



SISTEMA PJSFC IFRS FINANCIAL RESULTS

2Q 2020



Sistema's management will host a conference call today at 10:00 am (New York time) / 3:00 pm (London time) / 4:00 pm (CEST) / 5:00 pm (Moscow time) to present and discuss the 2Q 2020 results.

To participate in the conference call, please dial:

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Conference ID: 7127461

Link to webcast: <https://webcasts.egs.com/sistema20200903>

Or quote the conference call title: "Sistema Second 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.

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Moscow, Russia – 03 September 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 second quarter 2020 ended 30 June 2020.

KEY GROUP HIGHLIGHTS

- ✓ **Appointment of Sistema's new President.** Vladimir Chirakhov was appointed President of Sistema in April 2020.
- ✓ **Successful placements of Detsky Mir shares.** In June 2020 and September 2020, Sistema and the Russia-China Investment Fund (RCIF) held two successful offerings of Detsky Mir shares, resulting in an increase of Detsky Mir free float up to almost 100% and full exit of Sistema and RCIF from the Detsky Mir shareholdings. In June 2020, proceeds to Sistema amounted to RUB 8.9 billion, in September 2020 to RUB 16.9 billion.
- ✓ **New bonds issue.** In May 2020, Sistema successfully placed series 001P-13 bonds in the amount of RUB 15 billion at a 6.60% coupon rate with a 4-year put option
- ✓ **Dividends for 2019.** In June 2020, the Annual General Meeting of Shareholders of the Company approved the distribution of RUB 1.25 billion in dividends for 2019.

CORPORATE EVENTS AFTER THE END OF THE REPORTING PERIOD

- ✓ **Full exit from the Detsky Mir shareholding.** In September 2020, Sistema and RCIF sold their remaining stakes in Detsky Mir through offering resiling
- ✓ **Increased efficiency in managing pharmaceuticals business.** In July 2020, in order to improve efficiency in the management of pharmaceutical assets, Sistema established ALIUM GROUP and transferred its equity stakes in Sintez and Alium to be managed by ALIUM GROUP¹.
- ✓ **New bonds issues.** In July 2020, the Corporation placed RUB 10 billion series 001P-14 exchange-traded bonds at a 6.35% coupon rate with a 2.75-year put option. Additionally, the Company repurchased its series 001P-06 bonds in the amount of RUB 4.4 billion and series 001P-09 bonds in the amount of RUB 6.2 billion. In September 2020, the Corporation placed RUB 10 billion series 001P-15 exchange-traded bonds at a 6.70 coupon rate and with a 4-year put option.
- ✓ **Optimisation of the debt portfolio.** In September 2020, Sistema and Sberbank signed an agreement whereby Sistema's stake in MTS has been fully released from pledge. A loan secured by a pledge of 16% MTS shares was raised by Sistema in February 2018. The outstanding loan amount is RUB 37.9 billion with maturity in 2025.
- ✓ **MTS share buyback.** As part of the MTS's share buyback programme of up RUB 15 billion, Sistema's wholly-owned subsidiary Sistema Finance S.A. in July 2020 sold 2,587,059 ordinary shares of PJSC MTS to a wholly-owned subsidiary of MTS LLC Bastion for RUB 834 million.

INITIATIVES TO COMBAT COVID-19

- ✓ **Production of COVID-19 vaccine.** Pharmaceutical plant Binnopharm², part of Alium Group, became the only production facility in Russia to be engaged in the manufacturing of the world's first licensed vaccine against COVID-19 ("Sputnik V"), in partnership with the Gamaleya Scientific Research Institute of Epidemiology and Microbiology. Binnopharm's production capacity enables it to produce around 1.5 million doses of the vaccine per year. Mass production of the vaccine is scheduled to start at the end of 2020.
- ✓ **Production of pharmaceutical products to fight COVID-19.** Over 40 pharmaceutical products produced by Sintez and Alium were recommended by the Ministry of Health of the Russian Federation as medications for the treatment and prevention of COVID-19 and its co-morbidities.
- ✓ **Increasing capabilities for COVID-19 diagnostics.** In April 2020, Sistema-Biotech obtained a registration certificate issued by the Russian healthcare regulator Roszdravnadzor for its highly accurate laboratory-based coronavirus detecting test system and, in May 2020, 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 system able to detect COVID-19 within 30 minutes and within the workplace and public places, obtaining a registration certificate issued by Roszdravnadzor in July 2020. In August, the Company also registered two new test systems able to improve the efficiency and speed of laboratory operations.
- ✓ **Medical help against COVID-19.** Medsi has provided a full range of diagnosis and treatment measures, including comprehensive out-patient examinations (computer tomography, PCR analyses and quality testing for coronavirus antibodies); at-home care for COVID-19 patients; repurposing its in-patient unit as a hospital where, since 1 April, more than 2,000 patients

¹ ALIUM GROUP now manages stakes of the Corporation in the pharmaceutical companies Sintez (owns Biocom) and Alium (unites Obolenskoye and Binnopharm under the Alium brand).

² In addition to Russia's Gamaleya Scientific Research Institute of Epidemiology and Microbiology (Gamaleya Scientific Research Institute), where the vaccine was developed.

have been cured of COVID-19 and pneumonia; remote consulting and rehabilitation services for patients recovered from COVID-19 and pneumonia via the SmartMed telemedical service.

- ✓ **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 pandemic. Over RUB 1.5 billion were raised to support the social media initiative #StranaBezVirusa; Sistema donated 25,000 COVID-19 diagnostic test systems to approximately ten Russia regions, alongside donations of pharmaceuticals, personal protective equipment, thermal cameras, lung ventilators, ambulance cars, and other new equipment; 200,000 protective suits were purchased from China and donated to frontline hospital staff in Moscow and the Moscow region.

PROGRESSING IN ESG

- ✓ In May 2020, Sistema's Board of Directors approved an amended version of the Corporate Governance Code consistent with international best practices in ESG (Environmental, Social and Governance) and reflecting the Corporation's commitment to best-in-class ESG performance.
- ✓ In June 2020, Sistema's Board of Directors approved Sistema PJSC's new Sustainability Policy, which codifies the Corporation's approach to sustainability and responsible investment management.
- ✓ Sistema was confirmed as a constituent of the FTSE4Good Index Series for the fifth year in a row following the June 2020 index review. This attests to Sistema's commitment to responsible investing and portfolio management and to improvement of sustainability practices and reporting at the Group level and within portfolio companies.

