



SISTEMA PJSFC IFRS FINANCIAL RESULTS

for the Fourth Quarter 2019 and Full Year 2019

Sistema's management will host a conference call today at **10:00 am** (New York time) / **3:00 pm** (London time) / **4:00 pm** (CET) / **5:00 pm** (Moscow time) to present and discuss the FY 2019 results.

To participate in the conference call, please dial:

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Link to webcast: <https://webcasts.egs.com/sistema2020040717>

Conference call title: "Sistema Fourth Quarter and Full Year 2019 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 – 7 April 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 fourth quarter 2019 and audited consolidated financial results in accordance with International Financial Reporting Standards (IFRS) for full year ended 31 December 2019.

KEY GROUP HIGHLIGHTS IN 2019

- ✓ **Successful public offering of Detsky Mir shares with the proceeds of RUB 12.5 billion.** In November 2019, Sistema and Russia-China Investment Fund (RCIF) successfully completed the offering of 175 million Detsky Mir shares at RUB 91 per share. As a result of the transaction, ownership stakes of Sistema and RCIF in Detsky Mir were reduced to 33.4% and 9.0%, respectively. The public offering has substantially increased the company's free float, enhancing liquidity and further improving Detsky Mir's investment proposition.
- ✓ **Merger of assets and ongoing expansion in the pharmaceuticals business.** In October 2019, OBL Pharm and Binnopharm merged under the Alium brand. As of the end of 2019, Sistema owned a 26.3% stake in the merged company. In August 2019, Sistema also acquired equity stakes in pharmaceutical assets Sintez and Biocom. In combination with Sintez and Biocom, Alium has potential to become a top-3 Russian pharmaceutical company in the commercial (non-state) segment.
- ✓ **Creating a residential real estate leader in Moscow and Saint-Petersburg.** In 2019, Sistema became the largest shareholder in the leading residential development company Etalon Group that subsequently consolidated a 100% stake in Leader-Invest, a large player in the Moscow residential development market, previously owned by Sistema.
- ✓ **Strengthening the Group's position in e-commerce.** In 2019, Sistema gradually increased its share in Ozon by acquiring stakes from other shareholders, including an 18.7% stake from MTS. Following the debt to equity conversion in December 2019, Sistema's stake in Ozon increased to 42.999%. Sistema's building up of its holdings in Ozon is driven by the expectation of further growth in the e-commerce market and the Company's strategy of increasing its presence in the sector by investing in the leading multi-category online retailer.
- ✓ **Optimisation of debt portfolio.** Throughout the year, the Company was active in capital market transactions aiming to diversify and optimise its debt portfolio. As a result, the Company has significantly extended its debt duration and shaped a comfortable repayment schedule. It has also increased the share of RUB-denominated financing to more than 95%. As of the end of 2019, the financial obligations of the Corporate Centre decreased by RUB 34.0 billion to RUB 189.2 billion.¹
- ✓ **Credit ratings upgrade.** In 2019, the international credit rating agencies S&P Global Ratings and Fitch Ratings upgraded Sistema's corporate credit ratings to BB- with a stable outlook, Expert RA rating agency increased the Company's rating to ruA with a stable outlook.
- ✓ **Dividends.** Sistema's Annual General Meeting of Shareholders held in June 2019 approved the distribution of RUB 1,1 billion, or RUB 0.11 per ordinary share (RUB 2.2 per GDR), in dividends for FY 2018.
- ✓ **Buy-back programme** In September 2019, the Company launched a RUB 3.0 billion buy-back programme. In February 2020, the programme was extended until 31 December 2020.

CORPORATE EVENTS AFTER THE END OF THE REPORTING PERIOD

- ✓ **Investing in technologies of the future.** In early 2020, the Company established Sistema SmartTech, a start-up fund specialising in 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.
- ✓ **COVID-19 pandemic.** Sistema keeps to a holistic approach to the management of its assets during the uncertainty surrounding the coronavirus outbreak. Protecting the safety and well-being of its employees and the employees of portfolio companies remains the top priority. Sistema is implementing plans for continuous business operation across the Group and its subsidiaries, while taking every necessary measure to protect the health and safety of its people. Sistema is closely monitoring the economic impact of the COVID-19 pandemic and its potential impact on the Group's operating activity.

SUSTAINABLE DEVELOPMENT

- ✓ **Progressing in sustainable development.** In 2019, Sistema began the process of streamlining its sustainable development activities and reporting across the Group. In 2019, the Board of Directors approved Group ESG (Environment, Social and Governance) strategy and action plan. The company has focused on strengthening its in-house expertise and initiated a proactive engagement with the sustainability analyst community. The Company formed a working group, which also includes dedicated teams representing portfolio companies, to share expertise and monitor performance.
- ✓ **Ratings improvement.** In 2019, Sistema re-affirmed its position in the FTSE4Good index, having improved its rating to BB in MSCI ESG Rating from B in 2018, and improving its position in the risk rating of Sustainalytics (Low Risk, 15.3), taking 37th place in the

¹ Including all borrowing and liabilities to Rosimuschestvo, finance leases and liabilities under the Settlement Agreement at the Corporate Centre level

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ranking of 578 diversified financial companies, as of February 2020. Since 2016, Sistema has been one of the leaders in the ESG ratings of the Russian Union of Industrialists and Entrepreneurs (RSPP), and since 2019 it has been included in the newly launched ESG indices MOEX-RSPP.

FY 2019 FINANCIAL HIGHLIGHTS

- ✓ **Consolidated revenue² increased by 5.1%** year-on-year and amounted to RUB 656.9 billion.
- ✓ **Adjusted OIBDA³ totaled** RUB 223.9 billion, a decrease of 0.9% year-on-year.
- ✓ **Adjusted OIBDA margin** was 34.1%.
- ✓ **Adjusted net profit attributable to Sistema** amounted to RUB 53.4 billion.

4Q 2019 FINANCIAL HIGHLIGHTS

- ✓ **Consolidated revenue increased by 2.7%** year-on-year to RUB 181.1 billion.
- ✓ **Adjusted OIBDA amounted to** RUB 52.7 billion, decreasing by 4.6% year-on-year.
- ✓ **Adjusted OIBDA margin** stood at 29.1%.
- ✓ **Adjusted net profit attributable to Sistema** was RUB 26.8 billion.

Andrey Dubovskov, President and Chief Executive Officer of Sistema, said:

“In 2019, Sistema delivered sustained growth in its public and key non-public assets, significantly lowered its financial obligations both at Group level and at the Corporate Centre, continued to invest in high-potential businesses, and conducted several successful monetisations.

