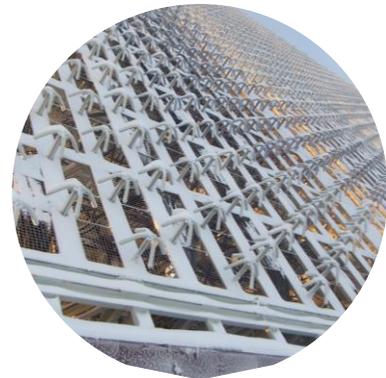




JOINT-STOCK FINANCIAL CORPORATION  
**SISTEMA**

IFRS financial results  
1Q 2019



# IFRS FINANCIAL RESULTS

1Q 2019



JOINT-STOCK FINANCIAL CORPORATION  
**SISTEMA**



Sistema's management will host a conference call today at 10:00 am (New York time) / 3:00 pm (London time) / 4:00 pm (CEST) / 5:00 pm (Moscow time) to present and discuss the 1Q 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  
866 575 6539 (toll-free)

**Conference ID: 7037035**

**Link to webcast:** <https://webcasts.egs.com/sistema20190604>

Or quote the conference call title: "Sistema First Quarter 2019 Financial Results".

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

**For further information, please visit [www.sistema.com](http://www.sistema.com) or contact:**

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**Moscow, Russia** – 4 June 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 first quarter ended 31 March 2019.

## SUCCESSFUL DELIVERY AGAINST STRATEGIC AND OPERATIONAL GOALS

- ✓ **Sustained revenue growth<sup>1</sup>** due to strong results from the majority of portfolio companies.
- ✓ At least double-digit **OIBDA growth** at MTS, Detsky Mir, Segezha Group, Agroholding Steppe, and Medsi driven by excellent operating results and financial discipline.
- ✓ **Increased operational scale in real estate development:** In February 2019, Sistema sold 51% of JSC Leader Invest to Etalon Group, while retaining a 49% stake in the company. Following this transaction, Sistema acquired 25% of Etalon Group for USD 226.6 million. The transactions create a top-three player in the Moscow and St Petersburg markets, bring together complementary development portfolios, and allow Leader Invest to leverage Etalon’s general contracting capacity and regional sales network to accelerate the construction and sales of its own projects, as well as generating significant synergies in construction and reducing administrative expenses.
- ✓ **Strengthened position in the fast-growing e-commerce market:** In February 2019, Sistema acquired 18.7% of Russia’s leading multi-category online retailer, Ozon Holdings, from MTS for RUB 7.9 billion. The Company has also acquired shares from a number of minority shareholders in Ozon. As a result, Sistema’s direct ownership in Ozon stands at 21.9%. In addition, venture fund Sistema\_VC holds a 16.3% stake in Ozon. The decision to increase the stake is based on Sistema’s strategic bet on growth prospects for e-commerce and market consolidation through investments in the market leader.
- ✓ **Increased and crystalized value of pharmaceuticals business:** In December 2018, Sistema acquired a stake in leading pharmaceutical company OBL Pharm for RUB 1.83 billion, as part of an investment consortium consisting of VTB and members of the OBL Pharm management team. The strategic aim of the transaction is to merge OBL Pharm with Sistema’s pharmaceutical holding, Binnopharm, and to build the combined company, operating under the Alium brand, into a top-five pharmaceutical producer in the commercial segment, the fastest-growing segment of the Russian pharma market. In April 2019 the Russian Direct Investment Fund (RDIF), the Russia-China Investment Fund (RDIF) and major Middle Eastern investors joined the project, and will invest more than RUB 4 billion to acquire a stake in OBL Pharm.
- ✓ **Debt portfolio optimisation via an active presence on the public bond market:** In February – April 2019, Sistema successfully returned to the local capital market. The Corporation repurchased series 001P-07 bonds in the amount of RUB 482.2 million out of the total of RUB 10 billion via a tender offer, and completed a secondary placement of the same amount, issued two RUB 10 billion series 001P-009 and series 001P-10 bonds. The placements generated significant investor interest in Sistema’s debt securities and demonstrated positive market perception of the Corporation’s investment case. Proceeds from these placements were used in May 2019 to redeem at maturity the Company’s USD 500 million Eurobond.
- ✓ **Dividend payments:** In March 2019, Sistema’s Board of Directors resolved to recommend that the Annual General Meeting of Shareholders approve dividends for the full year 2018 of RUB 1,061.5 million (which corresponds to RUB 0.11 per ordinary share or RUB 2.2 per GDR).

## 1Q 2019 FINANCIAL RESULTS

- ✓ **Consolidated revenue increased by 10.4%<sup>1</sup>** year-on-year to RUB 185.5 billion.
- ✓ **Adjusted OIBDA<sup>2</sup> increased by 4.5%** year-on-year to RUB 62.0 billion; the adjusted OIBDA margin was 33.4%.
- ✓ **Adjusted net profit attributable to Sistema<sup>3</sup>** was RUB 15.7 billion.