2Q 2020 FINANCIAL HIGHLIGHTS

- ✓ **Consolidated revenue³ remained largely unchanged** year-on-year and stood at RUB 155.1 billion.
- ✓ **Adjusted OIBDA⁴** amounted to RUB 54.8 billion, a slight decrease of 0.6% year-on-year.
- ✓ **Adjusted OIBDA margin** was 35.4%.
- ✓ **Adjusted net profit attributable to Sistema** amounted to RUB 1.9 billion.

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

"In the second quarter 2020, despite the very considerable impact felt by the Russian and the global economy as a result of the pandemic, Sistema's diversified portfolio proved resilient and delivered stable results. Year-on-year we posted only a minor reduction in consolidated revenues as weaker performance of Business Nedvizhimost, Cosmos Hotel Group and Medsi under the impact of the lockdown was offset by strong revenue dynamics at MTS and Segezha.

MTS delivered outstanding results despite the loss of international roaming revenue and reinforced its market leadership. Segezha Group achieved a year-on-year increase in revenue on the back of further improvement in efficiencies both in production and marketing and despite softer global markets for its products. Medsi successfully adapted its operations to combat COVID-19 and while it saw revenue contracting year-on-year, the results far exceeded our initial expectations.

We are now looking ahead with cautious optimism as we see some encouraging signs of recovery across our portfolio, particularly at the level of portfolio companies hit most severely during the second quarter – our hospitality, healthcare and rental businesses.

Despite market dislocations, Sistema continues to monetise assets in line with its strategy and value creation model. Sistema has now fully exited Detsky Mir via two market transactions in June and September. The history of Sistema's shareholding in Detsky Mir showcases the transformative value that Sistema can add to its portfolio companies and illustrates the investment proposition that the Group offers to its investors.

We are also proud that Detsky Mir has become the first Russian company that has achieved almost a 100% free float. This is a significant milestone in the development of the Russian capital markets and corporate governance.

I had the privilege of serving as the company's CEO for eight years, and being part of the team that made this transformation a reality. I am confident that Detsky Mir will continue to go from strength to strength and I wish the management team every success for the future."

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

⁴ Hereinafter please see Appendix A of the press-release for 2Q 2020.

SISTEMA RESULTS REVIEW

(RUB million)	2Q 2020	2Q 2019	Change	6M 2020	6M 2019	Change
Revenue	155,124	155,930	(0.5%)	313,370	304,774	2.8%
Adj. OIBDA	54,843	55,195	(0.6%)	108,497	108,184	0.3%
Operating profit	23,395	25,519	(8.3%)	46,289	49,996	(7.4%)
Net profit/ (loss) attributable to Sistema	581	6,540	(91.1%)	(9,633)	23,179	-
Adj. net profit / (loss) attributable to Sistema	1,935	7,466	(74.1%)	(7,475)	23,179	-

In 2Q 2020, Sistema's **consolidated revenue remained largely unchanged year-on-year and amounted to RUB 155.1 billion**. This was primarily due to the strong performance of MTS, driven by growth in mobile service revenue and the revenue of MTS Bank and Segezha Group, as a result of revenue increases on the back of growth in the production and sales of paper, plywood and sawn timber, and the impact of rouble depreciation on export revenue.

Adjusted OIBDA⁵ slightly decreased by 0.6% year-on-year, driven by the decreased OIBDA of the hospitality segment and the Group's rental business, compensated by the increased OIBDA of MTS, following revenue growth and reduced commercial and personnel expenses, and the significantly improved financial performance of Ozon.

Adjusted net profit amounted to RUB 1.9 billion in 2Q 2020. Year-on-year dynamics was primarily impacted by a high base effect in 2019 when Sistema recognised a RUB 4.1 billion gain from divestiture of high-tech assets and a RUB 2.8 billion gain from completion of the fair value appraisal of the remaining equity stake in Leader Invest upon its deconsolidation as a result of the sale of 51% stake to Etalon Group.

The Group's selling, general and administrative expenses (SG&A) declined by 4.1% year-on-year to RUB 28.1 billion in 2Q 2020 mainly driven by decreased SG&A at MTS,

hospitality and healthcare assets. The SG&A/Group revenue ratio decreased slightly year-on-year by 0.7 p.p. and amounted to 18.1%.

CAPEX decreased by 5.1% year-on-year and amounted to RUB 26.8 billion in 2Q 2020, primarily due to CAPEX reduction at MTS as a result of delays with equipment supply and the postponement of the MTS's ecosystem development projects against the backdrop of the pandemic.

⁵ The dynamics of the Group's adj. OIBDA in 2Q 2020 was also affected by the reflection of the Group's share in reduction of Ozon's net loss in the amount of RUB 1.2 bln (in 2Q 2020 the loss amounted to RUB 1.5 bln, in 2Q 2019 – RUB 2.7 bln).

OVERVIEW OF PORTFOLIO COMPANIES

MTS



LEADING TELECOMMUNICATIONS OPERATOR AND DIGITAL SERVICES PROVIDER IN RUSSIA

(RUB million) ⁶	2Q 2020	2Q 2019	Change	6M 2020	6M 2019	Change
Revenue	117,730	116,165	1.3%	237,339	225,997	5.0%
Adj. OIBDA ⁷	51,171	49,368	3.7%	103,007	103,394	(0.4%)
Adj. OIBDA margin	43.5%	42.5%	1.0 p.p.	43.4%	45.8%	(2.3 p.p.)
Operating profit	25,592	25,213	1.5%	52,408	55,641	(5.8%)
Adj. net profit attributable to Sistema ⁸	6,346	6,353	(0.1%)	15,376	13,429	14.5%

MTS's revenue increased by 1.3% year-on-year to RUB 117.7 billion in 2Q 2020, driven by growth in mobile service revenue on the back of a tariff increase in 1Q 2020 and growth in the revenue of MTS Bank.

