>	<b><u>1 263 527</u></b>



JOINT-STOCK FINANCIAL CORPORATION

**SISTEMA**

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

IFRS financial results  
1Q 2020

	<b>March 31,</b>	<b>December 31,</b>
	<b>2020</b>	<b>2019</b>
<b>LIABILITIES AND EQUITY</b>		
SHAREHOLDERS' EQUITY:		
Share capital	869	869
Treasury shares	(5 677)	(5 971)
Additional paid-in capital	74 978	75 045
Accumulated loss	(46 237)	(36 020)
Accumulated other comprehensive income	18 302	7 452
Equity attributable to shareholders of Sistema JSFC	42 235	41 375
Non-controlling interests	34 849	24 353
<b>TOTAL EQUITY</b>	<b>77 084</b>	<b>65 728</b>
NON-CURRENT LIABILITIES:		
Borrowings	631 549	491 416
Lease liabilities	152 417	149 565
Bank deposits and liabilities	9 206	6 051
Deferred tax liabilities	37 805	36 172
Provisions	5 733	5 748
Other financial liabilities	5 503	3 526
Other liabilities	5 744	5 607
Total non-current liabilities	847 957	698 085
CURRENT LIABILITIES:		
Borrowings	96 766	129 454
Lease liabilities	17 458	16 060
Accounts payable	93 245	89 203
Bank deposits and liabilities	161 658	160 511
Income tax payable	1 497	921
Other taxes payable	17 408	16 065
Dividends payable	4 398	15 569
Provisions	16 362	14 910
Liability to Rosimushchestvo	9 144	7 231
Contract liabilities and other liabilities	47 148	46 321
Other financial liabilities	3 619	3 469
Total current liabilities	468 703	499 714
<b>TOTAL LIABILITIES</b>	<b>1 316 660</b>	<b>1 197 799</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1 393 744</b>	<b>1 263 527</b>



JOINT-STOCK FINANCIAL CORPORATION

**SISTEMA**

**SISTEMA PJSFC AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019**  
*(Amounts in millions of Russian roubles)*

IFRS financial results  
1Q 2020

	Three months, ended 31 March	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
(Loss)/profit for the period	(1 477)	25 274
Adjustments for:		
Depreciation and amortization	29 875	33 128
Share of the (profit)/ loss of associates and joint ventures, net	1 546	(536)
Finance income	(1 106)	(2 092)
Finance costs	9 893	26 972
Income tax expense	4 720	5 328
Currency exchange loss/(gain)	11 541	(10 685)
Gain from disposal of subsidiaries	-	(17 231)
(Profit)/loss on disposal of property, plant and equipment	(232)	(705)
Impairment loss on loans receivable	2 043	724
Dividends received from associates and joint ventures	266	1 020
Non-cash compensation to employees	307	227
Impairment of long-lived assets	1 554	47
Impairment loss/ (loss recovery) from write-offs of financial assets	(195)	974
Other non-cash items	849	1 768
	59 584	64 213
Movements in working capital:		
Bank loans to customers and interbank loans due from banks	(9 535)	(1 226)
Bank deposits and liabilities	(5 611)	4 231
Restricted cash	686	(61)
Financial assets/liabilities at fair value through profit or loss	4 698	10 232
Accounts receivable and contract assets	(293)	(2 954)
Advances paid and prepaid expenses	(109)	(1 307)
Other taxes receivable	(289)	(3 403)
Inventories	(3 869)	2 336
Accounts payable	548	(13 955)
Subscriber prepayments	(388)	132
Other taxes payable	1 341	4 943
Advances received and other liabilities	3 878	4 132
Payment of fines and penalties related to investigation into former operations in Uzbekistan	-	(55 607)
Interest paid <sup>3</sup>	(15 331)	(18 624)
Income tax paid	(7 744)	(7 330)
	27 566	(14 248)
<b>NET CASH PROVIDED BY/ (USED IN) OPERATING ACTIVITIES</b>	<b>27 566</b>	<b>(14 248)</b>

<sup>3</sup> Comprises interest paid on lease liabilities for the three months ended 31 March 2020 in the amount of RUB 3 702 million, including interest that would have been classified as operating lease under previous standards in the amount of RUB 3 358 million