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

“Sistema continues to excel in our core competency: developing assets. Our portfolio companies go off to a strong start to the year, delivering excellent operational and financial results. Our portfolio companies continued to set the trend in their respective markets, expanded the range of products and services they offer customers, and increased their market shares.

“Leveraging its core user base and advantages of scale, MTS is expanding in attractive complementary digital industries – cloud services, e-sports and Internet of Things. Detsky Mir continues to open new stores in Kazakhstan and Belarus, transforming from a national to an international brand, while simultaneously strengthening its e-commerce presence in the rapidly developing Russian market. Segezha Group showcased historically strong efficiency by posting a record OIBDA margin, while growing sales. Agroholding Steppe continues to expand its business: revenue grew by triple digits primarily due to growth in the Agrotrading segment. Steppe is also continuing to build a port on the Azov Sea and two dairy farms in the Rostov and Krasnodar regions. Medsi extended its lead over

<sup>1</sup> Here and hereafter financial results of Sistema and its portfolio companies are presented in accordance with IFRS 9, 15 and 16. Sistema’s results and RTI’s results for 1Q 2019 and 1Q 2018 are presented to reflect reclassification of RTI’s microelectronics business as discontinued operations. In February 2019, RTI Microelectronics, an RTI Group company, signed a legally binding agreement with State Corporation Rostec and JSC Roselectronica to create a combined microelectronics components company. The parties agreed to combine under the new company controlling stakes in 19 microelectronics component development, production and design companies. Sistema’s results for 1Q 2019 and 1Q 2018 are presented to reflect reclassification of Leader Invest as discontinued operations. On 19 February 2019, Sistema divested 51% stake in Leader Invest to ETALON GROUP PLC.

<sup>2</sup> Here and hereinafter 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 performance.

<sup>3</sup> Impact of Leader Invest’s operations prior to the date of the deconsolidation of this business, net income from divestiture of 51% stake in Leader Invest and subsequent revaluation of investments in associates (49% stake in Leader Invest) amounted to RUB 17.1 billion.



its competitors in the private healthcare market, delivering high-quality growth in both the Mandatory and Voluntary Health Insurance segments, as well as the individual patients segment.

“As our portfolio companies continue to deliver strong results and generate stable cash flow for the Corporation, work is underway at the Corporate Centre to further crystallise the value of our businesses. In the first quarter we focused on three areas: real estate, pharmaceuticals and e-commerce.

“With the sale of a controlling stake in Leader Invest to Etalon Group and the subsequent acquisition of a stake in Etalon, we laid the groundwork for creation of a new residential real estate market leader in Moscow and St. Petersburg. Integration of the two businesses is underway and we expect to see benefits of synergies and scale in the near future. Another major project relates to our pharmaceuticals business. We acquired leading Russian pharmaceutical company OBL Pharm as part of a consortium of investors, and are currently working to merge it with our existing asset, Binnopharm, under the brand name Alium. In April, the RDIF, RCIF and major Middle Eastern sovereign wealth funds signed on as co-investors, confirming the strong investment case for this project.

“We also increased our stake in leading multi-category online retailer Ozon through the consolidation of a stake owned by MTS and acquisition of shares of several minority shareholders. Ozon is well placed to emerge a market-leader from the fragmented e-commerce sector as the market leader, which will enhance the value of Sistema's stake in the company. By increasing our stake, Sistema aims to focus more resources and energy toward this goal.”



**FINANCIAL SUMMARY AND GROUP OPERATING REVIEW**

(RUB million)	1Q 2019	1Q 2018	Change
Revenue	<b>185,544</b>	168,014	10.4%
Adj. OIBDA	<b>61,962</b>	59,269	4.5%
Operating profit	<b>27,885</b>	26,490	5.3%
Net profit/(loss) attributable to Sistema	<b>16,641</b>	(1,243)	-
Adj. net profit / (loss) attributable to Sistema	<b>15,713</b>	(215)	-

**1.15**  
**RUB/share**

BPGC's FY 2018 dividend

**19.98**  
**RUB/share**

MTS's FY 2018 dividend

**90.5%**

Increase in adj. OIBDA at Medsi

**27.4%**

OIBDA margin at Segezha

**412,000 ha**

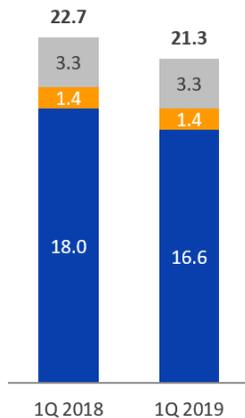
Agroholding Steppe's land bank

**147.7%**

Revenue growth at Steppe

**GROUP CAPEX,**

IFRS, RUB bln



■ MTS ■ Segezha ■ Others

In 1Q 2019, Sistema's **consolidated revenue increased by 10.4%** year-on-year as a result of increased revenue from key assets: MTS, thanks to strong results from the business in Russia and Ukraine; Detsky Mir, as a result of the ramp-up of stores opened in 2017-18, improved like-for-like sales in Russia and Kazakhstan and increased contributions from the e-commerce segment; Segezha Group, primarily as a result of strong sales in the paper and packaging segment; Agroholding Steppe, due to positive dynamics in the agrot trading business, launch of the sugar and grocery product marketing division, and stronger revenue from the Dairy and Vegetable divisions; Medsi, as a result of a nearly three-fold increase in in-patient volumes under the Mandatory Health Insurance programme, revenue growth in the Voluntary Health Insurance segment and increased revenues from individual patients.

