

Sistema PJSC (SSA)

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SISTEMA ANNOUNCES FINANCIAL RESULTS FOR THE THIRD QUARTER 2019

Moscow, Russia - 27 November 2019 - Sistema PJSC ("Sistema" or the "Company", together with its subsidiaries, "the Group") (LSE: SSA, MOEX: AFKS), a publicly-traded diversified Russian holding company, today announces its unaudited consolidated financial results in accordance with International Financial Reporting Standards (IFRS) for the third quarter ended 30 September 2019.

SUCCESSFUL DELIVERY AGAINST STRATEGIC AND OPERATIONAL GOALS

- **Sustained revenue growth^[1]** due to strong results from the majority of portfolio companies.
- **OIBDA growth** driven by contributions from both private and publicly traded subsidiaries.
- **Reduction of net financial liabilities at the Corporate Centre** by 6.9% year-on-year to RUB 199.0 billion.
- **Successful public offering of Detsky Mir shares, with the proceeds of RUB 12.5 billion.** In November 2019 Sistema and the Russia-China Investment Fund (RCIF) sold 175 million shares in Detsky Mir at RUB 91 per share. Sistema retained a stake in Detsky Mir of 33.4% and the RCIF retained a stake of 9.0%. The offering has substantially increased the free float of Detsky Mir, which should enhance liquidity for the benefit of all shareholders. The proceeds from the transaction will allow Sistema to continue deleveraging and enhance its investment resources.
- **Merger of assets and expanded presence in the pharmaceuticals business.** In August 2019 Sistema completed the acquisition of stakes in Sintez and Biocom. Together with Alium - a pharmaceuticals company created through the merger of OBL Pharm and Binnopharm - the acquired companies will create a major market player with the potential to become a top-three Russian pharmaceuticals company in the commercial (non-state) segment. The merger of OBL Pharm and Binnopharm under the Alium brand was completed in October 2019. As a result of the merger, Sistema holds an effective stake of 26.3% in Alium.
- **Creation of a leading residential real estate developer in Moscow and St Petersburg.** In August 2019 Sistema sold a 49% equity stake in Leader Invest to Etalon Group for RUB 14.6 billion. As a result of the transaction, Etalon Group consolidated 100% ownership of Leader Invest. The transaction allowed Etalon Group to accelerate the integration of the two businesses, which will support growth of shareholder value.
- **Launch of a share buyback programme** in the amount up to RUB 3.0 billion in September 2019.

3Q 2019 FINANCIAL RESULTS

- **Consolidated revenue increased by 6.6%** year-on-year to RUB 214.0 billion.
- **Adjusted OIBDA^[2] increased by 4.4%** year-on-year to RUB 75.4 billion; the adjusted OIBDA margin was 35.2%.
- **Adjusted net profit attributable to Sistema** was RUB 3.4 billion.

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

"Sistema's results for 3Q 2019 reflect the successful growth and operational efficiency of the Corporation's portfolio companies, as well our success in deleveraging and capitalising on new attractive investment opportunities at the Corporate Centre level. Dynamic growth at MTS, Detsky Mir, Medsi, Steppe and other key assets drove Sistema's revenue growth of 7% year-on-year in 3Q 2019.

"MTS posted high growth rates driven by revenue from mobile services as well as an increasing contribution from MTS Bank. Detsky Mir continued to strengthen its market leadership, and substantially grew like-for-like sales compared with 1Q and 2Q 2019. The company consistently demonstrates high levels of profitability while realising a significant increase in dividend payments.

"Steppe achieved double-digit growth rates and delivered record quarterly revenue of more than RUB 10 billion. Medsi also delivered double-digit revenue growth due to continued growth across all segments - Voluntary Health Insurance, Mandatory Health Insurance and individuals.

"Segezha Group's results were impacted by challenging global markets for pulp-and-paper products. The company is implementing measures to increase operational efficiency and optimise costs.

"Rapid growth of our assets and the successful monetisation of Leader Invest supported a notable reduction in the Corporation's leverage. In 3Q 2019, net financial liabilities at the Corporate Centre declined by 7% year-on-year as we continued to optimise the structure and repayment schedule of our debt portfolio.

"We are also continuing to invest in attractive projects on the Russian and global markets through our funds platform. Since the start of 3Q 2019 the Corporation's venture funds have participated in funding rounds for Geosplit, a developer of marker diagnostics for the oil and gas industry, as well as SenSat, a company using AI to create digital models of real-world locations.

"In line with our strategy, we are continuing to work on effective monetisations of the Corporation's investments. In November we successfully completed a public offering of shares in Detsky Mir, raising RUB 12.5 billion. We launched this offering with an aim to enhance liquidity of Detsky Mir shares by increasing free float. The offering attracted strong interest both in Russia and globally from investors drawn by Detsky Mir's outstanding financial and operational profile. As Sistema will remain a significant shareholder, we affirm our commitment to Detsky Mir's strategic development and leadership team. We intend to use the proceeds from the transaction for further deleveraging and for new investments."

Conference call information

Sistema's management will host a conference call today at 9:00 am (New York time) / 2:00 pm (London time) / 3:00 pm (CET) / 5:00 pm (Moscow time) to present and discuss the 3Q 2019 results.