JOINT-STOCK FINANCIAL CORPORATION

**SISTEMA****SISTEMA PJSFC AND SUBSIDIARIES****UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019 (CONTINUED)***(Amounts in millions of Russian roubles)*

	<b>Three months, ended 31 March</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for purchases of property, plant and equipment	(21 878)	(16 884)
Proceeds from sale of subsidiaries net of cash disposed	(38)	10 786
Proceeds from sale of property, plant and equipment	782	1 045
Payments to obtain and fulfill contracts	(1 188)	(1 038)
Payments for purchases of intangible assets	(6 197)	(4 403)
Payments for businesses, net of cash acquired	(1 461)	(1 639)
Payments for investments in associates and joint ventures	(1 419)	(15 957)
Payments for purchases of financial assets, long-term	(5 509)	(6 875)
Proceeds from sale of financial assets, long-term	2 306	325
Payments for financial assets, short-term	(2 114)	(3 077)
Proceeds from sale of financial assets, short-term	815	17 011
Interest received	680	2 171
Other	(402)	965
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(35 623)</b>	<b>(17 570)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from borrowings	163 763	58 272
Principal payments on borrowings	(73 512)	(17 787)
Lease liabilities payments <sup>4</sup>	(4 196)	(5 170)
Acquisition of non-controlling interests in existing subsidiaries	-	(12 225)
Proceeds from sale of treasury stock	-	233
Proceeds from capital transactions with non-controlling interests	51	-
Dividends paid	(11 171)	-
Debt issuance costs	(25)	(20)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>74 910</b>	<b>23 303</b>
Effect of foreign currency translation on cash and cash equivalents	1 020	(1 492)
<b>Net decrease/increase in cash and cash equivalents</b>	<b>67 873</b>	<b>(10 007)</b>
Cash and cash equivalents at the beginning of the period	63 669	114 183
Cash and cash equivalents at the end of the period	131 542	104 176

<sup>4</sup> Comprises lease payments for the three months ended 31 March 2020 in the amount of RUB 3 931 million as operating lease under previous standards.

## Appendix A

**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>	<b>1Q 2020</b>	<b>1Q 2019</b>
<b>Operating income</b>	<b>23,172</b>	<b>24,649</b>
Provisions for litigation and amounts due under contracts with clients (RTI)	(274)	175
Accruals related to LTI program at portfolio companies	19	164
Impairment of hospitality assets	1,109	0
Impairment of non-current assets (MTS)	319	0
Other non-recurring (income) / loss, net	(176)	382
<b>Adjusted operating income</b>	<b>24,170</b>	<b>25,371</b>
Depreciation and amortisation	29,875	27,864
<b>Adjusted OIBDA</b>	<b>54,045</b>	<b>53,234</b>

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

<i>RUB millions</i>	<b>1Q 2020</b>	<b>1Q 2019</b>
<b>Net profit / (loss) attributable to Sistema</b>	<b>(10,214)</b>	<b>16,641</b>
Revaluation of liability with regards to the U.S. Department of Justice and the SEC investigation (MTS)	0	(1,722)
Accruals related to LTI program at portfolio companies	18	259
Provisions for litigation and amounts due under contracts with clients (RTI)	(178)	152
Impairment of hospitality assets	975	0
Impairment of non-current assets (MTS)	160	0
Other non-recurring (income) / loss, net	(170)	382
<b>Adjusted net profit / (loss) attributable to Sistema</b>	<b>(9,409)</b>	<b>15,713</b>

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



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

<i>RUB millions</i>	<b>31 March 2020</b>	<b>31 December 2019</b>
Long-term borrowings	631,549	491,416
Short-term borrowings	96,766	129,454
Liability to Rosimushchestvo	9,060	7,215
<b>Total borrowings</b>	<b>737,375</b>	<b>628,085</b>
Consolidated finance lease <sup>1</sup>	20,018 <sup>2</sup>	18,239 <sup>3</sup>
<b>Consolidated total debt</b>	<b>757,393</b>	<b>646,324</b>
Cash and cash equivalents	(131,542)	(63,669)
Deposits in banks	(2,835)	(1,741)
<b>Consolidated net debt</b>	<b>623,016</b>	<b>580,915</b>

<sup>1</sup> In accordance with the standard IAS 17

<sup>2</sup> Including RUB 1,438 million of short-term finance lease

<sup>3</sup> Including RUB 1,289 million of short-term finance lease