In 2Q 2020, **adjusted OIBDA grew by 3.7% year-on-year and amounted to RUB 51.2 billion**, backed by revenue increase and reduced commercial and personnel expenses. This was despite a fall in revenue from international roaming and the creation of additional reserves by MTS Bank.

Adjusted OIBDA margin increased by 1.0 p.p. year-on-year in 2Q 2020 and stood at 43.5%.

In 2Q 2020, **adjusted net profit was flat in 2Q 2020** compared with 2Q 2019 primarily due to steady revenue flow from the core telecom business and lower net interest expenses. The indicator was negatively impacted by the creation of additional reserves by MTS Bank and the revaluation effect related to the use of derivative instruments for managing the FX position.

CAPEX. In 2Q 2020, capital expenditure decreased year-on-year mainly due to delays with equipment supply and the postponement of ecosystem development projects against the backdrop of the pandemic.

OUTLOOK FOR 2020

MTS forecasts slight revenue growth of 0-3% in 2020, a possible decline in OIBDA of up to -2%, and that capital expenditure will remain at RUB 90 billion.

KEY EVENTS IN 2Q 2020 AND AFTER THE END OF THE REPORTING PERIOD

Dividends for FY2019. In June 2020, the Annual General Meeting of Shareholders approved dividends for FY 2019 to the amount of **RUB 20.57 per ordinary share**.

Dividends for 6M 2020. In July 2020, the Board of Directors recommended that the Annual General Meeting of Shareholders distribute **6M 2020 dividends of RUB 8.93 per ordinary share**. The Annual General Meeting of Shareholders will be held on 7 September 2020.

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.

COVID-19. The COVID-19 outbreak and subsequent border closures led to a fall in revenue from international roaming, increased reserves at MTS Bank due to increased credit risks, and a slowing down in retail sales at MTS stores. There was a positive impact from the reduction in operating expenses at offices closed during the lockdown period.

⁶ MTS's results reflect reclassification of the Ukrainian business as part of discontinued operations since 4Q 2019. The results for 2Q 2019 have been revised to reflect the results of this reclassification.

⁷ Adjustment for a one-off asset impairment in the amount of RUB 0.9 bln in 2Q 2020.

⁸ Here and hereafter net profit is presented in Sistema's share. Adjustments include revaluation of liabilities in connection with the SEC investigation in 1Q 2019 and the adjustment for the impairment of non-current assets in 2Q 2020.

FORESTRY HOLDING SEGEZHA GROUP

LEADING RUSSIAN VERTICALLY INTEGRATED FORESTRY HOLDING

(RUB million)	2Q 2020	2Q 2019	Change	6M 2020	6M 2019	Change
Revenue	16,879	15,505	8.9%	31,211	29,992	4.1%
Adj. OIBDA	3,578	3,782	(5.4%)	6,204	7,752	(20.0%)
Adj. OIBDA margin	21.2%	24.4%	(3.2 p.p.)	19.9%	25.8%	(5.9 p.p.)
Operating profit	2,012	2,419	(16.8%)	3,103	5,128	(39.5%)
Adj. net profit/(loss) attributable to Sistema	3,156	1,325	138.2 %	(2,064)	4,055	-

In 2Q 2020, **Segezha Group's revenue increased by 8.9% year-on-year** to RUB 16.9 billion primarily due to an increase in the volume and price of sawn timber sales, as well as growth in the sales of paper and plywood. Growth of the average FX rate year-on-year had a positive impact on export revenue dynamics.

Segezha Group's adjusted OIBDA amounted to RUB 3.6 billion in 2Q 2020. Adjusted OIBDA decreased by 5.4% year-on-year in 2Q 2020, mainly due to the decline in paper prices year-on-year as a result of a temporary drop in demand across international markets amid the COVID-19 pandemic. The decrease in adjusted OIBDA was also caused by an increase in logistics costs due to higher transport tariffs against the backdrop of the pandemic.

Adjusted OIBDA margin declined moderately by 3.2 p.p. year-on-year to 21.2% in 2Q 2020.

Adjusted net profit increased more than twofold year-on-year to RUB 3.2 billion in 2Q 2020, driven by currency exchange differences from the revaluation of the company's FX-denominated debt.

Paper output increased by 3.8% year-on-year to 104,800 tonnes⁹ in 2Q 2020 mainly driven by improved efficiencies. The volume of paper sales increased by 26.5% to 73,500 tonnes, primarily as a result of inventory reduction. Additional volume was sold to existing customers and new customers in Peru, Iran, Chile, Argentina, Azerbaijan, and Uzbekistan.

The output volume of paper sacks declined by 4.6% year-on-year to 337.8 million units¹⁰ due to weaker demand in the product sales markets. This negative effect was partially offset by an increased share of higher margin products in the product portfolio.

In 2Q 2020, paper sacks sales volumes decreased by 5.9% year-on-year to 344.9 million units, mainly due to the suspension of operations in the construction industry and the temporary closure of retail businesses amid the COVID-19 pandemic.

Plywood output grew by 6.3% year-on-year to 49,500 cu m in 2Q 2020 due to the ahead of schedule completion of overhaul maintenance works at the Vyatka plywood plant, as well as the debottlenecking of production.

In 2Q 2020, **plywood sales** volume increased by 0.6% year-on-year to 45,100 cu m.

Sawn timber output increased by 22.0% year-on-year to 299,300 cu m due to the acquisition in early 2020 of the Karelian Wood Company LLC, a logging and wood processing enterprise in the Republic of Karelia. The repurposing of production capacities at the Sokol Wood Processing Plant from glulam to sawn timber in 2Q 2020 also had a significant impact. This was due to the commissioning of a new splicing line at the plant, which will help to increase the production capacity of glulam products at the Sokol Wood Processing Plant by 20%.

In 2Q 2020, **sales of sawn timber rose by 32.1% year-on-year** to 326,600 cu m following the increase in production volumes.

KEY EVENTS IN 2Q 2020 AND AFTER THE END OF THE REPORTING PERIOD

Boosting energy efficiency in plywood output. In order to increase the energy efficiency of production at the Vyatka plywood plant in the Kirov region, Segezha Group completed a two-year project to expand the output of fuel briquettes and switch to waste-free plywood production.