To participate in the conference call, please dial:

Russia
+7 495 646 9190
8 10 8002 8675011 (toll-free)

UK
+44 330 336 9411
0800 279 7204 (toll-free)

US
+1 929 477 0402
888 254 3590 (toll-free)

Conference ID: 2961229

Link to webcast: <https://webcasts.eqs.com/sistema20191127>

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

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

Investor Relations Public Relations

FINANCIAL SUMMARY AND GROUP OPERATING REVIEW

(RUB million)	3Q 2019	3Q 2018	Change	9M 2019	9M 2018	Change
Revenue	213,964	200,806	6.6%	593,608	545,980	8.7%
Adj. OIBDA	75,393	72,236	4.4%	202,934	196,834	3.1%
Operating profit	36,271	37,250	(2.6%)	94,573	95,561	(1.0%)
Net (loss)/profit attributable to Sistema	(2,266)	(27,174)	-	20,915	(30,093)	-
Adj. profit attributable to Sistema	3,363	2,235	50.4%	26,541	1,225	2,067.4%

Sistema's consolidated revenue grew by 6.6% year-on-year in 3Q 2019, driven by higher revenue at key assets: at MTS due to continued growth in mobile services revenue in Russia and Ukraine, as well as revenue growth at MTS Bank; at Detsky Mir primarily due to the increased pace of like-for-like sales growth in Russia and Kazakhstan, as well as the ramp-up to full capacity of stores opened in 2017 and 2018; at Steppes due to increased sales in the Field Crop and Orchards segments, increased production volumes and higher sales prices of milk in the Dairy segment, and also intensive growth of the Sugar and Grocery Products Trading segment; and at Medsi due to significant growth of revenue across all channels.

Adjusted OIBDA for 3Q 2019 increased by 4.4% year-on-year, driven by OIBDA growth at MTS due to strong results in all geographical segments; at Detsky Mir due to strong revenue growth and increased operational efficiency; and at Medsi following revenue growth, and also due to the effect of participation in a joint venture development project with Capital Group. Group OIBDA was also affected by a net loss at Ozon, accounted for using the equity method (investment in associates), of RUB 1.8 billion.

Group sales, general and administrative costs (SG&A) increased by 10.1% year-on-year in 3Q 2019 to RUB 38.2 billion, primarily as a result of growth of expenses at MTS, Detsky Mir and the Corporate Centre. The SG&A/revenue ratio increased from 17.3% to 17.9% year-on-year, impacted primarily by the increase in expenses at the Corporate Centre due to asset monetisations.

Group capex decreased by 9.7% year-on-year to RUB 29.2 billion.

OVERVIEW OF PORTFOLIO COMPANIES⁽¹⁾

MTS

Leading telecommunications operator and digital services provider in Russia

(RUB million)	3Q 2019	3Q 2018	Change	9M 2019	9M 2018	Change
Revenue	133,883	127,957	4.6%	377,056	350,228	7.7%
OIBDA	63,562	58,396	8.8%	176,308	163,863	7.6%
OIBDA margin	47.5%	45.6%	1.8 p.p.	46.8%	46.8%	0.0 p.p.
Operating profit	36,632	31,941	14.7%	95,986	85,800	11.9%
Adj. profit attributable to Sistema	9,197	9,368	(1.8%)	22,626	24,220	(6.6%)

MTS's revenue increased by 4.6% year-on-year in 3Q 2019, primarily due to continued growth of mobile service revenue in Russia and Ukraine, as well as higher revenue at MTS Bank and from systems integration services.

OIBDA increased by 8.8% year-on-year in 3Q 2019 due to strong MTS Group results across all geographies, with the largest contribution coming from businesses in Russia and Ukraine. The OIBDA margin improved by 1.8 p.p. year-on-year due to positive dynamics in mobile service revenue and reduction in the share of revenue from retail sales.

Adjusted net profit declined slightly in 3Q 2019 (-1.8%) primarily due to increased interest payments.

OUTLOOK FOR FY 2019

MTS forecasts revenue growth of 6-7% and OIBDA growth of 4-5%

DIVIDENDS

Under its dividend policy for 2019-2021, MTS aims to pay no less than RUB 28.0 per ordinary share per calendar year. Payments will be made on a semi-annual basis. In November 2019, MTS completed payment of dividends for the first half of 2019 of RUB 8.68 per share (RUB 17.36 per ADR).

KEY EVENTS AFTER THE END OF THE REPORTING PERIOD

In October 2019 MTS's Board of Directors approved a new MTS Group strategy titled "CLV 2.0" for 2020-2022. The primary focus of the new strategy is the creation of an ecosystem of digital services around MTS clients, as well as maintaining a leading position in the Russian telecommunications market.

In November 2019 MTS, along with Sberbank, Gazprom Neft, Yandex, Mail.ru Group and the Russian Direct Investment Fund, entered into a partnership agreement with the aim of creating an alliance in the field of artificial intelligence.

In November 2019 MTS signed a binding agreement to sell its telecommunications operations in Ukraine. On 23 November 2019 the MTS Board of Directors recommended to the Extraordinary General Meeting of shareholders to be held on 30 December 2019 to approve a special dividend in the amount of RUB 13.25 per ordinary share (RUB 26.50 per ADR) for a total of RUB 26.5 billion based on the Company's performance in the first nine months of 2019 and taking into consideration the planned sale of the telecommunications operations in Ukraine.

Detsky Mir

Largest children's goods retailer in Russia

(RUB million)	3Q 2019	3Q 2018	Change	9M 2019	9M 2018	Change
Revenue	33,950	28,449	19.3%	89,850	76,566	17.3%
Adj. OIBDA	6,349	5,810	9.3%	16,267	14,293	13.8%
Adj. OIBDA margin	18.7%	20.4%	(1.7 p.p.)	18.1%	18.7%	(0.6 p.p.)
Operating income	3,686	3,531	4.4%	8,406	7,024	19.7%
Adj. profit attributable to Sistema	1,164	1,286	(9.5%)	2,306	1,946	18.5%

Detsky Mir's revenue grew by 19.3% year-on-year in 3Q 2019. This was mainly driven by stronger growth in like-for-like sales in Russia and Kazakhstan, as well as by the ramp-up of stores opened in 2017-2018 to full operating capacity. Revenue from online sales⁽¹⁾ rose by 64.5% year-on-year and accounted for 10.4% in total revenue in Russia for the period.