In 2019, the revenue of the Group increased by 5.1% year-on-year to RUB 656.9 billion thanks to the contribution of MTS, Agroholding Steppe, Medsi, BPGC and RTI. Adjusted OIBDA of the Group in 2019 remained largely unchanged year-on-year and amounted to RUB 223.9 billion. The results of the Group were affected by OIBDDA dynamics of export-oriented businesses, impacted by weaker global environment.

We continued to expand our presence in segments where we identified a significant potential for growth due to market consolidation. Acquisition of a stake in Etalon Group, one of the leading residential real estate developers, and its further integration with Leader-Invest, our developer in Moscow, allowed us to create one of the biggest players in the property markets of Moscow and Saint Petersburg. The merger of pharmaceutical assets Binnopharm and OBL Pharm under Alium brand, and the acquisition of a stake in Sintez, have created the opportunity to establish a TOP-3 player in the commercial (non-state) segment of the pharmaceutical market. Having increased our holdings in Ozon through acquisition of stakes from other shareholders and providing equity financing, Sistema PJSC is supporting the development of Russia's largest multi-category online platform which is rapidly increasing its market share.

Among the key achievements of the last year was the successful SPO of Detsky Mir, which allowed us to significantly increase its free float and liquidity, and expand the investor base. Proceeds from this transaction and other monetisations along with the dividend flow from portfolio companies were used to reduce the overall Group debt load. Financial liabilities at the Corporate Centre were reduced by RUB 34.0 billion rubles to RUB 189.2 billion. Deleveraging and derisking of the debt portfolio will help the Corporation to navigate the turbulence caused by the coronavirus pandemic and the worsening macroeconomic situation.

Faced with unprecedented challenges, Sistema has promptly taken measures to protect our employees, clients and partners. The Corporation, together with its portfolio companies, is actively engaged in the fight against the spread of coronavirus, and has invested approximately RUB 1 billion in antiviral initiatives as of early April 2020. We are investing in the development of modern and accessible test kits, repurposing Medsi hospital for treating COVID-19 patients, and deploying industrial facilities to produce protective equipment. Our pharmaceutical assets are addressing heightened demand for antiviral drugs and antibiotics. All of our portfolio companies are adjusting their operations to ensure the continued provision of uninterrupted services. With internet traffic increasing, MTS is taking all necessary measures to enhance the network capacity. To support its customers, MTS has launched a number of special promotions and free services that help subscribers organize their lives and leisure time in self-isolation. Ozon is experiencing a sharp increase in the number of orders and is strengthening its network of couriers to provide customers with items they need, as well as popularizing safe contactless manner of delivery.

It is difficult to assess the full gravity or the duration of the crisis, as well as the time it will take to eliminate its social and economic consequences, and the potential impact on the operational and financial performance of our portfolio companies. However, I am confident that at this time of uncertainty there is a source of strength in our diversified portfolio that includes assets in sectors resilient in the face of the deteriorating economic situation including telecommunications (MTS), children's goods retail (Detsky Mir), power grid market (BPGC); export-focused businesses that benefit from the weakening of the ruble (pulp&paper business Segezha Group and our

² Hereinafter the results for 2019 are presented taking into account reclassification of Detskiy Mir, Leader-Invest, MTS business in Ukraine and RTI enterprises in the field of microelectronics as part of discontinued operations. The results for 2018 have been restated to reflect the results of this reclassification.

³ Hereinafter see Appendix A: definition of adjusted OIBDA, adjusted operating profit, adjusted net profit attributable to Sistema, consolidated debt and consolidated net debt and their reconciliation to IFRS financials



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agriculture holding Steppe), as well as companies that in this crisis are key to fulfil customer's everyday needs, and are operating at expanded capacity. (Ozon)."

SISTEMA RESULTS REVIEW

(RUB million)	4Q 2019	4Q 2018	Change	FY 2019	FY 2018	Change
Revenue	181,117	176,400	2.7%	656,861	625,032	5.1%
Adj. OIBDA	52,742	55,293	(4.6%)	223,929	226,027	(0.9%)
Operating profit	7,219	25,334	(71.5%)	86,417	108,578	(20.4%)
Net profit/ (loss) attributable to Sistema	7,682	(15,806)	-	28,597	(45,898)	-
Adj. net profit / (loss) attributable to Sistema	26,837	(200)	-	53,379	1,114	4,693.7%

Sistema's consolidated revenue increased by 5.1% year-on-year in FY 2019 to RUB 656.9 billion, driven by improved revenue at key assets: at MTS due to growth in mobile services as well as other complementary areas including financial services, system integration services, and software sales; at Steppe due to increased exports of traditional and niche crops, positive dynamics in the Dairy Farming segment, and sales growth in the Sugar and Grocery Product Trading segment; and at Medsi due to growth of services provided across key segments.

Adjusted OIBDA in FY 2019 slightly declined by 0.9% year-on-year to RUB 223.9 billion amid a negative impact of weak global conditions on the OIBDA dynamics of the Group's key non-public assets (Segezha Group, Agroholding Steppe). Group adjusted OIBDA dynamics was also affected by a net loss at Ozon, accounted for using the equity method (investment in associates), of RUB 7.8 billion.

The Group's selling, general and administrative expenses (SG&A) for FY 2019 increased by 8.4% to RUB 129.0 billion. The SG&A/revenue ratio at key assets remained almost unchanged year-on-year. In FY 2019, the Corporate Centre SG&A/Group revenue ratio increased by 0.5 p.p to 2.0% as a result of an increase in Corporate Centre expenses related to the monetisation of assets.

Adjusted net profit amounted to RUB 53.4 billion in FY 2019, compared to RUB 1.1 billion in FY 2018. The dynamics of net

profit year-on-year were influenced by the sale of 100% shares in Leader-Invest and its deconsolidation, the public offering of 18.3% of Detsky Mir shares and reclassification of the remaining stake in Detsky Mir (33.4%) as investment in associates.

Sistema's CAPEX slightly decreased year-on-year to RUB 38.8 billion in 4Q 2019 and RUB 117.6 billion in FY 2019, respectively.