**Group adjusted OIBDA increased by 4.5%** year-on-year in the first quarter, reflecting strong results at MTS, primarily due to continued growth in the mobile services segment; Detsky Mir as a result of strong revenue dynamics, optimisation of purchasing prices, efficient management of the product assortment and increased operational efficiency; Segezha Group, mainly as a result of increased efficiency of sales in the paper and packaging segment; Agroholding Steppe, due to growth of the agrot trading segment, sugar and grocery trading segment and increased output in the dairy division; Medsi, as capacity utilisation of key assets ramped up and revenue per square metre of medical facilities rose. The Group adjusted OIBDA margin was 33.4%.

**Group selling, general and administrative expenses (SG&A) increased by 7.8% year-on-year** in the first quarter to RUB 33.7 billion, driven by increased SG&A at MTS, Detsky Mir and Segezha Group as a result of continued business development. The SG&A/revenue ratio declined year-on-year from 18.6% to 18.2% due to sustained cost controls. SG&A at the Corporate Centre declined year-on-year by 15.5% to RUB 1.3 billion as a result of decreased compensation costs, reduced administrative expenses and headcount optimisation.

**Group capital expenditures decreased slightly** year-on-year to RUB 21.3 billion.



JOINT-STOCK FINANCIAL CORPORATION  
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# OPERATING REVIEW<sup>4</sup>

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<sup>4</sup> 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.



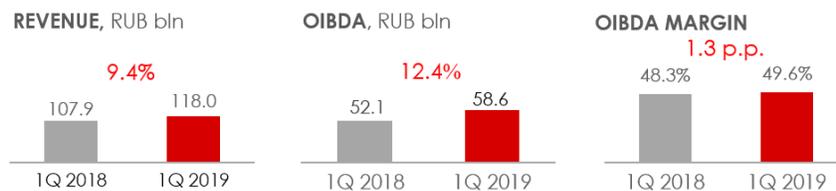
JOINT-STOCK FINANCIAL CORPORATION  
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**LEADING TELECOMMUNICATIONS OPERATOR AND DIGITAL SERVICES PROVIDER IN RUSSIA**

(RUB million)	1Q 2019	1Q 2018	Change
Revenue	<b>118,025</b>	107,926	9.4%
OIBDA	<b>58,558</b>	52,076	12.4%
OIBDA margin	<b>49.6%</b>	48.3%	1.3 p.p.
Operating income	<b>32,139</b>	26,754	20.1%
Adj. profit attributable to Sistema	<b>7,076</b>	7,711	(8.2%)



In 1Q 2019, **revenue at MTS rose by 9.4%** year-on-year due to the robust performance of MTS's Russian operations, which in turn was driven by positive trends in revenue from mobile services and an increase in retail smartphone sales. Outstanding performance of the company's Ukrainian operations due to continued increases in data usage, as well as the consolidation of MTS Bank, also contributed to the growth.

**OIBDA grew by 12.4%** in 1Q 2019 primarily due to continued growth of the mobile services segment. OIBDA was also affected by one-off gains from the sale of Ozon shares to Sistema PJSC<sup>5</sup> and the sale of MGTS real estate assets to JSC Business Nedvizhimost. The **OIBDA margin grew by 1.3 p.p. to 49.6%** in 1Q 2019.

In 1Q, adjusted net profit decreased by 8.2% year-on-year due mainly to a rise in interest costs.

As part of its digital strategy, MTS acquired cloud provider IT-Grad, allowing the company to expand its cloud business and increase the efficiency of its #CloudMTS provider.

MTS also expanded its gaming ecosystem with the launch of interactive media platform WASD.TV, which will serve as a base for various eSport services, from professional cybersport to multimedia content.

### OUTLOOK FOR 2019

MTS forecasts **revenue growth of slightly above 3%**.

MTS targets **keeping OIBDA at the same level as 2018**.

### SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Under the **new dividend policy for 2019-2021** MTS will seek to pay at least RUB 28.0 per ordinary share per calendar year, distributed in two semi-annual payments. In April 2019, the Board of Directors of MTS recommended that the Annual General Meeting of shareholders scheduled for 27 June 2019 approve **final dividends for FY 2018 in the amount of RUB 19.98 per share** (RUB 39.96 per ADR).

<sup>5</sup> In MTS's IFRS financial results, this is reflected below the operating income



**LARGEST CHILDREN'S GOODS RETAILER IN RUSSIA<sup>6</sup>**

(RUB million)	1Q 2019	1Q 2018	Change
Revenue	<b>27,886</b>	24,020	16.1%
Adj. OIBDA	<b>4,165</b>	3,488	19.4%
Adj. OIBDA margin	<b>14.9%</b>	14.5%	0.4 p.p.
Operating income	<b>1,493</b>	1,079	38.4%
Adj. profit attributable to Sistema	<b>10</b>	182	(94.5%)
SG&A/revenue	<b>14.0%</b>	15.0%	(1.0 p.p.)
Like-for-like growth <sup>7</sup>	<b>6.6%</b>	5.1%	1.5 p.p.
Traffic growth	<b>7.5%</b>	8.8%	(1.3 p.p.)
Average ticket growth	<b>(0.9%)</b>	(3.4%)	2.5 p.p.