Adjusted OIBDA increased by 9.3% year-on-year in 3Q 2019 due to robust revenue performance and a focus on increasing operational efficiency. The adjusted OIBDA margin declined slightly to 18.7% in 3Q 2019. The company continued to focus on pricing with the goal of increasing customer traffic and accelerating market consolidation.

Adjusted profit attributable to Sistema decreased by 9.5% year-on-year to RUB 1.2 billion.

22 new Detsky Mir stores were opened in 3Q 2019. As of 30 September 2019, the total number of stores⁽¹⁾ stood at 780. Detsky Mir plans to open no fewer than 100 stores in 2019, an increase over previously announced plans to open 90 new stores.

Net debt grew 25.1% year-on-year to RUB 20.2 billion due to capex related to the construction of the Bekasovo-2 warehouse and opening of the flagship store in Moscow.

KEY EVENTS AFTER THE REPORTING PERIOD

Detsky Mir has continued to develop its online sales. In October 2019, the company launched overnight delivery of online orders from its retail stores in Russia's 30 largest cities and towns for RUB 99. As part of its efforts to expand the offering of its online store from 50,000 SKUs to 250,000 SKUs in the medium term, Detsky Mir plans to launch a pilot version of its marketplace in the Clothes and Shoes category in 2020.

In November 2019, the Board of Directors recommended that an Extraordinary Annual General Meeting to be held on 6 December 2019 approve an interim dividend for 9M 2019 of RUB 3.7 billion, or RUB 5.06 per ordinary share.

In November 2019 Sistema, together with the Russia-China Investment Fund ("RCIF") completed public offering of 175 million Detsky Mir shares for RUB 15.9 billion (RUB 91 per share). As a result of the transaction Sistema and RCIF ownership stakes in Detsky Mir amount to 33.4% and 9.0% respectively.

Segezha Group

Leading Russian vertically integrated forestry holding

(RUB million)	3Q 2019	3Q 2018	Change	9M 2019	9M 2018	Change
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Revenue	13,745	16,657	(17.5%)	43,738	42,017	4.1%
Adj. OIBDA	2,469	4,281	(42.3%)	10,221	9,069	12.7%
Adj. OIBDA margin	18.0%	25.7%	(7.7 p.p.)	23.4%	21.6%	1.8 p.p.
Operating income	998	2,878	(65.3%)	6,126	5,402	13.4%
Adj. net profit/(loss) attributable to Sistema	247	510	(51.6%)	4,302	(786)	-

Segezha Group's revenue decreased by 17.5% year-on-year in 3Q 2019, due to a decline in prices and sales volumes amid negative market conditions. At the same time, despite a significant decline in plywood prices, revenue from plywood sales grew year-on-year due to an increase in production following the commissioning of new production capacity in the Kirov region in July 2018, as well as higher share of high-margin products in the sales mix.

Adjusted OIBDA decreased year-on-year in 3Q 2019 on the back of lower revenue and due to the rescheduling to 3Q 2019 of an equipment overhaul at Segezha Pulp & Paper Mill. The decline in OIBDA was partly offset by efforts to reduce costs and increase operational efficiency, including a reduction in costs of goods sold and optimisation of SG&A.

Adjusted net profit amounted to RUB 0.2 billion in 3Q 2019 vs. adjusted net profit of RUB 0.5 billion in 3Q 2018. This decrease was due to the decrease in operating profit.

Paper output totalled 88,300⁽⁶⁾ tonnes in 3Q 2019, down 10.9% year-on-year. This decrease was due to the rescheduling of an annual maintenance shutdown to 3Q 2019, while in 2018 the repairs were carried out in 2Q. In 3Q 2019, Segezha's sack paper sales decreased by 14.4% year-on-year to 51,000 tonnes due to lower production volumes.

Paper sack sales totalled 342 million in 3Q 2019. Production volumes in the reporting quarter were in line with volumes in the same period a year earlier. In Russia and Europe, Segezha managed to increase average sales price for its products, which was partly offset by strengthening of ruble against the euro.

Birch plywood sales volumes increased by 59.9% year-on-year to 48,300 cu m in 3Q 2019. Output growth was driven by the launch of the new plywood production facility in the Kirov region in July 2018. Segezha expanded its footprint in high-margin markets of Europe and the Americas, as well as continued to increase the share of industrial end clients.

Sawn timber output amounted to 277,700 cu m in 3Q 2019, which was in line with 3Q 2018. A significant volume of unsold sawn timber will be sold in 4Q 2019.

Segezha Group plans to commission a new Windmoller & Hoelscher paper sack production line in Salsk, Rostov region, with capacity of 80 mln paper sacks per year in 4Q 2019. The company also plans to complete the assembly of the third press granulator at its pellet production in Lesosibirsk which should allow it to increase the pellet production volume from 70,000 to 100,000. By the end of 2019, Segezha Group plans to start on the construction of a new plywood plant in Kalich, Kostroma region, with the first stage expected to be completed at the end of 2021. With the commissioning of the new plant, Segezha Group expects to increase production of birch plywood to 300,000-320,000 cu m per year. Investment in the project is estimated at RUB 10 billion.