Expanding pellet production capacity. In April 2020, the second line of pellet production at Lesosibirsky LDK was launched. This increased Segezha Group's total pellet production capacity to 110,500 tonnes per year.

Segezha Group will invest RUB 500 million to introduce white sack paper production at its Segezha PPM (Pulp and Paper Mill) in Karelia. The launch of the equipment, which will have a capacity of 350 tonnes per day, is planned for 1Q 2021.

⁹ Circa 34% of paper produced was supplied to Segezha Group's own converting facilities to produce paper packaging.

¹⁰ Including 13.4 mln consumer paper bags.

AGRICULTURE HOLDING STEPPE

ONE OF RUSSIA'S LARGEST AGRICULTURE HOLDINGS AND LAND OWNERS

(RUB million) ¹¹	2Q 2020	2Q 2019	Change	6M 2020	6M 2019	Change
Revenue	2,743	3,526	(22.2%)	7,579	9,186	(17.5%)
OIBDA	1,970	1,764	11.7%	2,694	2,347	14.8%
OIBDA margin	71.8%	50.0%	21.8 p.p.	35.5%	25.6%	10.0 p.p.
Operating profit	1,758	1,444	21.7%	2,236	1,868	19.7%
Net profit attributable to Sistema	1,717	645	166.1 %	1,839	762	141.4%
OIBDA incl. AGK Yuzhny ¹²	1,954	1,606	21.7%	3,069	2,434	26.1%

Steppe's revenue decreased by 22.2% year-on-year to RUB 2.7 billion in 2Q 2020 as a result of reduced carry-over inventory. This was partially offset by increased sales in the Dairy Farming and Orchards segments.

Steppe's OIBDA increased by 11.7% year-on-year to RUB 2.0 billion in 2Q 2020, despite the decline in revenue, due to strategic measures to improve trading efficiency in the Agrot trading and Sugar and Grocery Product Trading segments, production increases in the Dairy Farming segment, the positive revaluation of biological assets, and growth in apple sales during high season in the Orchards segment.

OIBDA margin grew by 21.8 p.p. year-on-year and amounted to 71.8%.

Steppe's CAPEX amounted to **RUB 0.5 billion in 2Q 2020**, representing a -6.8% decrease year-on-year. The bulk of the investment was directed towards the renewal of the farm machinery fleet and preparation for the crop season, buyout of land shares, and the construction of dairy farms.

Steppe's net profit significantly grew year-on-year, amounting to RUB 1.7 billion in 2Q 2020.

Land bank of Steppe in 2Q 2020 **expanded to 560,000 hectares** as a result of the acquisition of land assets in the Stavropol region. The average export price of wheat sales in 2Q 2020 remained at the level of 2Q 2019.

The total area of orchards amounted to 780 hectares.

Export volumes in the Agrot trading segment slightly decreased year-on-year and amounted to 1,105,000 tonnes during the 2019/2020 season. At the same time, a more efficient trading strategy was applied in 1H 2020, which helped offset the effect of volume reduction and contribute to the increase in OIBDA.

The Dairy Farming segment demonstrated stable growth: gross milk yield rose by 27% year-on-year to 17,200 tonnes in 2Q 2020. Productivity per lactating cow increased by 1.6% year-on-year, and the lactating herd consisted of 6,361 cows at the end of the reporting period.

Sales volumes in the Sugar and Grocery Trading segment grew by 3% year-on-year to 142,000 tonnes in 1H 2020, and higher-margin transactions were carried out as part of time arbitrage strategy.

¹¹ Steppe results are presented net of results of AGK Yuzhny due to its divestiture in May 2020. RZ Agro is accounted for as an investment in a joint venture in Agroholding Steppe's IFRS financial statements.

¹² The OIBDA of Steppe including OIBDA of AGK Yuzhny for the period of ownership by Steppe.



MEDSI

LEADING PRIVATE HEALTHCARE OPERATOR IN RUSSIA

(RUB million)	2Q 2020	2Q 2019	Change	6M 2020	6M 2019	Change
Revenue	4,593	5,511	(16.7%)	10,495	10,701	(1.9%)
Adj. OIBDA ¹³	1,156	1,638	(29.4%)	2,273	2,520	(9.8%)
Adj. OIBDA margin	25.2%	29.7%	(4.5 p.p.)	21.7%	23.6%	(1.9 p.p.)
Operating profit	377	923	(59.2%)	1,001	1,083	(7.6%)
Adj. net profit attributable to Sistema	325	927	(64.9%)	659	1,138	(42.1%)

MedSI's revenue decreased by 16.7% year-on-year to RUB 4.6 billion in 2Q 2020 due to a drop in patient flow as a result of restrictions related to COVID-19. The decline in revenue was partially offset by revenues generated from repurposing the hospital in Otradnoe as an in-patient infectious diseases unit, COVID-19 testing, and the development of out-patient treatment and telemedical support services.

Adjusted OIBDA decreased by 29.4% year-on-year to RUB 1.2 billion following the fall in revenue and the high base effect in 2Q 2019. Provisions for 2018 and 1Q 2019 for a total of RUB 0.3 billion were released as a result of changes in methodology of provisioning related to accounts receivable. MedSI's **adjusted OIBDA margin declined by 4.5 pp.** year-on-year and amounted to 25.2%.

Adjusted net profit amounted to RUB 0.3 billion in 2Q 2020 on the back of adjusted OIBDA dynamics, an increase in depreciation, and a growth in interest expense.

Revenue from the Clinical-Diagnostic Centre (CDC) in Belorusskaya amounted to RUB 420 million in 2Q 2020. OIBDA reached RUB 118 million at an OIBDA margin of 28%.

Revenue from the CDC in Krasnaya Presnya reached RUB 541 million. OIBDA totalled RUB 113 million at an OIBDA margin of 21%.

Net debt increased year-on-year in 2Q 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.

The average cheque in 2Q 2020 grew by 76.2% to approximately RUB 4,100 due to the rising share of cost-intensive services in the outpatient coronavirus diagnostics segment, as well as the high cost of an average COVID-19 treatment in the hospital in Otradnoe.

KEY EVENTS IN 2Q 2020 AND AFTER THE END OF THE REPORTING PERIOD

Continued network expansion. 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.