**NUMBER OF STORES\***



\*The number of Detsky Mir Group stores, including ELC, ABC and Zoozavr stores

In 1Q 2019, **Detsky Mir's revenue grew by 16.1% year-on-year**. Growth was driven by the ramp-up of stores opened in 2017-2018 to full operating capacity, as well as by accelerated growth of like-for-like (LFL) sales in Russia and Kazakhstan and an increase in online sales, which rose by 74.1% year-on-year and accounted for 9.3% of total revenue for the period.

**Adjusted OIBDA increased by 19.4% to RUB 4.2 billion in 1Q 2019** due to robust revenue performance, optimisation of purchasing costs, effective management of the product assortment and

increased operational efficiency. **The adjusted OIBDA margin increased by 0.4 p.p. to 14.9% in 1Q 2019**, primarily due to a decrease in marketing and staff costs as a result of an increase in labour efficiency. The SG&A/revenue ratio decreased from 15.0% to 14.0% in 1Q.

**Adjusted profit attributable to Sistema decreased from RUB 0.18 billion to RUB 0.01 billion** in 1Q 2019 due to an increase in interest expenses and FX losses.

**Six new Detsky Mir stores were opened in 1Q 2019**. As of 31 March 2019, the total number of stores<sup>8</sup> stood at 748. **Detsky Mir entered the Belarusian market** under the Detmir brand with 3 stores and total selling space of 3,000 sq. m. By the end of 2019, the Company plans to open at least 80 new stores, including 10 stores in Belarus and at least 8 stores in Kazakhstan where it currently operates 30 stores.

**SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD**

On 16 May 2019, the Annual General Meeting of shareholders approved a final dividend for FY 2018 in the amount of RUB 4.45 per share, for a total of RUB 3.3 billion.

<sup>6</sup> Results have been adjusted for additional accruals under the LTI programme (including related tax effects).

<sup>7</sup> The segment includes online orders on the site [www.detmir.ru](http://www.detmir.ru) including orders for collection at Detsky Mir stores

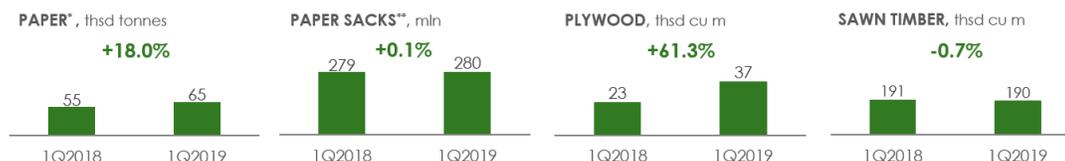
<sup>8</sup> The number of Detsky Mir stores including ELC, ABC and Zoozavr.



## LEADING RUSSIAN VERTICALLY INTEGRATED FORESTRY HOLDING

(RUB million)	1Q 2019	1Q 2018	Change
Revenue	14,487	12,129	19.4%
OIBDA	3,970	2,176	82.5%
OIBDA margin	27.4%	17.9%	9.5 p.p.
Operating income	2,714	1,064	153.8%
Net profit/(loss) attributable to Sistema	2,730	(537)	-
FX-denominated rev.	72.5%	68.1%	4.4 p.p.
Own consumption	69.1%	56.3%	12.8 p.p.
Total forestry, thsd cu m	1,619.3	1,386.0	16.8%

## SALES



\*37% of paper output was delivered to the company's own conversion facilities for producing paper packaging  
\*\*Including 16 mln consumer paper bags

**Segezha Group's revenue grew by 19.4% year-on-year to RUB 14.5 billion** in 1Q 2019, due in significant measure to increased sales efficiency in the Paper and Packaging segment, which accounted for 60% of total revenue. Another factor that made a positive contribution to revenue was growth of plywood sales following the commissioning of new production capacity in the Kirov region in July 2018.

**OIBDA increased year-on-year by 82.5% to RUB 4.0 billion in the first quarter of 2019** primarily as a result of changes in the sales mix in favour of higher-margin paper products, as well as increased sales efficiency due to reduced commissions for agents and transition to open book contracts. Combined, these factors allowed Segezha to post a **record OIBDA margin of 27.4%**, an increase of 9.5 percentage points versus the same period a year earlier.

**Net profit was RUB 2.7 billion** vs. a loss of RUB 0.5 billion in 1Q 2018. FX-revaluation had a major positive impact on net profit.

**Paper output totalled 100,910 tonnes, up 14% versus 2018.** The production increase was mainly the result of reductions in time spent on equipment repairs at Segezha Pulp & Paper Mill in 1Q 2019. **In 1Q 2019 Segezha's sack paper sales increased by 18.0% to 65,000 tonnes** due to increased volumes shipped under existing contracts and expansion of the client base.