Agroholding Steppe

Major agriculture holding and one of Russia's largest land owners⁽⁷⁾

(RUB million)	3Q 2019	3Q 2018	Change	9M 2019	9M 2018	Change
Revenue	10,409	8,241	26.3%	21,390	14,550	47.0%
OIBDA	1,272	1,940	(34.4%)	3,706	4,730	(21.6%)
OIBDA margin	12.2%	23.5%	(11.3 p.p.)	17.3%	32.5%	(15.2 p.p.)
Operating profit	693	1,554	(55.4%)	2,435	3,672	(33.7%)
Net (loss)/profit attributable to Sistema	(42)	716	-	720	2,132	(66.3%)

In 2019, Agroholding Steppe significantly increased its gross crop yield and benefited from high quality grains, as well as record high gross apple yield.

Revenue at Agroholding Steppe rose 26.3% year-on-year to RUB 10.4 billion in 3Q 2019 due to sales growth in the Field Crop and Orchards segments, growth in milk sales volumes and prices in the Dairy segment, as well as rapid development of the Sugar and Grocery Product Trading segment. Year-on-year revenue dynamics was impacted by lower global grain prices with improvement in prices expected in 4Q 2019.

OIBDA decreased year-on-year due to impact of the lower global grain prices as well as the revaluation of biological assets, which was partly offset by improved performance of key business segments.

Steppe reported a minor net loss of RUB 42 million in 3Q 2019.

Capex grew by 22.9% year-on-year in 3Q 2019 and amounted to RUB 0.5 billion. Key areas of investment were the construction of new dairy farms, gradual buyout of land shares and increasing the proportion of owned land in Steppe's overall landbank, as well as upgrades to Steppe's fleet of farm machinery.

Net debt grew year-on-year in 3Q 2019 due to inventory build-up in the Agrotading and Sugar and Grocery Product Trading segments, as well as due to capital expenditure in 2019.

Harvests of key crops grew by 11% year-on-year in 9M 2019. Despite challenging agroclimatic conditions, Steppe managed to achieve high quality of grains and to increase yields of high-margin crops.

Export volumes in the Agrotading segment grew by 5.5% year-on-year in 9M 2019 to 717,000 tonnes, which enabled Steppe to become Russia's eighth largest grain exporter as of the beginning of 2019/2020 grain season in 3Q 2019.

The Dairy segment reported continued growth across operational metrics: gross milk yield in 3Q 2019 amounted to 14,000 tonnes, an increase of 17.7% year-on-year, while productivity per cow rose 5.3% year-on-year and the herd consisted of over 5,500 cows at the end of the reporting period.

The Orchards segment delivered a record yield - 22,000 tonnes up 60% year-on-year. Apple quality was also at high levels.

Sales volumes in the Sugar and Grocery Products Trading segment experienced significant growth of 79% year-on-year in 9M 2019 to 227,000 tonnes.

Medsi

Leading private healthcare operator in Russia

(RUB million)	3Q 2019	3Q 2018	Change	9M 2019	9M 2018	Change
Revenue	5,382	4,554	18.2%	16,084	12,176	32.1%
Adj. OIBDA ⁸	1,516	837	81.1%	4,036	1,872	115.6%
Adj. OIBDA margin ⁸	28.2%	18.4%	9.8 p.p.	25.1%	15.4%	9.7 p.p.
Operating profit/(loss)	766	131	483.4%	1,849	(143)	-
Adj. net profit attributable to Sistema ⁸	780	208	275.5%	1,918	63	2,937.6%

Medsi's revenue increased by 18.2% year-on-year in 3Q 2019 to RUB 5.4 billion due to a significant increase in revenue from all channels - a 26% year-on-year increase in revenue from the Voluntary Health Insurance segment (VHI) to RUB 2.1 billion, 20% year-on-year increase in revenue from individual patients to RUB 1.5 billion, and a 12% year-on-year increase in revenue from the Mandatory Health Insurance segment (MHI) to RUB 1.5 billion.

Adjusted OIBDA⁽⁸⁾ increased by 81.1% year-on-year in 3Q 2019 to RUB 1.5 billion due to growth in revenue, as well as a result of participation in a joint venture with Capital Group, the Michurinsky Project LLC, which is constructing the Nebo business class residential project on Michurinsky Prospekt, with a positive effect of RUB 0.5 billion in 3Q 2019 and RUB 1.0 billion in 9M 2019 year-on-year. The adjusted OIBDA margin grew by 9.8 p.p. year-on-year to 28.2% in 3Q 2019 thanks to growth in capacity utilisation, an increase in efficiency per sq m and growth of treatment volumes at previously opened clinics as well as the effect from participation in the Michurinsky Project joint venture.

Adjusted net profit grew by 275.5% year-on-year in 3Q 2019 to RUB 780 million mainly to the growth in OIBDA.

Revenue in 3Q 2019 at the Clinical-Diagnostic Centre (CDC) on Belorusskaya was RUB 638 million, OIBDA totalled RUB 254 million and the OIBDA margin came in at 40%. Revenue at the CDC on Krasnaya Presnya was RUB 597 million, OIBDA totalled RUB 182 million and the OIBDA margin came in at 30%.

The significant growth in capacity utilisation of in-patient treatment facilities - up 10.0 p.p. year-on-year - is a result of increased treatment volumes across all channels, with MHI acting as the main driver.

The company is continuing construction of a new Multifunctional Centre on Michurinsky Prospekt with more than 34,000 sq m of space, with a planned opening in 2020. The facility will house 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. Additionally, Medsi is expanding its network of out-patient clinics in five districts outside central Moscow.