OVERVIEW OF PORTFOLIO COMPANIES⁴

MTS



LEADING TELECOMMUNICATIONS OPERATOR AND DIGITAL SERVICES PROVIDER IN RUSSIA

(RUB million) ⁵	4Q 2019	4Q 2018	Change	FY 2019	FY 2018	Change
Revenue	127,064	122,022	4.1%	476,106	451,466	5.5%
OIBDA	50,685	50,509	0.3%	211,513	202,564	4.4%
Operating profit	26,217	26,584	(1.4%)	115,235	107,178	7.5%
Adj. net profit attributable to Sistema	2,777	8,731	(68.2%)	25,403	32,951	(22.9%)

In 4Q 2019, **MTS's revenue grew by 4.1% year-on-year to RUB 127.1 billion** backed by an increase in mobile service revenue as well as increased consumption of MTS Bank's fintech products. In FY 2019, **revenue increased by 5.5% year-on-year to RUB 476.1 billion**. The results were related to increased revenue from mobile service in Russia as well as growing revenue in other complementary areas, including financial services, system integration services, and software sales.

In 4Q 2019, OIBDA remained in line with last year's figures and amounted to RUB 50.7 billion. In FY 2019, OIBDA grew by 4.4% year-on-year to RUB 211.5 billion primarily due to increased revenue of the mobile business, which compensated for the negative impact of abolishing intra-network roaming.

OIBDA margin in 4Q 2019 amounted to 39.9%, which is 1.5 p.p. less than in FY 2018.

A decrease in **adjusted net profit** in 4Q 2019 and FY 2019 **to RUB 2.8 billion and RUB 25.4 billion, respectively**, was mainly due to increased interest expenses, operations with derivatives, and non-cash losses from the sale of assets, including the Ukrainian business in December 2019.

KEY EVENTS IN 4Q AND AFTER THE END OF THE REPORTING PERIOD

New strategy. In October 2019, MTS's Board of Directors approved a new MTS Group strategy for 2020-2022 CLV 2.0 (Customer Lifetime Value 2.0). The new strategy focuses on the creation of an ecosystem of digital services around its core telecommunications business.

Sale of Vodafone Ukraine. MTS sold its subsidiary in Ukraine in December 2019.

Increasing stake in MTS Bank. In December 2019, MTS increased its stake in MTS Bank to 99.7% as a result of the purchase of 4.5% of shares from Sistema for a total of RUB 1.4 billion.

Payment of special dividends. In February 2020, MTS completed the payment of special dividends for a total amount of RUB 26.48 billion: RUB 13.25 per share (RUB 26.5 per ADR).

In March 2020, the Board of Directors of MTS approved a **buyback programme of a total of RUB 15 billion**.

ADJUSTED OUTLOOK FOR 2020

MTS forecasts **revenue growth of 3%** and expects **OIBDA to remain flat year-on-year**. Capital expenditure will amount to around RUB 90 billion.

⁴ Here and from hereon, revenues are presented on an aggregated basis, excluding revenues from intra-segment (between entities in the same segment) transactions, but before inter-segment (between entities in different segments) eliminations, unless accompanied by the word "consolidated". Amounts attributable to individual companies, where appropriate, are shown prior to both intra-segment and inter-segment eliminations and may differ from respective standalone results due to certain reclassifications and adjustments.

⁵ MTS results for 4Q 2019 and FY 2019 are presented with reclassification of business in Ukraine as part of discontinued operations. The results for 4Q 2018 and FY 2018 have been restated to reflect the results of this reclassification.

FORESTRY HOLDING SEGEZHA GROUP

LEADING RUSSIAN VERTICALLY INTEGRATED FORESTRY HOLDING

(RUB million)	4Q 2019	4Q 2018	Change	FY 2019	FY 2018	Change
Revenue	14,757	15,872	(7.0%)	58,495	57,889	1.0%
Adj. OIBDA	3,871	3,915	(1.1%)	13,993	12,984	7.8%
Operating profit	2,207	2,781	(20.6%)	8,333	8,178	1.9%
Adj. net profit/(loss) attributable to Sistema	817	840	(2.8%)	5,040	54	9272.1%

In 4Q 2019, **Segezha Group's revenue decreased by 7.0% year-on-year to RUB 14.8 billion** on the back of a decline in prices for paper packaging. Despite the downward trend in global prices for paper, plywood and sawn timber the company's **revenue for FY 2019 totalled RUB 58.5 billion**, marking a 1% increase from FY 2018. This was mainly achieved due to an increase in Russian paper packaging prices throughout the year as well as growth in the plywood production volume resulting from the second line of the Kirov plywood production facility reaching full operating capacity.

Segezha Group's adjusted OIBDA amounted to RUB 3.9 billion in 4Q 2019, decreasing by 1.1% year-on-year. Adjusted OIBDA for FY 2019 grew by 7.8% year-on-year and amounted to RUB 14.0 billion. Positive dynamics were due to reduced production costs.

The adjusted OIBDA margin grew by 1.6 p.p. year-on-year to 26.2% in 4Q 2019. Adjusted OIBDA margin for FY 2019 increased by 1.5 p.p. year-on-year to 23.9%, mainly due to reduced level of costs, especially SG&A expenses.

Adjusted net profit decreased by 2.8% year-on-year to RUB 817 million in 4Q 2019. Adjusted net profit for FY 2019 amounted to RUB 5.0 billion. Significant growth in adjusted net profit year-on-year was mostly achieved due to revaluation of FX-denominated debt.

Paper output reached the record volume of 389.6 thsd tonnes⁶ in FY 2019, a 3.8% increase compared to FY 2018. Sales of paper grew by 4.1% year-on-year to 254 thsd tonnes on the back of increased production volumes.

Production and sales volume of paper sacks and bags decreased slightly as a result of weaker demand for paper sacks from the construction industry in Europe.

Plywood production increased by 41.1% year-on-year to 191.5 thsd cu m in FY 2019 due to the **commissioning of the new plywood production facility** in the Kirov region in July 2018.

Plywood sales grew by 31.9% and 52.0% year-on-year to 51.4 thsd cu m and 182.1 cu m in 4Q 2019 and FY 2019, respectively. In 2019, the Company launched **five new products**, including Segezha PlyForm, a unique product for formwork construction.

Sawn timber output increased by 9.8% year-on-year to 1014.4 thsd cu m in FY 2019. Sales growth stood at 8% year-on-year. The key factors for positive dynamics included improved performance of the company's sawmill operations, and raw materials supply chain improvements resulting from an increased share of own logging.

Sustainable development. In 2019, all enterprises of Segezha Group confirmed their compliance with the FSC (Forest Stewardship Council) standards: the total share of certified forests was 86%.

Also in 2019, 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.

In 2019, the Company increased the forest restoration expenditure by 75% and increased the restoration area by 14% year-on-year.

KEY EVENTS AFTER THE END OF THE REPORTING PERIOD

Acquisition of Karelian Wood Company LLC, a logging and wood processing enterprise, in January 2020, with the output capacity of up to 250,000 cu m of sawn wood per year and the annual allowable cut of over 200,000 cu m.