In September 2020, MedSI plans to open three 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.

MedSI acquired a 12.5% stake in Third Opinion Platform LLC, a developer of artificial intelligence-based healthcare services. Third Opinion has developed a line of products for recognising pathological changes in medical images, including bone marrow smears, fundus images, chest radiographs, CT scans, and mammograms.

MedSI is one of the first private clinics to collect biomaterials for the diagnosis of SARS-CoV-2 coronavirus infection, the causative agent of the COVID-19, in six clinics in the Moscow region. The test is available for patients with signs of respiratory infection and healthy individuals who wish to be tested for COVID-19. All clinics have enhanced security measures for both patients and medical staff.

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, and a comprehensive COVID-19 diagnostics programme is being carried out in Moscow and the regions. COVID-19 testing is conducted in clinics and at patients' homes, and telemedical support for out-patient treatment is underway.

¹³ 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)	2Q 2020	2Q 2019	Change	6M 2020	6M 2019	Change
Revenue	996	1,738	(42.7%)	1,984	2,477	(19.9%)
OIBDA	414	1,623	(74.5%)	686	1,736	(60.5%)
OIBDA margin	41.6%	93.4%	(51.8 p.p.)	34.6%	70.1%	(35.5 p.p.)
Operating profit	273	1,504	(81.9%)	427	1,517	(71.8%)
Net profit attributable to Sistema	88	1,098	(92.0%)	276	1,059	(74.0%)

In 2Q 2020, **revenue from Business Nedvizhimost's rental assets decreased by 42.7% year-on-year** to RUB 996 million due to the completion of the commercial real estate sales programme. Revenue was also affected by the provision of rent payment holidays and discounts for tenants who have experienced financial difficulties as a result of the COVID-19 pandemic.

In 2Q 2020, **OIBDA and OIBDA margin** declined year-on-year and amounted to RUB 0.4 billion and 41.6% respectively. The decrease was caused by the revenue dynamics and a change in revenue structure in favour of lower margin rental revenue.

Business Nedvizhimost's net profit decreased year-on-year to RUB 88 million in 2Q 2020 due to the decline in revenue and OIBDA. Furthermore, Business Nedvizhimost received additional income from the sale of a non-core asset in 2Q 2019.

KEY EVENTS IN 2Q 2020 AND AFTER THE END OF THE REPORTING PERIOD

In August 2020, the Company successfully placed the debut bond issue for RUB 4 billion at a 7.90 coupon rate with a 4-year put option. Funds from the placement will be used to refinance the current debt portfolio and implement investment projects. RAEX rating agency assigned Business Nedvizhimost a ruA-rating with a stable forecast.

RTI

LEADING DEVELOPER OF HIGH-TECH SOLUTIONS

(RUB million)	2Q 2020	2Q 2019	Change	6M 2020	6M 2019	Change
Revenue	4,713	4,639	1.6%	8,421	8,465	(0.5%)
Adj. OIBDA ¹⁴	43	83	(48.3%)	(122)	246	-
Adj. OIBDA margin	0.9%	1.8%	(0.9 p.p.)	-	2.9%	-
Operating loss	(1,206)	(1,161)	-	(1,499)	(1,582)	-
Adj. net (loss)/profit attributable to Sistema	(891)	2,744	-	(2,448)	1,521	-

In 2Q 2020, **RTI's revenue increased by 1.6% year-on-year and amounted to RUB 4.7 billion**. Historically, most of RTI's revenue falls in the second half of the year.

Adjusted OIBDA declined year-on-year in 2Q 2020, primarily due to the impact of the financial results of Element LLC, a joint venture with the Rostec State Corporation in microelectronics.

Adjusted OIBDA margin decreased by 0.9 p.p. year-on-year to 0.9% in 2Q 2020 following the dynamics of adjusted OIBDA.

In 2Q 2020, **adjusted net loss** compared to adjusted net profit in 2Q 2019 was due to the disposal of assets that took place in 2Q 2019.

Net debt remained largely unchanged year-on-year, amounting to RUB 20.0 billion. As of the end of 2Q 2020, RTI's accounts also include additional funds of RUB 4.0 billion earmarked for the execution of state defence contracts, which are not included in the calculation of net debt.

KEY EVENTS IN 2Q 2020 AND AFTER THE END OF THE REPORTING PERIOD

The Scientific and Research Institute for Long-Distance Radio Communications, part of RTI, is developing a terahertz hardware-software system for the remote, non-invasive diagnosis of oncological and autoimmune diseases. The software utilises a database of neural networks to detect cancerous cells and provide appropriate recommendations.

¹⁴In 6M 2019, the financial results of microelectronics assets transferred to Element LLC were recorded in the financial statements in discontinued operations. Adj. OIBDA in 2Q 2020 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, the adjusted OIBDA of RTI in 2Q 2020 amounted to RUB 0.1 billion.

BPGC

ONE OF RUSSIA'S BIGGEST POWER GRID COMPANIES

(RUB million)	2Q 2020	2Q 2019	Change	6M 2020	6M 2019	Change
Revenue	4,540	4,574	(0.7%)	10,381	9,922	4.6%
OIBDA	1,229	1,331	(7.7%)	3,139	2,760	13.8%
OIBDA margin	27.1%	29.1%	(2.0 p.p.)	30.2%	27.8%	2.4 p.p.
Operating profit	526	678	(22.5%)	1,735	1,449	19.8%
Net profit attributable to Sistema	373	504	(26.1%)	1,259	1,089	15.6%

Revenue of BPGC decreased by 0.7% year-on-year to RUB 4.5 billion in 2Q 2020 due to a reduction in capacity and net electricity supply. This was a result of lower energy consumption by small and medium-sized businesses amid the COVID-19 restrictions, as well as a decrease in energy consumption in the oil and gas sector due to the implementation of the OPEC+ program.

In 2Q 2020, **OIBDA** declined by 7.7% to RUB 1.2 billion in line with the decrease in revenue and due to increasing costs, including wage indexation. The **OIBDA margin** stood at 27.1%, 2.0 p.p. lower year-on-year, on the back of rising costs, including labour costs.

Net profit of BPGC decreased year-on-year in 2Q 2020 as a result of the OIBDA dynamics and a decline in financial income.