Business Nedvizhimost and its subsidiary Mosdachtrest

Rental assets with a unique pool of properties

(RUB million)	3Q 2019	3Q 2018	Change	9M 2019	9M 2018	Change
Revenue	2,368	1,328	78.3%	4,845	3,336	45.2%
OIBDA	1,712	450	280.1%	3,448	1,300	165.2%
OIBDA margin	72.3%	33.9%	38.4 p.p.	71.2%	39.0%	32.2 p.p.

Operating income	1,596	385	315.1%	3,113	1,097	183.8%
Net profit attributable to Sistema	1,165	191	510.9%	2,224	560	297.3%

In 3Q 2019 revenue from Sistema's rental assets rose by 78.3% to RUB 2.4 billion, driven by a year-on-year increase in commercial real estate sales and growth in the rental portfolio following Business Nedvizhimost's acquisition of 54 telephone exchanges from PJSC MGT'S in February 2019. The Company sold 22.68 thousand sq m in 3Q 2019, up from 18.7 thousand sq m in 3Q 2018. Sale of land plots declined from 134 thousand sq m in 3Q 2018 to 106 thousand sq m in 3Q 2019. Revenue growth as a result of the expansion of the portfolio of rental assets amounted to RUB 339 million in 3Q 2019.

OIBDA and the OIBDA margin in 3Q 2019 grew by 280.1% and 38.4 p.p. year-on-year, respectively, as a result of higher revenue and a higher share of higher-margin commercial real estate sales.

Net profit in 3Q 2019 grew by 510.9% year-on-year to RUB 1.2 billion, primarily due to OIBDA growth.

Yuriy Yakovchik was appointed as the General Director of Business Nedvizhimost. Mr. Yakovchik has years of experience in management positions in real estate development and retail.

RTI

Leading developer of high-tech solutions⁽⁹⁾

(RUB million)	3Q 2019	3Q 2018	Change	9M 2019	9M 2018	Change
Revenue	5,431	4,976	9.1%	13,896	14,191	(2.1%)
Adj. OIBDA	1,317	530	148.5%	1,564	1,419	10.2%
Adj. OIBDA margin	24.3%	10.7%	13.6 p.p.	11.3%	10.0%	1.2 p.p.
Operating loss	(1,388)	(382)	-	(2,971)	(990)	-
Adj. net profit/(loss) attributable to Sistema	193	(704)	-	1,714	(2,419)	-

In 3Q 2019 RTI's revenue grew by 9.1% year-on-year to RUB 5.4 billion due to higher work volumes carried out under long-term government contracts. Revenue flow was also impacted by the uneven distribution of revenue throughout the year, as the majority of volumes are concentrated in the last quarter of the year.

Adjusted OIBDA in 3Q 2019 rose by 148.5% year-on-year to RUB 1.3 billion primarily as a result of increased work volumes performed by RTI Group companies, which in turn supported a higher OIBDA margin of 24.3%.

Adjusted net profit in 3Q 2019 compared to adjusted net loss in the same period of the previous year was due to higher OIBDA margins and lower interest expense as a result of transferring part of RTI Group's debt together with microelectronics assets to Element LLC.

Net debt decreased in 3Q 2019 y-o-y in connection with a portion of RTI Group's debt being transferred together with microelectronics assets to Element LLC, but also due to RUB 1 billion in payments that were made on outstanding debt. At the same time, funds totalling RUB 6.9 billion earmarked for work under state contracts are held on RTI's accounts but not factored into net debt calculations.

Bashkirian Power Grid Company (BPGC)

One of Russia's biggest power grid companies

(RUB million)	3Q 2019	3Q 2018	Change	9M 2019	9M 2018	Change
Revenue	4,976	4,497	10.7%	14,898	13,801	8.0%
OIBDA	1,742	1,188	46.6%	4,502	4,183	7.6%
OIBDA margin	35.0%	26.4%	8.6 p.p.	30.2%	30.3%	(0.1 p.p.)
Operating income	1,077	560	92.4%	2,526	2,312	9.2%
Net profit attributable to Sistema	883	403	119.2%	1,972	1,803	9.4%

In 3Q 2019 revenue at BPGC rose by 10.7% year-on-year to RUB 5.0 billion as a result of higher electricity transmission tariffs and an increase in revenue for deployment of communications equipment on electricity pylons by third-parties as well as provision of engineering services.

The 46.6% year-on-year growth in OIBDA to RUB 1.7 billion in 3Q 2019 was due to revenue dynamics that were impacted by the net result of provision creation and write-back related to contractual disputes. The OIBDA margin increased by 35.0% 3Q 2019 as a result of growth of other operating income due to a positive change in provisions.

Net profit in 3Q 2019 increased by 119.2% to RUB 883 million due to OIBDA growth.

In the nine months of 2019 BPGC achieved significant progress in implementing its program on the Comprehensive Modernisation of the City of Ufa Distribution Grid: 33 distribution substations, seven transformer substations and five substations were reconstructed and 3.77 kilometres of cable lines were laid. As of the end of 2019 the programme is forecast to be 91% complete.

In 2019 BPGC is implementing the following additional large projects: Construction of the overhead transmission 110kW Uzyan-Baynazarovo in the Beloretsky region, construction of the Romanovka substation with a 2X40 MVA transformer in the city of Ufa, construction of a double-circuit branch line off of the 110 kW Ufa- Yuzhnaya-Naberezhnaya transmission line to the Kustarevskaya substation in the city of Ufa, reconstruction of the Akberdino substation and power transmission for shoreland stabilization engineering works on the banks of the Belaya river in the city of Ufa.