Debut in the debt market. In January 2020, the Group successfully placed three-year bonds series 001P-01R for a total of RUB 10 billion with a coupon rate of 7.1%.

⁶ 34% of produced paper was supplied to the Company's own paper packaging production facilities

AGRICULTURE HOLDING STEPPE

ONE OF RUSSIA'S LARGEST AGRICULTURE HOLDINGS AND LAND OWNERS

(RUB million) ⁷	4Q 2019	4Q 2018	Change	FY 2019	FY 2018	Change
Revenue	9,654	9,612	0.4%	31,044	24,161	28.5%
OIBDA	397	179	122.2%	4,103	4,909	(16.4%)
Operating profit / (loss)	(152)	(411)	-	2,283	3,261	(30.0%)
Net (loss)/profit attributable to Sistema	(1,303)	(1,038)	-	(584)	1,095	-

Steppe's revenue amounted to RUB 9.7 billion in 4Q 2019, remaining in line with the 2018 figures. **Revenue for FY 2019 grew by 28.5% year-on-year to RUB 31.0 billion.** A significant increase in revenue was due to increased export of traditional and niche crops, positive dynamics in the Dairy Farming segment, and strong development and sales increase in the Sugar and Grocery Product Trading segment.

Steppe's OIBDA showed significant growth year-on-year and amounted to RUB 397 million in 4Q 2019 due to an increase in sales and a decline in carry-overs to 2020. OIBDA for FY 2019 totalled RUB 4.1 billion, decreasing by 16.4% year-on-year as a result of a decline in global grain prices and the effect of revaluation of biological assets, which was partly offset by the improved performance of key business segments.

Steppe's CAPEX amounted to RUB 1.9 billion in FY 2019. Key investment areas included the construction of dairy farms, gradual buyout of land shares to increase the proportion of owned land bank, development of logistics and renewal of farm machinery fleet.

Steppe's net loss in 4Q 2019 and FY 2019 amounted to RUB 1.3 billion and RUB 584 million, respectively. Net loss was realised primarily due to the implementation of the capital expenditure programme and an inventory build-up in the Sugar and Grocery Product Trading segment.

Gross harvest increased by 14% year-on-year in FY 2019, while the gross harvest of high-margin crops increased due to the use of advanced agricultural technologies.

Export volumes in the Agrot trading segment grew by 7.4% year-on-year and amounted to 1,198 thsd tonnes in FY 2019, making Steppe one of Russia's 8 largest exporters in the first half of the grain season 2019/2020.

The Dairy Farming segment reported solid growth: gross milk yield increased by 22% year-on-year to 57 thsd tonnes in FY 2019, while cow productivity grew by 8.0% year-on-year, and herd amounted to around 5,850 cows at the end of the reporting period.

The Orchards segment delivered a record gross yield of 30.7 thsd tonnes in FY 2019 (1.7x year-on-year) and was characterised by a high quality of table apples.

Sales volumes in the Sugar and Grocery Trading segment increased substantially by 74% year-on-year in FY 2019 and amounted to 306.7 thsd tonnes.

KEY EVENTS IN 4Q AND AFTER THE END OF THE REPORTING PERIOD

In March 2020, Steppe increased its land bank under management to 527 thsd hectares due to acquisition of agricultural enterprise Rodnaya Zemlya (30.3 thsd hectares) and renting the lands of the agricultural enterprise Zerno Don (80.5 thsd hectares) in the Rostov region.

⁷ 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) ⁸	4Q 2019	4Q 2018	Change	FY 2019	FY 2018	Change
Revenue	6,238	5,571	12.0%	22,322	17,747	25.8%
Adj. OIBDA	1,880	1,639	14.7%	5,916	3,600	64.3%
Operating profit	999	836	19.5%	2,848	693	311.1%
Adj. net profit attributable to Sistema	1,003	909	10.4%	2,920	1,061	175.3%

Medsi's revenue increased by 12.0% year-on-year in 4Q 2019 and by 25.8% year-on-year in FY 2019, amounting to RUB 6.2 billion and RUB 22.3 billion, respectively. Revenue growth in 4Q 2019 was due to an increase in the volume of Voluntary Health Insurance segment (VHI) segment revenue by 20.3% year-on-year to RUB 2.2 billion, as well as an increase in revenue from individual patients by 22.4% year-on-year to RUB 1.8 billion. Revenue growth in FY 2019 resulted from growth in the volume of services provided.

Adjusted OIBDA increased by 14.7% year-on-year to RUB 1.9 billion in 4Q 2019 and by 64.3% year-on-year to RUB 5.9 billion in FY 2019. Significant growth in adjusted OIBDA was due to higher revenue and the impact of participation in the Michurinsky Project LLC, a joint venture with Capital Group, to construct the Nebo business class residential project on Michurinsky Prospect with a positive effect of RUB 0.06 billion in 4Q 2019 and RUB 1.1 billion in FY 2019.

In 4Q 2019, **Medsi's adjusted OIBDA margin was 30.1%**, which is by 0.7 p.p. higher year-on-year. The adjusted OIBDA margin for FY 2019 grew by 6.2 p.p. year-on-year to 26.5%. The growth was backed by increased capacity utilisation, higher efficiency per sq m of medical facilities, an increase in treatment volumes at previously opened clinics, as well as the effect of participation in the Michurinsky Project.

Adjusted net profit increased by 10.4% year-on-year to RUB 1.0 billion in 4Q 2019 and by 175.3% year-on-year to RUB 2.9 billion in FY 2019 mainly due to OIBDA growth and the impact of participation in the Michurinsky Project.

Revenue of the Clinical-Diagnostic Centre (CDC) on Belorusskaya amounted to RUB 739 million in 4Q 2019, and OIBDA reached RUB 332 million, the OIBDA margin came in at 45%.

Revenue of the CDC in Krasnaya Presnya totalled RUB 711 million, and OIBDA reached RUB 242 million, with OIBDA margin at 34%.

Growth in capacity utilisation of in-patient treatment facilities is related to an increase in the volume of treatments provided across all channels, with MHI as the main driver in FY 2019.

KEY EVENTS IN 4Q AND AFTER THE END OF THE REPORTING PERIOD

The company is continuing the construction of the new multifunctional medical centre on Michurinsky Prospect with a total area of over 34,000 sq m, with the launch scheduled for 2020. 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.

Medsi is expanding its network of out-patient clinics in three districts outside central Moscow.