KEY EVENTS IN 2Q 2020 AND AFTER THE END OF THE REPORTING PERIOD

Dividends for 2019. In May 2020, BPGC's Annual General Meeting resolved to distribute RUB 1.3 billion in final dividends for 2019.

Modernisation of distribution networks. BPGC continued its comprehensive reconstruction of distribution networks in the Ufa city district. During the reporting period, 33 distribution points and 18 transformer substations were upgraded, and 5.2 km of cable lines were laid.

Completion of large infrastructure construction projects. BPGC has recently completed several large infrastructure construction projects, including the 110 kV overhead lines Uizan-Baynazarovo in the Beloretsk region and the power substation "Romanovka" in Ufa.

COSMOS HOTEL GROUP¹⁵

ONE OF RUSSIA'S LEADING HOTEL MANAGEMENT COMPANIES

(RUB million)	2Q 2020	2Q 2019	Change	6M 2020	6M 2019	Change
Revenue	192	1,441	(86.7%)	1,003	2,524	(60.3%)
Adj. OIBDA ¹⁶	(193)	349	-	(169)	354	-
Adj. OIBDA margin	-	24.3%	-	-	14.1%	-
Operating profit/(loss)	(366)	32	-	(1,628)	(274)	-
Adj. net loss attributable to Sistema	(428)	(308)	-	(857)	(929)	-

In 2Q 2020, the **revenue of Cosmos Hotel Group** decreased year-on-year **to RUB 192 million** due to hotel closures and a sharp drop in occupancy caused by the COVID-19 pandemic. Hotels outside Russia were the earliest to close, at the end of 1Q 2020. Hotels in Russia closed or operated in "sleep mode" from April, and gradually resumed operation in late May – early June.

Adjusted OIBDA decreased year-on-year on the back of the decline in revenue. At the same time, Cosmos Hotel Group took steps to drastically reduce operating costs and minimise losses.

Adjusted net loss was due to the negative OIBDA dynamics.

In 2Q 2020, **the share of revenue from hotels outside Russia** fell to 6% compared to 22% in 2Q 2019. **FX revenue from hotels abroad** decreased by 16x in 2Q 2020, as three months of operations were lost during the high season.

In 2Q 2020, **ADR¹⁷** for the Group's hotel portfolio **declined** year-on-year **from RUB 3,600 to RUB 2,300** due to a lack of revenue from international hotels.

RevPAR¹⁸ of the hotel portfolio **decreased from RUB 2,400 to RUB 500** as a result of a collapse in occupancy. In 2Q 2020, **the average occupancy fell by 53 p.p. to 19%** due to the lack of revenue from the international segment and a significant drop in demand in the Russian market.

KEY EVENTS IN 2Q 2020 AND AFTER THE END OF THE REPORTING PERIOD

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

¹⁵ Based on management accounts

¹⁶ 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.

¹⁷ Average daily rate.

¹⁸ Revenue per available room per day.

CORPORATE

(RUB million)	2Q 2020	2Q 2019	Change	6M 2020	6M 2019	Change
OIBDA	(3,394)	(2,710)	-	(7,591)	(4,259)	-
Net profit / (loss)	(6,620)	(6,729)	-	(18,413)	(9,203)	-
Corporate Centre's financial liabilities ¹⁹	198,281	222,076	(10.7%)	198,281	222,076	(10.7%)

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

Financial liabilities of the Corporate Centre declined significantly year-on-year by 10.7% to RUB 198.3 billion as a result of the repayment of rouble-denominated loans.

The share of SG&A²⁰ in Sistema's revenue in 2Q 2020 increased to 1.0% year-on-year due to redundancy payments following workforce optimisation.

As of 30 June 2020, the share of rouble-denominated financing accounted for 96% of the financial liabilities of the Corporate Centre.

In February 2020, the Group entered into an equity commitment agreement to provide financing in the amount of up to EUR 263 million in connection with the acquisition by a group of purchasers managed by SCP Group SARL, related party of the Group, of the German hypermarket chain Real from Metro AG and its subsidiaries (hereinafter – the "Transaction"). The Transaction was completed in June 2020, whereas the aforementioned equity financing in the amount of EUR 263 million, was provided by a group of investors (hereinafter – the "Investors"). Based on the terms of agreements with the Investors, upon completion of the Transaction the Group does not have any outstanding material exposure associated with the financing of the Transaction including material obligations towards the Investors in relation to guaranteed return of their respective investments, and, therefore, is neither exposed to significant risks nor entitled to significant rewards associated with the financing of the Transaction. As a result, no significant financial assets and/or financial liabilities related to the Transaction have been recognized on the Group's balance sheet as of 30 June 2020. Upon completion of the Transaction, Group's commitments entered into in February 2020 were fully discharged.

¹⁹Corporate Centre's financial liabilities here and thereafter are presented in accordance with management accounts and include, among others, liability to Rosimushchestvo.

²⁰Based on management accounts.

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

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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 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.

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
2Q 2020**SISTEMA PJSFC AND SUBSIDIARIES****UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX AND THREE MONTHS ENDED JUNE 30, 2020 AND 2019***(Amounts in millions of Russian roubles, except for per share amounts)*

	Six months ended June 30,		Three months ended June 30,	
	2020	2019	2020	2019
Revenue	313 370	304 774	155 124	155 930
Cost of sales	(143 498)	(137 602)	(71 934)	(70 962)
Selling, general and administrative expenses	(58 480)	(57 772)	(28 099)	(29 307)
Depreciation and amortisation ¹	(59 121)	(56 459)	(29 359)	(28 668)
Impairment of long-lived assets (Impairment loss)/ loss recovery from write-offs of financial assets	(2 602)	(174)	(1 099)	(143)
Taxes other than income tax	(2 158)	(2 268)	(1 072)	(1 147)
Share of the profit or loss of associates and joint venture:	(2 114)	(566)	(568)	(1 102)
Other income	5 116	4 060	3 314	3 607
Other expenses	(1 959)	(2 405)	(412)	(2 068)
OPERATING INCOME	46 289	49 996	23 395	25 519
Finance income	2 966	3 782	1 867	1 867
Finance costs ²	(36 256)	(38 848)	(18 731)	(19 980)
Currency exchange gain/(loss)	(8 837)	8 918	2 702	1 532
Change in fair value of financial instruments	8 924	(7 464)	1 264	(1 276)
PROFIT BEFORE TAX	13 086	16 384	10 497	7 662
Income tax expense	(11 289)	(8 116)	(6 560)	(3 088)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	1 797	8 268	3 937	4 574
Results of discontinued operations	3 114	31 549	2 451	9 970
PROFIT/(LOSS) FOR THE PERIOD	4 911	39 817	6 388	14 544
Attributable to:				
Shareholders of Sistema JSFC	(9 633)	23 179	581	6 540
Non-controlling interests	14 544	16 638	5 807	8 004
	4 911	39 817	6 388	14 544
Earnings/(loss) per share (basic and diluted), Russian Rubles:				
From continuing operations	(1,23)	(0,42)	(0,10)	(0,13)
From continuing and discontinued operations	(1,03)	2,44	0,06	0,69