**Paper sack output increased by 3.7% year-on-year in 1Q 2019** as a result of more working days compared to 1Q 2018. In the reporting period Segezha sold 280 million paper sacks, in line with 1Q 2018 sales. A portion of shipments made in 1Q 2019 will be reflected in the results for 2Q 2019.

**Birch plywood sales volumes increased by 61% year-on-year to 37,000 cu m in 1Q 2019.** Output growth was driven by the launch of the new plywood production facility in the Kirov region in July 2018. Higher production volumes drove growth in shipments to existing clients as well as expansion of the client portfolio.

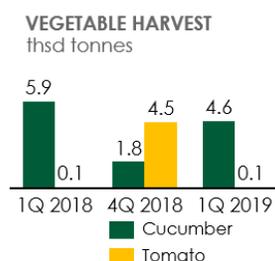
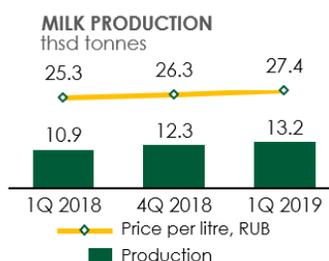
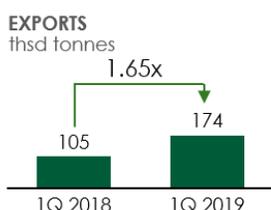
**Sawn timber output increased year-on-year by 4.0% to 216,000 cu m in 1Q 2019** primarily due to increased production efficiency at the Onezhsky and Lesosibirsk facilities. Sales volumes were in line with the first quarter 2018.

### SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

In May 2019, an agreement was signed for equipment to build a new plant producing cross-laminated timber (CLT) with annual capacity of 35,000 cu m per year at the Sokol Wood Processing Plant. CLT is an advanced construction material that is more environmentally friendly and reduces construction times compared to alternative materials. Construction of the CLT plant will support an increase in margins across the portfolio by introducing a next-generation product.

## MAJOR AGRICULTURE HOLDING AND ONE OF RUSSIA'S LARGEST LAND OWNERS

(RUB million) <sup>9</sup>	1Q 2019	1Q 2018	Change
Revenue	<b>6,282</b>	2,536	147.7%
OIBDA	<b>829</b>	689	20.3%
OIBDA margin	<b>13.2%</b>	27.2%	(14.0 p.p.)
Operating income	<b>597</b>	336	77.8%
Net profit/(loss) attributable to Sistema	<b>117</b>	(64)	-



**Agroholding Steppe delivered revenue growth of 147.7% year-on-year in 1Q 2019, to RUB 6.3 billion.** This significant revenue increase was driven primarily by positive dynamics in the Agrot trading segment, the start of aggressive growth of the Sugar & Grocery Product Trading segment and increased revenue from the Dairy and Vegetable divisions.

**OIBDA grew by 20.3% year-on-year to RUB 0.8 billion** as a result of growth in the Agrot trading and Sugar & Grocery Product Trading segments as well as increased production volumes in the Dairy segment.

Steppe posted a net profit of RUB 117 million versus a loss during the same period last year.

Capex amounted to RUB 163 million for 1Q 2019 due to acquisition of new farm machinery and construction of dairy farms in the Krasnodar and Rostov regions.

The results of the field crop segment were affected by a 28% year-on-year increase in Steppe's average export price for

wheat in the quarter, as sales efficiency improved and global grain prices rose.

**Steppe's land bank increased to 412,000 hectares as of the end of 1Q 2019** following acquisition of a new agricultural asset in the Stavropol region.

Export volumes of agricultural products in 2018 totalled 174,000 tonnes, up by 65% versus the same period in 2018.

The Dairy segment delivered stable growth of operational results: the gross milk yield in 1Q 2019 increased by 20.4% year-on-year to more than 13,000 tonnes, while productivity per cow increased by 9.5% year-on-year. **As of the end of the reporting period, the herd consisted of 4,856 cows.**

The gross vegetable harvest in 1Q 2019 was 4,700 tonnes, a year-on-year decline as a result of changes to the production programme and shift in the timetable for vegetable harvesting.

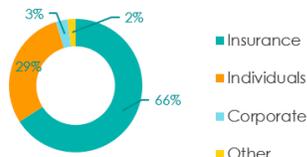
<sup>9</sup> RZ Agro is recognized as a joint venture in Agroholding Steppe's IFRS financial statements. Revenue, OIBDA and net profit of RZ Agro in 1Q 2019 were RUB 1 billion, RUB 0.45 billion and RUB 0.28 billion, respectively.