Cosmos Group

One of Russia's leading hotel management companies

(RUB million)	3Q 2019	3Q 2018	Change	9M 2019	9M 2018	Change
Revenue	1,522	1,631	(6.7%)	3,798	4,097	(7.3%)
OIBDA	603	668	(9.7%)	1,063	1,304	(18.5%)
OIBDA margin	39.6%	41.0%	(1.4) p.p.	28.0%	31.8%	(3.8) p.p.
Operating profit	427	473	(39.0%)	524	735	(28.6%)
Net profit/(loss) attributable to Sistema	187	306	(39.0%)	(161)	16	-

The year-on-year decline in revenue and consequent decline in OIBDA and net profit in 3Q 2019 were the result of a high base effect on the back of the World Cup being held in Russia in 2018. The share of revenue accounted for by hotels outside Russia declined from 30.7% to 28.8%.

Average Daily Rate (ADR) across the hotel portfolio in 3Q 2019 declined to RUB 4,400 versus RUB 4,600 a year earlier.

Average occupancy in 3Q 2019 grew by 3.2 p.p. year-on-year to 75.4%. Cosmos was the fastest-growing property, with occupancy up 5.0 p.p. year-on-year to 84.0%.

KEY EVENTS AFTER THE END OF THE REPORTING PERIOD

In October 2019 the modernisation and design refurbishment of the Cosmos hotel complex commenced. Completion of this work is planned by 2023.

CORPORATE

(RUB million)	3Q 2019	3Q 2018	Change	9M 2019	9M 2018	Change
OIBDA	(4,134)	(820)	-	(8,393)	(4,031)	-
Net loss	(8,515)	(8 096)	-	(17,718)	(22,180)	-
Corporate Centre's financial liabilities ⁽¹⁰⁾	203,837	228,094	(10.6%)	203,837	228,094	(10.6%)

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

In 3Q 2019 SG&A at the Corporate Centre increased year-on-year from RUB 1.0 billion to RUB 3.5 billion, due primarily to growth in expenses related to asset monetisations. This factor also contributed to an increase in the SG&A/Consolidated Revenue ratio from 0.5% in 3Q 2018 to 1.7% in 3Q 2019.

The Corporate Centre's financial liabilities stood at RUB 203.8 billion as of 30 September 2019.

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

Investor Relations	Public Relations
Nikolai Minashin	Sergey Kopytov
Tel: +7 (495) 730 66 00	Tel.: +7 (495) 228 15 32
n.minashin@sistema.ru	kopytov@sistema.ru

Sistema PJSC is a publicly traded diversified Russian holding company serving over 150 million customers in the sectors of telecommunications, high technology, financial services, retail, paper and packaging, agriculture, real estate, tourism and medical services. The company was founded in 1993. Revenue in 2018 was RUB 773.9 bn; total assets equalled RUB 1.5 trn as of 31 December 2018. 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, as well as many other risks specifically related to Sistema and its operations.

SISTEMA PJSC AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (Amounts in millions of Russian roubles, except for per share amounts)

	Nine months ended September 30,		Three months ended September 30,	
	2019	2018	2019	2018
Revenue	593 608	545 980	213 964	200 806
Cost of sales	(284 572)	(250 140)	(102 888)	(94 595)
Selling, general and administrative expenses	(107 218)	(99 351)	(38 249)	(34 751)
Depreciation and amortisation ¹	(101 599)	(97 332)	(34 412)	(33 205)
Impairment of long-lived assets	(2 430)	(903)	(2 284)	(523)
Impairment of financial assets	(3 723)	(3 161)	(2 110)	(789)
Taxes other than income tax	(3 729)	(4 617)	(1 314)	(1 599)
Share of the profit or loss of associates and joint ventures	(1 346)	2 318	(780)	566
Other income	9 254	6 492	4 993	2 332
Other expenses	(3 671)	(3 726)	(647)	(992)
OPERATING INCOME	94 573	95 561	36 271	37 250
Finance income	5 561	5 403	1 532	1 781
Finance costs ²	(71 230)	(47 254)	(21 744)	(14 983)
Currency exchange gain/(loss)	9 133	(12 752)	425	(5 493)
PROFIT BEFORE TAX	38 037	40 957	16 485	18 555
Income tax expense	(17 970)	(16 358)	(9 040)	(7 151)
PROFIT/LOSS FROM CONTINUING OPERATIONS	20 067	24 599	7 445	11 403
Results of discontinued operations	27 213	(55 902)	18	(55 503)
PROFIT/ (LOSS) FOR THE PERIOD	47 280	(31 302)	7 463	(44 100)
Attributable to:				
Shareholders of Sistema JSFC	20 915	(30 093)	(2 266)	(27 174)
Non-controlling interests	26 366	(1 210)	9 728	(16 926)
	47 280	(31 302)	7 463	(44 100)
Earnings per share (basic and diluted), Russian Rubles:				
From continuing operations	(0,43)	(0,21)	(0,24)	0,05

From continuing and discontinued operations 2,20 (3,18) (0,24) (2,87)

Including RUB 21,753 mln of lease rights amortization for 9 months 2019 out of which RUB 21,078 mln relate to lease that would have been classified as operating under previous standards
² Including RUB 14,171 mln of lease interest expense for 9 months 2019 out of which RUB 13,008 mln relate to lease that would have been classified as operating under previous standards

SISTEMA PJSC AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2019 AND DECEMBER 31, 2018

(Amounts in millions of Russian roubles)