In January 2020, Medsi enhanced its presence in the Saint Petersburg market, **having acquired Clinic Na Petrogradskoy Storone**. The clinic, with a total area of 1,560 sq m, provides a full range of clinical services for adults and children. Since December, the clinic operates a chemotherapy department.

In March 2020, Medsi **acquired ASPEC clinic network** operating four clinics in Izhevsk (Udmurtia), including a CDC with a daytime in-patient clinic, a clinic for adults, a clinic for children, and a women's wellness clinic with a total area of 4,344 sq m.

In March 2020, Medsi repurposed its flagship multifunctional in-patient clinic in Otradnoye as a clinic to provide medical treatment to patients with the coronavirus infection COVID-19. Medsi was also among the first private clinics to collect biomaterials for COVID-19 diagnostics.

⁸ Adj. OIBDA, the adj. OIBDA margin and adj. net profit are adjusted for accruals related to the LTI programme.

BUSINESS NEDVIZHIMOST

RENTAL ASSETS WITH A UNIQUE POOL OF PROPERTIES

(RUB million) ⁹	4Q 2019	4Q 2018	Change.	FY 2019	FY 2018	Change
Revenue	2,261	4,551	(50.3%)	7,105	7,886	(9.9%)
Adj. OIBDA	1,047	3,298	(68.3%)	4,495	4,598	(2.2%)
Operating profit	901	3,132	(71.2%)	4,014	4,184	(4.1%)
Adj. net profit attributable to Sistema	1,108	2,587	(57.2%)	3,332	3,147	5.9%

Revenue from rental assets of Business Nedvizhimost amounted to RUB 2.3 billion in 4Q 2019 and to RUB 7.1 billion in FY 2019 respectively. Negative dynamics year-on-year were due to decrease in sales volumes of land plots in Moscow region and commercial real estate as the Company has completed optimization of its real estate portfolio.

Adjusted OIBDA amounted to RUB 1.0 billion in 4Q 2019, a significant year-on-year decrease was due to the decline in revenue for the reporting period. In 2019, adjusted OIBDA

decreased slightly, 2.2% year-on-year, amounting to RUB 4.5 billion.

Adjusted OIBDA margin in 4Q 2019 decreased year-on-year to 46.3% due to revenue decline. In 2019, Adj. OIBDA margin grew by 5 p.p. year-on-year to 63.3% in FY 2019.

Adjusted net profit of Business Nedvizhimost amounted to RUB 1.1 billion in 4Q 2019. Net profit in FY 2019 increased by 5.9% year-on-year to RUB 3.3 billion.

RTI

LEADING DEVELOPER OF HIGH-TECH SOLUTIONS

(RUB million) ¹⁰	4Q 2019	4Q 2018	Change	FY 2019	FY 2018	Change
Revenue	10,844	8,695	24.7%	24,740	22,886	8.1%
Adj. OIBDA	3,826	3,500	9.3%	5,389	4,919	9.5%
Operating profit / (loss)	1,201	1,911	(37.2%)	(1,770)	921	(292.3%)
Adj. net profit /(loss) attributable to Sistema	1,481	1,888	(21.6%)	3,195	(531)	-

In 4Q 2019, **RTI's revenue** grew by 24.7% year-on-year to RUB 10.8 billion. **Revenue for FY 2019 showed an 8.1% year-on-year increase to RUB 24.7 billion.** Revenue growth in FY 2019 was primarily due to the increased volume of activity under large long-term contracts.

Adjusted OIBDA grew by 9.3% year-on-year to RUB 3.8 billion in 4Q 2019 and by 9.5% year-on-year to RUB 5.4 billion in FY 2019.

Adjusted OIBDA margin in 4Q 2019 **decreased by 5.0 p.p.** year-on-year and amounted to 35.3%, while **adjusted OIBDA margin for FY 2019 remained at the 2018 level of 21.8%.**

In FY 2019, RTI reported **adjusted net profit of RUB 3.2 billion** compared to a net loss a year earlier, which was mostly due to disposal of assets in 2Q 2019.

The decrease in net debt by 33.0% was due to the transfer of part of RTI Group's debt together with microelectronics assets to Element LLC, as well as repayments of RUB 1 billion made on RTI's outstanding debt. In addition, funds totaling RUB 5.7 bln

earmarked for work under state contracts are held on RTI's accounts but not factored into net debt calculations.

KEY EVENTS IN 4Q 2019 AND AFTER THE END OF THE REPORTING PERIOD

Dual-band security inspection system. In 4Q 2019, the Company developed a prototype system of continuous remote security inspection for places of public gathering.

The system is designed for discrete remote detection of potentially dangerous objects and prohibited substances carried by individuals. Using mm and THz radiation, the system will identify and distinguish potentially dangerous objects leveraging artificial intelligence elements including machine learning.

The use of the system is expected at inspection points, mass gatherings and railway infrastructure.

The market potential of this type of solution is estimated at RUB 200 billion at this stage.

¹⁰ RTI results for 4Q 2019 and FY 2019 are presented with reclassification of RTI microelectronics assets as part of discontinued operations. Results for 4Q 2018 and FY 2018 are restated to reflect the results of this reclassification. In February 2019, RTI Microelectronics, a member of RTI Group, together with the State Corporation of Rostech and Rose Electronics, entered into a legally binding agreement providing for the establishment of a joint microelectronic components company named Element LLC. In July 2019, the creation of Element LLC was completed: the parties contributed their controlling stakes in 19 microelectronics component development, production and design companies.

BPGC

ONE OF RUSSIA'S BIGGEST POWER GRID COMPANIES

(RUB million)	4Q 2019	4Q 2018	Change	FY 2019	FY 2018	Change
Revenue	6,033	5,329	13.2%	20,931	19,130	9.4%
OIBDA	1,703	2,186	(22.1%)	6,205	6,369	(2.6%)
Operating profit	1,011	1,560	(35.2%)	3,537	3,872	(8.7%)
Net profit attributable to Sistema	725	1,127	(35.6%)	2,698	2,930	(7.9%)

Revenue of BPGC in 4Q 2019 increased by 13.2% year-on-year to RUB 6.0 billion. In FY 2019, revenue increased by 9.4% year-on-year to RUB 20.9 billion. The revenue growth in FY 2019 was due to the increase of electricity transmission tariffs and changes in the methodology for accounting revenue from grid connection services.

In 4Q 2019, OIBDA amounted to RUB 1.7 billion, a 22.1% decrease year-on-year. This decrease was due to an increase in the cost of services provided by FGC UES and an increase in labour costs. OIBDA in FY 2019 decreased by 2.6% year-on-year to RUB 6.2 billion. OIBDA dynamics were affected by the growth of other operating income in FY 2019 due to one-off financial transactions on the settlement of operational disputes.