## LEADING PRIVATE HEALTHCARE OPERATOR IN RUSSIA

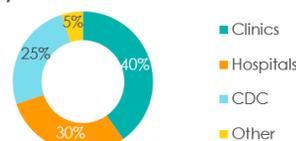
(RUB million)	1Q 2019	1Q 2018	Change
Revenue	<b>5,190</b>	3,511	47.8%
Adj. OIBDA	<b>883</b>	464	90.5%
Adj. OIBDA margin	<b>17.0%</b>	13.2%	3.8 p.p.
Operating income / (loss)	<b>160</b>	(16)	-
Adj. net profit/(loss) attributable to Sistema	<b>211</b>	(103)	-
Patient visits, mln	<b>2.3</b>	2.0	15.0%
Services provided, mln	<b>4.1</b>	3.3	23.2%
Average ticket, thsd RUB	<b>2.3</b>	1.8	28.5%

### Revenue, 1Q 2019

#### By clients



#### By assets



#### FLOOR SPACE



#### UTILISATION, CLINICS



#### UTILISATION, HOSPITALS



#### PATIENT VISITS



#### SERVICES PROVIDED



#### AVERAGE CHEQUE



**Medsi's revenue increased by 47.8% year-on-year in 1Q 2019 to RUB 5.2 billion** due to a nearly threefold increase in in-patient treatments under the Mandatory Health Insurance programme (MHI), revenue growth of 33.1% to RUB 2.1 billion in the Voluntary Health Insurance segment (VHI), and an increase in revenue from individual patients of 23.1% to RUB 1.5 billion. The average cheque grew by 28.5% to approximately 2,300 primarily due to the increased proportion of complex procedures in the in-patient segment and the diagnostic segment, and also due to the effect of higher prices in line with market trends.

**Adjusted OIBDA<sup>10</sup> increased by 90.5% in 1Q 2019 to RUB 883 million** due to the continued ramp-up of facilities and increase in revenue per sq m of medical space. **The adjusted OIBDA margin grew by 3.8 p.p. to 17.0% in 1Q 2019**, thanks to growth in capacity utilisation, an increase in efficiency per sq m and growth of volumes at previously opened clinics. **Net profit was RUB 211 million in the quarter versus a loss a year earlier** on the back of positive OIBDA dynamics.

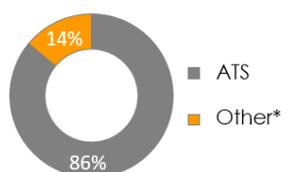
<sup>10</sup> Adjusted OIBDA, the adjusted OIBDA margin and adjusted net profit are adjusted for accruals related to the LTI programme.

## RENTAL ASSETS WITH A UNIQUE POOL OF PROPERTIES

### Business Nedvizhimost and its subsidiary Mosdachtrest

(RUB million)	1Q 2019	1Q 2018	Change
Revenue	739	857	(13.7%)
OIBDA	113	235	(51.9%)
OIBDA margin	15.3%	27.5%	(12.2 p.p.)
Operating income	13	167	(92.3%)
Profit/(loss) attributable to Sistema	(38)	41	-

### PORTFOLIO OF ASSETS UNDER OWNERSHIP



\*Residential properties in central Moscow, warehouses

In 1Q 2019 **revenue from Sistema's rental assets decreased by 13.7%** year-on-year to RUB 739 million due to a decrease in sales of land plots in the Moscow region (1.57 ha vs 2.24 ha in 1Q 2018) and a decrease in revenue from commercial property leases. 68.6 thousand sq m of commercial real-estate was sold in 2018,

which significantly affected revenue in 1Q 2019 due to a decrease in leased space.

**OIBDA decreased in 1Q 2019 by 51.9%** year-on-year to RUB 113 million following revenue dynamics and changes in the revenue mix. The OIBDA margin decreased from 27.5% to 15.3% in 1Q 2019 due to changes in the revenue structure, as sales of real estate command higher margins than the rentals business.

**The net loss in 1Q 2019** was due to higher interest payments.

In 2019, as part of the Group's strategy to increase the value of non-core assets owned by its portfolio companies, Business Nedvizhimost acquired buildings of 54 telephone exchanges from PJSC MGTS with payments to be made in instalments over 10 years and interest to be assessed at an annual rate of 9%. Excluding VAT and interest on the deferred payments, the transaction totalled RUB 5.9 billion.



## LEADING RUSSIAN HIGH-TECH COMPANY

(RUB million)	1Q 2019	1Q 2018	Change
Revenue <sup>11</sup>	<b>3,826</b>	4,619	(17.2%)
Adj. OIBDA	<b>163</b>	57	186.5%
Adj. OIBDA margin	<b>4.3%</b>	1.2%	(3.1 p.p.)
Operating (loss)	<b>(421)</b>	(405)	-
Adjusted profit/(loss) attributable to Sistema	<b>(1,223)</b>	(1,349)	-

In 1Q 2019 RTI's **revenue decreased by 17.2% year-on-year** due to changes to the timetable of agreements and execution of new state procurement contracts by a number of RTI Group companies. Most of RTI's revenue typically falls in the second half of the year.

**The year-on-year increase in adjusted OIBDA** was a result of creation in 1Q 2018 of provisions for inventory.

The increase in RTI's net debt was the result of a decrease in unrestricted cash. Funds totalling RUB 8.7 billion earmarked for

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

In 1Q 2019 RTI completed a full-scale trial of a direction-finding bearing complex that analyses electromagnetic positions and searches for sources of radio frequency interference, and simplifies the task of ensuring reliable functioning of radioelectronic equipment.