	September 30, 2019	December 31, 2018
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	426 771	422 321
Investment property	18 883	23 310
Goodwill	58 670	59 488
Other intangible assets	109 610	112 125
Right-of-use asset	192 362	194 247
Investments in associates and joint ventures	53 552	34 507
Deferred tax assets	35 851	32 648
Loans receivable and other financial assets	118 035	95 557
Deposits in banks	113	186
Other assets	17 457	15 618
Total non-current assets	1 031 304	990 007
CURRENT ASSETS		
Inventories	85 586	97 131
Contract asset	4 904	7 297
Accounts receivable	63 919	63 517
Advances paid and prepaid expenses	14 559	16 984
Current income tax assets	3 606	4 195
Other taxes receivable	20 920	18 641
Loans receivable and other financial assets	84 893	106 329
Deposits in banks	3 134	15 506
Restricted cash	6 946	8 614
Cash and cash equivalents	75 260	114 183
Other assets	2 251	3 090
	365 978	455 487
Assets of disposed segment	-	19 911
Total current assets	365 978	475 398
TOTAL ASSETS	1 397 282	1 465 405

SISTEMA PJSC AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2019 AND DECEMBER 31, 2018 (CONTINUED)

(Amounts in millions of Russian roubles)

	September 30, 2019	December 31, 2018
LIABILITIES AND EQUITY		
SHAREHOLDERS EQUITY:		
Share capital	869	869
Treasury shares	(4 646)	(4 759)
Additional paid-in capital	75 550	73 375
Retained earnings	(43 721)	(63 572)
Accumulated other comprehensive (loss)/income	4 873	11 204
Equity attributable to shareholders of Sistema JSFC	32 925	17 117
Non-controlling interests	30 773	45 911
TOTAL EQUITY	63 698	63 028
NON-CURRENT LIABILITIES:		
Borrowings	522 729	592 442
Lease liabilities	181 389	183 161
Bank deposits and liabilities	4 011	3 414
Deferred tax liabilities	37 779	40 161
Provisions	6 305	4 368
Liability to Rosimushchestvo	3 754	8 097
Other financial liabilities	1 585	1 473
Other liabilities	8 475	6 546
Total non-current liabilities	766 027	839 662
CURRENT LIABILITIES:		
Borrowings	159 214	105 893
Lease liabilities	26 108	24 206
Accounts payable	113 060	126 917
Bank deposits and liabilities	160 322	129 872
Income tax payable	2 137	2 775

Other taxes payable	20 683	20 409
Dividends payable	12 109	4 415
Provisions	11 752	73 244
Liability to Rosimushchestvo	7 585	8 113
Contract liabilities and other liabilities	51 186	50 141
Other financial liabilities	3 401	9 904
	<u>567 557</u>	<u>555 889</u>
Liabilities of disposed segment	-	6 826
Total current liabilities	<u>567 557</u>	<u>562 715</u>
TOTAL LIABILITIES	<u>1 333 584</u>	<u>1 402 377</u>
TOTAL LIABILITIES AND EQUITY	<u>1 397 282</u>	<u>1 465 405</u>

SISTEMA PJSFC AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(Amounts in millions of Russian roubles)

	Nine months ended September 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Loss)/profit for the period	47 280	(31 302)
Adjustments to reconcile net income / (loss) to net cash provided by operations (including discontinued operations):		
Depreciation and amortization	101 599	99 356
Share of the profit or loss of associates and joint ventures, net	1 346	(2 343)
Loss/(gain) on disposal of shares in affiliates	(828)	-
Finance income	(5 561)	(5 503)
Finance costs	71 230	49 501
Income tax expense	17 970	16 215
Currency exchange loss/(gain)	(12 577)	12 637
(Gain)/loss from discontinued operations	(23 770)	56 140
(Profit)/loss on disposal of property, plant and equipment	(2 618)	(2 392)
Impairment loss on loans receivable	2 645	2 162
Dividends received from associates and joint ventures	3 075	2 522
Non-cash compensation to employees	1 458	559
Impairment of long-lived assets	2 430	903
Impairment of financial assets	3 723	3 227
Other non-cash items	1 768	984
	<u>209 170</u>	<u>202 666</u>
Movements in working capital:		
Bank loans to customers and interbank loans due from banks	(28 245)	3 719
Bank deposits and liabilities	33 789	11 284
Restricted cash	1 668	(3 143)
Financial assets/liabilities at fair value through profit or loss	6 160	1 617
Accounts receivable and contract assets	(8 727)	(3 791)
Advances paid and prepaid expenses	284	(2 397)
Other taxes receivable	(2 991)	(4 433)
Inventories	(1 718)	(29 676)
Accounts payable	(10 069)	(4 605)
Subscriber prepayments	1 547	721
Other taxes payable	1 625	2 045
Advances received and other liabilities	4 046	6 420
Payment in accordance with the Settlement agreement		(80 000)
Payment of fines and penalties related to SEC investigation into former operations in Uzbekistan	(55 607)	
Interest paid ³	(61 129)	(50 076)
Income tax paid	(24 605)	(21 161)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>65 198</u>	<u>29 190</u>

³ Including RUB 14,245 mln of lease interest paid for 9 months 2019 out of which RUB 13,082 mln relate to lease that would have been classified as operating under previous standards

SISTEMA PJSFC AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (CONTINUED)
(Amounts in millions of Russian roubles)

	Nine months ended September 30,	
	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchases of property, plant and equipment and investment property	(60 973)	(64 118)
Payments for Data Center MTS	-	(7 559)
Proceeds from sale of subsidiaries net of cash disposed	10 786	-
Proceeds from sale of property, plant and equipment	5 481	4 312
Payments to obtain and fulfill contracts	(4 026)	(4 030)
Payments for purchases of intangible assets	(17 832)	(17 963)
Payments for businesses, net of cash acquired	(2 735)	(3 353)
Payments for investments in associates and joint ventures	(16 820)	(6 844)
Proceeds from disposal of investments in affiliated companies	15 253	-
Payments for purchases of financial assets, long-term	(14 709)	(15 037)