OIBDA margin decreased by 12.8% year-on-year to 28.2% in 4Q 2019, and by 3.7 p.p. year-on-year to 29.6% in FY 2019 as a result of OIBDA decline.

Net profit of BPGC in 4Q 2019 decreased by 35.6% year-on-year to RUB 725 million due to OIBDA dynamics and growth of depreciation charges. In FY 2019, BPGC's net profit amounted to RUB 2.7 billion, 7.9% lower than in 2018.

KEY EVENTS IN 4Q AND AFTER THE END OF THE REPORTING PERIOD

Kustarevskaya substation. In 4Q 2019 BPGC commissioned the Kustarevskaya substation, utilizing technical construction methods that represent new stages in the development of a "smart" energy system.

Upgrade of distribution networks. In 4Q 2019, the Company continued to implement comprehensive reconstruction of distribution networks in the Ufa city district. During the reporting period, 43 distribution points and 40 transformer substations were reconstructed, 5 km of cable lines were laid, and the electrification of the banks of Belaya River in Ufa was completed.

Transition to a two-level model of operational and technological management. In 2019, Bashkirenergo, a subsidiary of BPGC, successfully completed a large-scale project to transition to a two-level model of operational and technological management.

Implementation of IT-projects. In 2019, Bashkirenergo continued to implement two major IT projects Bashkortostan's power grid: the creation of a system for exchanging telemetric information with an automated system operator – the Bashkir RDA and the enterprise Bashkirenergo. The projects involve the modernization of telemechanics equipment and the organization of communication channels for telemetric information transmission.

Construction of a large power facility. In 2019, BPGC Engineering, a subsidiary of BPGC, continued the construction of a large power facility outside the Republic of Bashkortostan as part of its strategy to enter the foreign market. The company's specialists have designed and are building a 220kW substation in Revda, Sverdlovsk Oblast.

COSMOS HOTEL GROUP

ONE OF RUSSIA'S LEADING HOTEL MANAGEMENT COMPANIES

(RUB million) ¹¹	4Q 2019	4Q 2018	Change	FY 2019	FY 2018	Change
Revenue	1,237	1,204	2.7%	5,034	5,301	(5.0%)
Adj. OIBDA	185	13	1273.7%	1,251	1,314	(4.8%)
Operating profit	(1 008)	(176)	-	(481)	555	-
Adj. net loss attributable to Sistema	(77)	(549)	-	(238)	(532)	-

In 4Q 2019, the revenue of the Cosmos Hotel Group increased by 2.7% year-on-year to RUB 1.2 billion. This revenue growth was the result of the Company's actions to increase ADR¹².

ADR for the Group's hotel portfolio increased from RUB 3.1 thousand to RUB 3.2 thousand in 4Q 2019.

The average occupancy in 4Q 2019 was 64.1% in line with the level of 2018.

In FY 2019, the share of revenue accounted for by hotels outside Russia increased from 22% to 24% on the back of lower revenues in the segment of Russian hotels.

In 4Q 2019, the share of FX revenue decreased by 1.3 p.p. year-on-year on the back of exchange rate differences, while the share of foreign currency revenue from hotels outside Russia decreased by 0.5%.

The Group's adjusted OIBDA in 4Q 2019 showed significant growth year-on-year to RUB 185 million, while adjusted OIBDA in FY 2019 decreased by 4.8% year-on-year to RUB 1.3 billion.

The negative dynamics in FY 2019 were impacted by the effect of a high base on the back of the 2018 FIFA World Cup in Russia, and a decrease in the incoming tourist flow.

Adj. net loss year-on-year in 4Q 2019 and FY 2019 decreased as a result of debt portfolio optimization.

KEY EVENTS IN 4Q AND AFTER THE END OF THE REPORTING PERIOD

Modernization of Cosmos hotel complex. In October 2019, the modernisation and design refurbishment of the Cosmos hotel complex commenced. Completion of the project is planned in 2023.

¹¹ Management accounts

¹² Average Daily Rate

CORPORATE

(RUB million)	4Q 2019	4Q 2018	Change	FY 2019	FY 2018	Change
Adj. OIBDA	(8,474)	(7,350)	-	(16,867)	(11,381)	-
Adj. net profit / (loss)	25,483	(12,689)	-	28,013	(34,869)	-
Corporate Centre's financial liabilities ¹³	189,160	223,240	(15.3%)	189,160	223,240	(15.3%)

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 significantly decreased year-on-year by 15.3% to RUB 189.2 billion.

SG&A in 4Q 2019 grew by 26.2% to RUB 7.1 billion primarily due to increased expenses at the Corporate Centre level on the back of monetisation of assets.

As of 31 December 2019, the share of rouble-denominated

financing exceeds 95% of the financial liabilities of the Corporate Center.

In February 2020, Sistema' wholly-owned subsidiary Sistema Finance S.A. entered into an equity commitment agreement to provide financing in the amount of up to EUR 263 million in connection with 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 the funding of EUR 263 million will involve participation of other equity investors, along with Sistema Finance.

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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 depositary 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.

¹³ Including liability to Rosimushchestvo and finance lease as defined in IAS 17

SISTEMA PJSC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEARS AND THREE MONTHS ENDED DECEMBER 31, 2019 AND 2018
(Amounts in millions of Russian roubles, except for per share amounts)

	Year ended December 31, (audited)		Three months ended December 31, (unaudited)	
	2019	2018	2019	2018
Revenue	656 861	625 032	181 117	176 400
Cost of sales	(301 918)	(277 711)	(86 167)	(84 356)
Selling, general and administrative expenses	(129 013)	(118 973)	(38 763)	(33 660)
Depreciation and amortisation ¹	(115 283)	(112 500)	(29 627)	(28 622)
Impairment of long-lived assets	(11 639)	(1 030)	(9 231)	(237)
Impairment of financial assets	(6 994)	(5 623)	(3 230)	(2 494)
Taxes other than income tax	(4 962)	(5 829)	(1 469)	(1 373)
Share of the profit or loss of associates and joint ventures	(4 398)	1 682	(3 052)	(636)
Other income	11 478	7 139	3 667	780
Other expenses	(7 715)	(3 609)	(6 026)	(468)
OPERATING INCOME	86 417	108 578	7 219	25 334
Finance income	7 527	7 765	2 327	2 647
Finance costs ²	(87 341)	(60 600)	(20 780)	(17 223)
Currency exchange gain/(loss)	10 453	(17 325)	1 386	(4 309)
PROFIT/(LOSS) BEFORE TAX	17 056	38 418	(9 848)	6 449
Income tax expense	(26 999)	(29 353)	(11 094)	(14 535)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	(9 943)	9 065	(20 942)	(8 086)
Results of discontinued operations	67 551	(47 369)	31 269	1 143
PROFIT/(LOSS) FOR THE PERIOD	57 608	(38 304)	10 327	(6 943)
Attributable to:				
Shareholders of Sistema JSFC	28 597	(45 896)	7 682	(15 806)
Non-controlling interests	29 011	7 592	2 645	8 863
	57 608	(38 304)	10 327	(6 943)
Earnings/(loss) per share (basic and diluted), Russian Rubles:				
From continuing operations	(3,61)	(2,36)	(2,71)	(1,76)
From continuing and discontinued operations	3,02	(4,84)	0,82	(1,67)