<sup>11</sup> RTI's results for 1Q 2019 and 1Q 2018 are presented to reflect reclassification of RTI's microelectronics business as discontinued operations. In February 2019, RTI Microelectronics, an RTI Group company, signed a legally binding agreement with State Corporation Rostec and JSC Roselectronica to create a combined microelectronics components company. The parties agreed to combine under the new company controlling stakes in 19 microelectronics component development, production and design companies.



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

(RUB million)	1Q 2019	1Q 2018	Change
Revenue	<b>5,348</b>	5,024	6.4%
OIBDA	<b>1,428</b>	1,738	(17.8%)
OIBDA margin	<b>26.7%</b>	34.6%	(7.9 p.p.)
Operating income	<b>770</b>	1,115	(30.9%)
Profit attributable to Sistema	<b>585</b>	887	(34.1%)
New connections	<b>3 345</b>	4 061	(17.6%)
Connected power, mVt	<b>57</b>	69	(17.4%)

#### LOSSES ON GRIDS



In 1Q 2019 **BPGC's revenue grew by 6.4% to RUB 5.3 billion** due to indexation of tariffs for electricity transmission services that came into effect from 1 July 2018 and an increase in lease payments for deployment of fibre-optic cables on electricity pylons.

**OIBDA decreased in 1Q 2019** due to the impact of one-off factors and the high base effect as a result of lease payments received from PJSC Bashinformsvyaz in 1Q 2018.

**The OIBDA margin decreased in 1Q 2019** as a result of higher costs for services provided by PJSC Federal Grid Company of

Unified Energy System due to an increase in paid-for capacity, as well as the impact of one-time factors in 1Q 2018.

**The decrease in net profit in 1Q 2019** was primarily due to the decrease in OIBDA.

During the reporting period, 11 distribution and transformer sub-stations were reconstructed, 3 km of cable was laid, and 4 thousand meters were installed under the Smart Grid project.

In 2019 BPGC will undertake construction of major facilities including the 110 kW Uzyan-Bainazarovo transmission line in the Beloretsk district, the Romanovka sub-station with two 40 MVA transformers, the Kustarevskaya sub-station with two 40 MVA transformers, and a double-circuit tap-off from the 110 kW Ufa-Yuzhnaya Naberezhnaya overhead power line to the Kustarevskaya sub-station in Ufa.

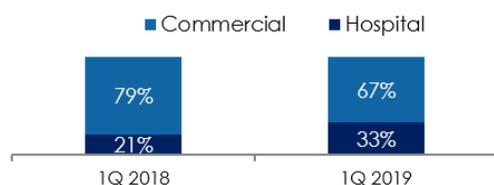
#### SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

On 14 May 2019 the Annual General Meeting of shareholders of BPGC approved a dividend payment for 2018, excluding dividends for 9M 2018, of RUB 1.1543 per ordinary share and RUB 3.0854 per type A preferred share.

## ONE OF RUSSIA'S LARGEST FULL-CYCLE PHARMACEUTICAL COMPANIES

(RUB million)	1Q 2019	1Q 2018	Change
Revenue	319	407	(21.6%)
OIBDA	50	116	(56.9%)
OIBDA margin	15.6%	28.4%	(12.8 p.p.)
Operating (loss)/income	(8)	83	-
(Loss)/profit attributable to Sistema	(48)	0	-

### REVENUE BREAKDOWN BY SEGMENT



Revenue in 1Q 2019 declined by 21.6% year-on-year to RUB 319 million after Binnopharm ceased commercial distribution of some low-margin third-party products, and as a result of a decrease in sales of anti-virals due to lower seasonal demand year-on-year, as well as the deferral of a number of major state tenders for infusion solutions to 2Q 2019.

OIBDA decreased year-on-year in 1Q, following revenue. The decrease in the OIBDA margin was due to changes in the sales structure in 1Q 2019 due to the deferral of sales of some high-

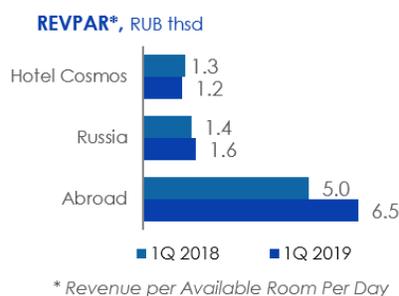
margin products (infusion antibiotics and dialysis solutions) to 2Q 2019.

In December 2018, Sistema, alongside VTB Bank and the management of OBL Pharm, acquired a leading pharmaceuticals company, OBL Pharm. The investment totalled RUB 15.5 billion. Binnopharm and OBL Pharm have complementary business models, assets (four pharmaceuticals facilities in Moscow and the Moscow region) and product portfolio (around 200 items). The strategic goal of the transaction is for the combined company, operating under the Alium brand, to become a top-five Russian pharmaceuticals producer in the commercial segment.