Proceeds from sale of financial assets, long-term	4 501	8 635
Payments for financial assets, short-term	(6 890)	(19 464)
Proceeds from sale of financial assets, short-term	32 221	42 016
Interest received	5 302	8 575
Other	714	(951)
NET CASH USED IN INVESTING ACTIVITIES	(49 727)	(75 781)

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from borrowings	231 406	344 420
Principal payments on borrowings	(226 702)	(165 430)
Lease liabilities payments ⁴	(17 248)	(15 325)
Acquisition of non-controlling interests in existing subsidiaries	(18 805)	(13 920)
Proceeds from sale of treasury stock	233	-
Proceeds from capital transactions with non-controlling interests	101	-
Dividends paid	(21 650)	(25 856)
Payments to purchase treasury stock	(317)	-
Debt issuance costs	(71)	(619)
Cash outflow under credit guarantee agreement related to foreign-currency hedge	-	(981)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	(53 053)	122 289
Effect of foreign currency translation on cash and cash equivalents	(1 342)	2 517
NET DECREASE / INCREASE IN CASH AND CASH EQUIVALENTS	(38 924)	78 215
Cash and cash equivalents at the beginning of the period	114 183	59 959
Cash and cash equivalents at the end of the period	75 260	138 174

⁴ Including RUB 16,659 mln of payments for 9 months 2019 under lease that would have been classified as operating in accordance with previous standards

Appendix A

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

Adjusted OIBDA, operating income and profit attributable to Sistema shareholders. The Company uses adjusted OIBDA, adjusted operating income and adjusted profit/(loss) attributable to Sistema shareholders to evaluate financial performance of the Group. These represent underlying financial measures adjusted for a number of one-off gains and losses. We believe that adjusted measures provide investors with additional useful information to measure our underlying financial performance, particularly from period to period, because these measures are exclusive of certain one-off gains and losses.

Adjusted operating income and adjusted OIBDA can be reconciled to our consolidated statements of profit and loss as follows:

<i>RUB millions</i>	<i>3Q 2019</i>	<i>3Q 2018</i>	<i>9M 2019</i>	<i>9M 2018</i>
Operating income	36,271	37,250	94,573	95,561
Accruals related to LTI program at portfolio companies	282	417	945	1,043
Provisions for litigation and amounts due under contracts with clients at RTI	2,282	466	3,288	1,077
Other non-recurring losses, net	2,147	898	2,529	1,821
Adjusted operating income	40,981	39,031	101,335	99,502
Depreciation and amortisation	34,412	33,205	101,599	97,332
Adjusted OIBDA	75,393	72,236	202,934	196,834

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

<i>RUB millions</i>	<i>3Q 2019</i>	<i>3Q 2018</i>	<i>9M 2019</i>	<i>9M 2018</i>
Net profit / (loss) attributable to Sistema	(2,266)	(27,174)	20,915	(30,093)
Accruals related to LTI program at portfolio companies	212	345	675	798
Provisions for litigation and amounts due under contracts with clients at RTI	1,985	405	2,861	937
Provision for liability with regards to the U.S. Department of Justice and the U.S. Securities and Exchange Commission investigation, including revaluation (MTS)	-	27,878	(1,722)	27,878
Other non-recurring losses, net	3,431	782	3,813	1,704
Adjusted net profit / (loss) attributable to Sistema	3,363	2,235	26,541	1,225

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>	<i>As of September 30, 2019</i>	<i>As of June 30, 2019</i>
Long-term borrowings	522,729	540,047
Short-term borrowings	159,214	162,662
Liability to Rosimushchestvo	11,261	14,703
Total borrowings	693,205	717,412
Consolidated finance lease ¹	18,419 ²	17,944 ³
Consolidated total debt	711,623	735,356
Cash and cash equivalents	(75,260)	(76,578)

Deposits in banks	(3,247)	(3,081)
Consolidated net debt	633,116	655,871

¹ In accordance with the standard IAS 17

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

³ Including RUB 1,363 million of short-term finance lease

^[1] Here and hereafter the results for 3Q 2019 and 9M2019 are presented to reflect the reclassification of Leader Invest and RII's microelectronics business as discontinued operations.

^[2] Here and hereafter see Appendix A for definitions and reconciliations of adjusted OIBDA, adjusted operating income, adjusted net profit attributable to Sistema, consolidated debt and consolidated net debt with IFRS financial data.

^[3] Here and hereinafter, 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.

^[4] This segment consists of online orders via www.detsky.ru, including with in-store pickup at Detsky Mir stores.

^[5] The number of Detsky Mir stores including ELC, ABC and Zoozavr.

^[6] 44% of paper produced was supplied to own converting facilities to produce paper packaging.

^[7] RZ Agro is accounted for as an investment in a joint venture in Agroholding Steppe's IFRS financial statements.

^[8] Adjusted OIBDA, the adjusted OIBDA margin and adjusted net profit are adjusted for accruals related to the LTI programme.

^[9] RII's financial results for 3Q 2019 and 9M2019 are presented to reflect reclassification of RII's microelectronics business as discontinued operations, and financial results for 3Q 2018 and 9M2018 have been revised to reflect the results of this reclassification. In February 2019, RII Microelectronics, an RII Group company, signed a legally binding agreement with State Corporation Rostec and JSC Roselectronica to create a combined microelectronics components company called Element LLC. In July 2019, Element LLC was created where the parties contributed their controlling stakes in 19 microelectronics component development, production and design companies.

^[10] Including liability to Rosimushchestvo and finance lease as defined in IAS 17

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