¹ Consists of depreciation charged on right-of-use assets during the 6 months ended 30 June 2020 in the amount of RUB 10 751 million, including expenses have been classified as operating lease under previous standards in the amount of RUB 10 141 million

² Consists of interest expenses on lease liabilities for the 6 months ended 30 June 2020 in the amount of RUB 7 302 million, including expenses have been classified as operating lease under previous standards in the amount of RUB 6 620 million



JOINT-STOCK FINANCIAL CORPORATION

SISTEMA**SISTEMA PJSFC AND SUBSIDIARIES****UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS AS OF JUNE 30, 2020 AND DECEMBER 31, 2019****(Amounts in millions of Russian roubles)**IFRS financial results
2Q 2020

	June 30,	December 31,
	2020	2019
ASSETS		
NON-CURRENT ASSETS:		
Property, plant and equipment	408 485	400 083
Investment property	13 885	13 660
Goodwill	55 697	55 388
Other intangible assets	92 573	91 138
Right-of-use asset	151 977	154 865
Investments in associates and joint ventures	68 855	79 917
Deferred tax assets	28 119	26 752
Loans receivable and other financial assets	136 581	116 973
Deposits in banks	8	82
Other assets	22 668	19 438
Total non-current assets	<u>978 848</u>	<u>958 296</u>
CURRENT ASSETS:		
Inventories	53 668	45 329
Contract asset	7 685	6 474
Accounts receivable	57 622	54 703
Advances paid and prepaid expenses	15 253	14 038
Current income tax assets	4 469	4 711
Other taxes receivable	19 845	19 259
Loans receivable and other financial assets	90 705	87 138
Deposits in banks	1 355	1 659
Restricted cash	3 971	5 689
Cash and cash equivalents	128 418	63 669
Other assets	2 037	2 562
Total current assets	<u>385 028</u>	<u>305 231</u>
TOTAL ASSETS	<u>1 363 876</u>	<u>1 263 527</u>



JOINT-STOCK FINANCIAL CORPORATION

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

IFRS financial results
2Q 2020

	June 30,	December 31,
	2020	2019
LIABILITIES AND EQUITY		
SHAREHOLDERS' EQUITY:		
Share capital	869	869
Treasury shares	(5 692)	(5 971)
Additional paid-in capital	74 737	75 045
Accumulated loss	(46 874)	(36 020)
Accumulated other comprehensive income	13 333	7 452
Equity attributable to shareholders of Sistema JSFC	36 373	41 375
Non-controlling interests	21 275	24 353
TOTAL EQUITY	57 648	65 728
NON-CURRENT LIABILITIES:		
Borrowings	607 701	491 416
Lease liabilities	148 358	149 565
Bank deposits and liabilities	9 052	6 051
Deferred tax liabilities	38 299	36 172
Provisions	6 263	5 748
Other financial liabilities	3 404	3 526
Other liabilities	6 260	5 607
Total non-current liabilities	819 337	698 085
CURRENT LIABILITIES:		
Borrowings	99 411	129 454
Lease liabilities	17 772	16 060
Accounts payable	91 045	89 203
Bank deposits and liabilities	162 284	160 511
Income tax payable	2 218	921
Other taxes payable	17 704	16 065
Dividends payable	23 847	15 569
Provisions	11 885	14 910
Liability to Rosimushchestvo	8 312	7 231
Contract liabilities and other liabilities	47 781	46 321
Other financial liabilities	4 632	3 469
Total current liabilities	486 891	499 714
TOTAL LIABILITIES	1 306 228	1 197 799
TOTAL LIABILITIES AND EQUITY	1 363 876	1 263 527



JOINT-STOCK FINANCIAL CORPORATION

SISTEMAIFRS financial results
2Q 2020**SISTEMA PJSFC AND SUBSIDIARIES****UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND JUNE 30, 2019****(Amounts in millions of Russian roubles)**

	Six months ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Loss)/profit for the period	4 911	39 817
Adjustments for:		
Depreciation and amortization	59 121	67 187
Share of the (profit)/ loss of associates and joint v entures, net	2 114	566
Profit from sales of ownership in associates and joint v entures	(124)	-
Finance income	(2 966)	(4 029)
Finance costs	36 256	42 022
Income tax expense	11 289	8 930
Currency exchange loss/(gain)	8 837	(12 151)
Gain from disposal of subsidiaries	(2 910)	(23 752)
Change in fair v alue of financial instruments	(8 924)	7 464
(Profit)/loss on disposal of property, plant and equipment	(698)	(1 102)
Impairment loss on loans receiv able	5 486	1 539
Div idends receiv ed from associates and joint v entures	716	1 990
Non-cash compensation to employees	403	541
Impairment of long-liv ed assets	2 602	146
Impairment loss/ (loss recov ery) from write-offs of financial assets	2 265	1 613
Other non-cash items	(1 572)	(190)
	<u>116 806</u>	<u>130 591</u>
Mov ements in working capital:		
Bank loans to customers and interbank loans due from banks	(9 460)	(13 191)
Bank deposits and liabilities	1 266	9 953
Restricted cash	1 719	1 245
Financial assets/liabilities at fair v alue through profit or loss	(4 298)	5 170
Accounts receiv able and contract assets	1 220	(3 557)
Adv ances paid and prepaid expenses	(1 182)	47
Other taxes receiv able	(433)	(2 667)
Inv entories	(9 444)	(1 274)
Accounts payable	(1 428)	(14 826)
Subscriber prepayments	(675)	791
Other taxes payable	1 636	(207)
Adv ances receiv ed and other liabilities	(671)	3 749
Payment of fines and penalties related to inv estigation into former operations in Uzbekistan	-	(55 607)
Interest paid ³	(34 699)	(41 784)
Income tax paid	(8 230)	(18 127)
	<u>52 127</u>	<u>306</u>
NET CASH PROVIDED BY/ (USED IN) OPERATING ACTIVITIES		