¹ Consists of deprecation charged on right-of-use assets during the year ended 31 December 2019 in the amount of RUB 28 660 million, including expenses recorded as part of discontinued operations of RUB 8 440 million and from continuing operations of RUB 20 220 million, as well as rent expenses from continuing operations that would have been classified as operating lease under previous standards in the amount of RUB 19 092 million

² Consists of interest expenses on lease liabilities for the year ended 31 December 2019 in the amount of RUB 18 866 million, including expenses recorded as part of discontinued operations of RUB 3 600 million and from continuing operations of RUB 15 266 million, as well as rent expenses from continuing operations that would have been classified as operating lease under previous standards in the amount of RUB 13 724 million

SISTEMA PJSC AND SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND DECEMBER 31, 2018
(Amounts in millions of Russian roubles)

	December 31,	December 31,
	2019	2018
ASSETS		
NON-CURRENT ASSETS:		
Property, plant and equipment	400 083	422 321
Investment property	13 660	23 310
Goodwill	55 388	59 488
Other intangible assets	91 138	112 125
Right-of-use asset	154 865	194 247
Investments in associates and joint ventures	79 917	34 507
Deferred tax assets	26 752	32 648
Loans receivable and other financial assets	116 973	95 557
Deposits in banks	82	186
Other assets	19 438	15 618
Total non-current assets	<u>958 296</u>	<u>990 007</u>
CURRENT ASSETS:		
Inventories	45 329	97 131
Contract asset	6 474	7 297
Accounts receivable	54 703	63 517
Advances paid and prepaid expenses	14 038	16 984
Current income tax assets	4 711	4 195
Other taxes receivable	19 259	18 641
Loans receivable and other financial assets	87 138	106 329
Deposits in banks	1 659	15 506
Restricted cash	5 689	8 614
Cash and cash equivalents	63 669	114 183
Other assets	2 562	3 090
	<u>305 231</u>	<u>455 487</u>
Assets held for sale	-	19 911
Total current assets	<u>305 231</u>	<u>475 398</u>
TOTAL ASSETS	<u>1 263 527</u>	<u>1 465 405</u>

SISTEMA PJSC AND SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND DECEMBER 31, 2018 (CONTINUED)
(Amounts in millions of Russian roubles)

	December 31, 2019	December 31, 2018
LIABILITIES AND EQUITY		
SHAREHOLDERS' EQUITY:		
Share capital	869	869
Treasury shares	(5 971)	(4 759)
Additional paid-in capital	75 045	73 375
Retained earnings	(36 020)	(63 572)
Accumulated other comprehensive (loss)/income	7 452	11 204
Equity attributable to shareholders of Sistema JSFC	41 375	17 117
Non-controlling interests	24 353	45 911
TOTAL EQUITY	65 728	63 028
NON-CURRENT LIABILITIES:		
Borrowings	491 416	592 442
Lease liabilities	149 565	183 161
Bank deposits and liabilities	6 051	3 414
Deferred tax liabilities	36 172	40 161
Provisions	5 748	4 368
Liability to Rosimushchestvo	-	8 097
Other financial liabilities	3 526	1 473
Other liabilities	5 607	6 546
Total non-current liabilities	698 085	839 662
CURRENT LIABILITIES:		
Borrowings	129 454	105 893
Lease liabilities	16 060	24 206
Accounts payable	89 203	126 917
Bank deposits and liabilities	160 511	129 872
Income tax payable	921	2 775
Other taxes payable	16 065	20 409
Dividends payable	15 569	4 415
Provisions	14 910	73 244
Liability to Rosimushchestvo	7 231	8 113
Contract liabilities and other liabilities	46 321	50 141
Other financial liabilities	3 469	9 904
Liabilities directly associated with assets classified as held for sale	-	6 826
Total current liabilities	499 714	562 715
TOTAL LIABILITIES	1 197 799	1 402 377
TOTAL LIABILITIES AND EQUITY	1 263 527	1 465 405

SISTEMA PJSC AND SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Amounts in millions of Russian roubles)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Loss)/profit for the period	57 608	(38 304)
Adjustments for:		
Provision related to SEC investigation in Uzbekistan	-	55 752
Depreciation and amortization	135 070	132 019
Share of the profit or loss of associates and joint ventures, net	4 398	(1 715)
Profit from sales of ownership in associates and joint ventures	(828)	-
Finance income	(7 527)	(8 421)
Finance costs	93 064	68 024
Income tax expense	28 227	32 809
Currency exchange loss/(gain)	(14 170)	20 069
Gain from disposal of subsidiaries	(53 986)	-
(Profit)/loss on disposal of property, plant and equipment	(3 029)	(5 173)
Impairment loss on loans receivable	4 330	704
Dividends received from associates and joint ventures	6 279	3 777
Non-cash compensation to employees	1 601	1 511
Impairment of long-lived assets	11 639	1 360
Impairment of financial assets	6 921	5 935
Other non-cash items	4 406	5 299
	<u>274 003</u>	<u>273 646</u>
Movements in working capital:		
Bank loans to customers and interbank loans due from banks	(33 778)	(2 995)
Bank deposits and liabilities	36 062	14 136
Restricted cash	2 925	(23)
Financial assets/liabilities at fair value through profit or loss	4 125	2 974
Accounts receivable and contract assets	(9 950)	(8 174)
Advances paid and prepaid expenses	781	(1 679)
Other taxes receivable	(1 337)	(2 386)
Inventories	(6 503)	(27 402)
Accounts payable	2 590	6 093
Subscriber prepayments	384	3 500
Other taxes payable	(2 652)	6 288
Advances received and other liabilities	9 830	(537)
Payment in accordance with the Settlement agreement		(80 000)
Payment of fines and penalties related to investigation into former operations in Uzbekistan	(55 607)	
Interest paid ³	(83 064)	(67 421)
Income tax paid	(31 540)	(27 392)
	<u>106 269</u>	<u>88 628</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		