³ Comprises interest paid on lease liabilities for the 6 months ended 30 June 2020 in the amount of RUB 7 208 million, including interest have been classified as operating lease under previous standards in the amount of RUB 6 764 million



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

IFRS financial results
2Q 2020

	Six months ended June 30,	
	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchases of property, plant and equipment and investment property	(41 063)	(36 774)
Proceeds from sale of subsidiaries net of cash disposed	(38)	10 786
Proceeds from sale of property, plant and equipment	2 504	2 939
Payments to obtain and fulfill contracts	(2 337)	(2 207)
Payments for purchases of intangible assets	(13 846)	(12 800)
Payments for businesses, net of cash acquired	(3 030)	(2 689)
Payments for investments in associates and joint ventures	(2 010)	(16 288)
Proceeds from disposal of investments in affiliated companies	8 930	524
Payments for purchases of financial assets, long-term	(7 510)	(9 848)
Proceeds from sale of financial assets, long-term	3 383	1 247
Payments for financial assets, short-term	(2 800)	(3 877)
Proceeds from sale of financial assets, short-term	12 798	28 019
Interest received	2 441	4 199
Other	(700)	1 105
NET CASH USED IN INVESTING ACTIVITIES	(43 278)	(35 664)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	221 786	110 706
Principal payments on borrowings	(144 469)	(84 552)
Lease liabilities payments ⁴	(7 929)	(11 256)
Acquisition of non-controlling interests in existing subsidiaries	(860)	(14 156)
Proceeds from sale of treasury stock	-	233
Proceeds from capital transactions with non-controlling interests	76	69
Dividends paid	(11 278)	(1 753)
Debt issuance costs	(114)	(50)
NET CASH PROVIDED BY/ (USED IN) FINANCING ACTIVITIES	57 212	(759)
Effect of foreign currency translation on cash and cash equivalents	(1 312)	(1 488)
Net decrease/increase in cash and cash equivalents	64 749	(37 605)
Cash and cash equivalents at the beginning of the period	63 669	114 183
Cash and cash equivalents at the end of the period	128 418	76 578

⁴ Comprises lease payments for the 6 months ended 30 June 2020 in the amount of RUB 7 490 million as operating lease under previous standards.



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SISTEMA**SISTEMA PJSC AND SUBSIDIARIES****UNAUDITED SEGMENTAL BREAKDOWN FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND JUNE 30, 2019****(Amounts in millions of Russian roubles)**IFRS financial results
2Q 2020

	External revenues		Inter-segment revenue		Segment operating income/ (loss)	
	2020	2019	2020	2019	2020	2019
MTS	235 422	224 107	1 917	1 890	51 708	54 966
Segezha	31 206	29 992	5	1	3 103	5 128
RTI	8 212	8 438	210	27	(1 499)	(1 582)
Ozon	-	-	-	-	(3 917)	(3 614)
Corporate	1 271	1 067	532	456	(4 939)	(2 777)
Total reportable segments	276 111	263 604	2 664	2 374	44 456	52 121
Other	37 259	41 170	1 577	846	2 000	3 743
	313 370	304 774	4 241	3 220	46 456	55 864
Inter-segment eliminations					(167)	(5 868)
Operating income					46 289	49 996
Finance income					2 966	3 782
Finance costs					(36 256)	(38 848)
Change in fair value of financial instruments					8 924	(7 464)
Foreign currency exchange loss					(8 837)	8 918
Profit before tax					13 086	16 384

**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>	2Q 2020	2Q 2019	6M 2020	6M 2019
Operating income	23 395	25 519	46 289	49 996
Accruals related to LTI program at portfolio companies	-	177	-	341
Impairment of hospitality assets	-	-	1 109	-
Impairment of non-current assets (MTS)	929	-	1 248	-
Other non-recurring (gains) / losses, net	276	-	120	382
Provisions for amounts due under contracts with clients at RTI	885	831	610	1 006
Adjusted operating income	25 484	26 527	49 376	51 724
Depreciation and amortisation	29 359	28 668	59 121	56 459
Adjusted OIBDA	54 843	55 195	108 497	108 184

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

<i>RUB millions</i>	2Q 2020	2Q 2019	6M 2020	6M 2019
Net profit / (loss) attributable to Sistema	581	6 540	(9 633)	23 179
Accruals related to LTI program at portfolio companies	-	203	-	462
Impairment of hospitality assets	-	-	975	-
Impairment of non-current assets (MTS)	464	-	624	-
Other non-recurring (gains) / losses, net	274	-	122	385
Provisions for amounts due under contracts with clients at RTI	616	723	438	875
Provision for liability with regards to the U.S. Department of Justice and the U.S. Securities and Exchange Commission investigation, including revaluation (MTS)	-	-	-	-1 722
Adjusted net profit / (loss) attributable to Sistema	1 935	7 466	(7 475)	23 179

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



JOINT-STOCK FINANCIAL CORPORATION

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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>	30 June 2020	31 March 2020
Long-term borrowings	607 701	631 549
Short-term borrowings	99 411	96 766
Liability to Rosimushchestvo	8 153	9 060
Total borrowings	715 265	737 375
Consolidated finance lease ¹	18 511 ²	20 018 ³
Consolidated total debt	733 776	757 393
Cash and cash equivalents	(128 418)	(131 542)
Deposits in banks	(1 363)	(2 835)
Consolidated net debt	603 995	623 016

¹ In accordance with the standard IAS 17

² Including RUB 1,481 million of short-term finance lease

³ Including RUB 1,438 million of short-term finance lease