³ Comprises interest paid on lease liabilities for the year ended 31 December 2019 in the amount of RUB 18,507 mln, including interest paid related to discontinued operations of RUB 3,600 mln and from continuing operations of RUB 14,907 mln, as well as interest paid on lease related to continuing operations that would have been classified as operating lease under previous standards in the amount of RUB 13,311 mln

SISTEMA PJSC AND SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (CONTINUED)
(Amounts in millions of Russian roubles)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchases of property, plant and equipment	(92 178)	(93 754)
Payments for Data Center MTS	-	(7 559)
Proceeds from sale of subsidiaries net of cash disposed	59 328	-
Proceeds from sale of property, plant and equipment	6 598	6 533
Payments to obtain and fulfill contracts	(4 693)	(5 645)
Payments for purchases of intangible assets	(25 444)	(30 286)
Payments for businesses, net of cash acquired	(2 775)	(4 324)
Payments for investments in associates and joint ventures	(17 417)	(12 036)
Proceeds from disposal of investments in affiliated companies	15 301	113
Payments for purchases of financial assets, long-term	(20 825)	(17 316)
Proceeds from sale of financial assets, long-term	5 367	10 155
Payments for financial assets, short-term	(10 436)	(23 514)
Proceeds from sale of financial assets, short-term	36 174	43 280
Interest received	5 354	9 356
Other	1 720	(2 938)
NET CASH USED IN INVESTING ACTIVITIES	(43 926)	(127 935)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	310 672	398 905
Principal payments on borrowings	(342 138)	(234 937)
Lease liabilities payments ⁴	(24 303)	(21 044)
Acquisition of non-controlling interests in existing subsidiaries	(22 751)	(21 424)
Proceeds from sale of treasury stock	233	-
Proceeds from capital transactions with non-controlling interests	89	740
Dividends paid	(30 124)	(29 952)
Repurchase of own shares	(1 642)	-
Debt issuance costs	(138)	(702)
Payments under credit guarantee agreement related to foreign-currency hedge	-	(981)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	(110 102)	90 605
Effect of foreign currency translation on cash and cash equivalents	(2 755)	3 408
Net decrease/increase in cash and cash equivalents	(50 514)	54 706
Cash and cash equivalents at the beginning of the period	114 183	59 959
Cash and cash equivalents at the end of the period, of discontinued operations	-	(482)
Cash and cash equivalents at the end of the period	63 669	114 183

⁴ Comprises lease payments for the year ended 31 December 2019 in the amount of RUB 22 209 million as operating lease under previous standards, including payments related to discontinued operations of RUB 6 861 million and from continuing operations of RUB 15 348 million

SISTEMA PJSFC AND SUBSIDIARIES
SEGMENTAL BREAKDOWN FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018
(Amounts in millions of Russian roubles)

	External revenues		Inter-segment revenue		Segment operating income/ (loss)	
	2019	2018	2019	2018	2019	2018
MTS	472 449	457 558	3 657	4 576	114 146	105 984
Segezha	58 428	57 847	67	43	8 333	8 178
RTI	24 655	22 701	85	185	(1 770)	921
Ozon	-	-	-	-	(7 834)	(1 115)
Corporate	2 435	2 351	906	845	(18 781)	(11 946)
Total reportable segments	557 967	540 458	4 715	5 649	94 095	102 022
Other	98 894	84 574	2 939	3 262	(1 405)	9 534
	656 861	625 032	7 654	8 911	92 690	111 556
Inter-segment eliminations					(6 273)	(2 978)
Operating income					86 417	108 578
Finance income					7 527	7 765
Finance costs					(87 341)	(60 600)
Foreign currency exchange loss					10 453	(17 325)
Profit before tax					17 056	38 418

	Additions to non-current assets		Depreciation and amortisation	
	2019	2018	2019	2018
MTS	129 795	139 913	96 279	95 656
RTI	1 012	2 496	1 644	1 739
Segezha	5 681	6 310	5 660	4 676
Corporate	213	-	399	565
Other	22 221	13 945	11 301	9 865
	158 922	162 664	115 283	112 501

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 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>	4Q 2019	4Q 2018	12M 2019	12M 2018
Operating income	7,219	25,334	86,417	108,578
Provisions for litigation and amounts due under contracts with clients (RTI)	2,227	1,183	5,515	2,260
Accruals related to LTI program at portfolio companies	72	154	489	868
Non-current assets impairment (Kronshtadt)	2,422	-	2,422	-
Impairment of rental properties	2,958	-	2,958	-
Impairment of investment and other property	3,900	-	6,429	-
Other non-recurring losses, net	4,316	-	4,415	1,821
Adjusted operating income	23,114	26,671	108,646	113,527
Depreciation and amortisation	29,627	28,622	115,283	112,500
Adjusted OIBDA	52,742	55,293	223,929	226,027

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

<i>RUB millions</i>	4Q 2019	4Q 2018	12M 2019	12M 2018
Net profit / (loss) attributable to Sistema	7,682	(15,806)	28,597	(45,898)
Provisions for deferred tax assets (DTA)	4,308	12,621	4,308	12,621
Provision for liability with regards to the U.S. Department of Justice and the SEC investigation, including revaluation (MTS)	-	1,649	(1,722)	29,527
Provisions for litigation and amounts due under contracts with clients (RTI)	1,414	1,029	4,274	1,966
Accruals related to LTI program at portfolio companies	83	306	679	1,193
Non-current assets impairment (Kronshtadt)	2,422	-	2,422	-
Impairment of rental properties, inc. write-offs of DTA	3,159	-	3,159	-
Impairment of investment and other property, inc. write-offs of DTA	3,548	-	7,361	-
Other non-recurring losses, net	4,221	-	4,300	1,704
Adjusted net profit / (loss) attributable to Sistema	26,837	(200)	53,379	1,114

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>	31 December 2019	30 September 2019
Long-term borrowings	491,416	522,729
Short-term borrowings	129,454	159,214
Liability to Rosimushchestvo	7,215	11,261
Total borrowings	628,085	693,204

Consolidated finance lease ¹	18,239 ²	18,419 ³
Consolidated total debt	646,324	711,623
Cash and cash equivalents	(63,669)	(75,260)
Deposits in banks	(1,741)	(3,247)
Consolidated net debt	580,915	633,116

¹ In accordance with the standard IAS 17

² Including RUB 1,289 million of short-term finance lease

³ Including RUB 2,043 million of short-term finance lease