In April 2019, a consortium of investors including the Russia Direct Investment Fund (RDIF), Russia-China Investment Fund and leading Middle Eastern funds, agreed to join this project. Overall, the consortium will invest a total of RUB 4 billion to acquire a stake in OBL Pharm.

## ONE OF RUSSIA'S LEADING HOTEL MANAGEMENT COMPANIES

(RUB million)	1Q 2019	1Q 2018	Change
Revenue	<b>1,083</b>	960	12.8%
OIBDA	<b>7</b>	82	(91.0%)
OIBDA margin	<b>0.7%</b>	8.2%	(7.5p.p)
Operating (loss) <sup>12</sup>	<b>(302)</b>	(109)	-
(Loss) attributable to Sistema	<b>(621)</b>	(341)	-
Room capacity	<b>4.049</b>	4.049	0.0%



**Revenue growth from hospitality assets in 1Q 2019 of 12.8%** year-on-year was driven by Cosmos Group's more effective promotion of Russian hotels in the network and active sales in the segment of hotels outside Russia, as well as by significant growth year-on-year of occupancy rates at the Holiday Inn Express at Paveletskaya, which is in an active growth phase and increasing its market share.

**Revenue from hotels outside Russia accounted for 16.0% of the total in 1Q 2019, up by 2.8 p.p.**, due primarily to the depreciation of the rouble.

**The average occupancy rate in 1Q 2019 increased by 3.6 p.p. year-on-year.** The leader in terms of growth was the Holiday Inn Express Paveletskaya, where the average occupancy rate rose by 20 p.p. year-on-year.

### SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

In April 2019 Alexander Shvein was appointed to head Sistema's hospitality assets. Alexander Shvein has significant experience in the hospitality industry and previously successfully managed two Cosmos Group assets – the Cosmos hotel (2017-2019) and Altai Resort (2016-2017).

<sup>12</sup> Based on consolidated reporting combining management and operating companies.

## CORPORATE

(RUB million)	1Q 2019	1Q 2018	Change
OIBDA	(1,548)	(1,653)	-
Net loss	(2,474)	(5,271)	-
Corporate Centre's financial liabilities <sup>13</sup>	231,485	232,424	(0.4%)

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

SG&A/Consolidated Revenue ratio at the Corporate Centre declined from 0.9% in 1Q 2018 to 0.7% in 1Q 2019.

In 1Q 2019 SG&A at the Corporate Centre declined by 15.5% year-on-year to RUB 1.3 billion, due to reduction in compensation and headcount optimisation. The

The Corporate Centre's financial liabilities stood at RUB 231.5 billion as of 31 March 2019.

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For further information, please visit [www.sistema.com](http://www.sistema.com) or contact:

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**Sistema PJSFC is a publicly-traded diversified Russian holding company serving over 150 million customers in the sectors of telecommunications, high technology, financial services, retail, paper and packaging, agriculture, real estate, tourism and medical services. The company was founded in 1993. Revenue in 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](http://www.sistema.com).**

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

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

<sup>13</sup> Including liability to Rosimushchestvo and finance lease.

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

	Three months ended March 31	
	2019	2018
Revenue	185,544	168,014
Cost of sales	(88,998)	(75,539)
Selling, general and administrative expenses	(33,719)	(31,269)
Depreciation and amortisation <sup>14</sup>	(33,128)	(31,664)
Impairment of long-lived assets	(47)	(366)
Impairment of financial assets	(975)	(1,377)
Taxes other than income tax	(1,183)	(1,523)
Share of the profit or loss of associates and joint ventures	536	822
Other income	558	792
Other expenses	(703)	(1,399)
<b>OPERATING INCOME</b>	<b>27,885</b>	<b>26,490</b>
Finance income	2,092	1,606
Finance costs <sup>15</sup>	(26,972)	(15,320)
Currency exchange (loss)/gain	7,241	(626)
<b>PROFIT BEFORE TAX</b>	<b>10,246</b>	<b>12,150</b>
Income tax expense	(5,328)	(5,150)
<b>PROFIT FROM CONTINUING OPERATIONS</b>	<b>4,918</b>	<b>7,000</b>
Profit/(Loss) from discontinued operations	20,356	(446)
<b>PROFIT FOR THE PERIOD</b>	<b>25,274</b>	<b>6,554</b>
<b>Profit/(loss) attributable to:</b>		
Shareholders of Sistema PJSC	16,641	(1,243)
Non-controlling interests	8,633	7,797
	<b>25,274</b>	<b>6,554</b>
<b>Earnings per share (basic and diluted), Russian Rubles:</b>		
From continuing and discontinued operations	1.75	(0.13)

<sup>14</sup> Including 7,109 of lease rights amortization for 3 months 2019 out of which 6,868 relate to lease that would have been classified as operating under «old» standards

<sup>15</sup> Including 4,985 of lease interest expense for 3 months 2019 out of which 4,611 relate to lease that would have been classified as operating under «old» standards

**SISTEMA PJSFC AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF MARCH 31, 2019 AND DECEMBER 31, 2018**  
*(Amounts in millions of Russian roubles)*

	<b>March 31,</b>	<b>December 31,</b>
	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
NON-CURRENT ASSETS:		
Property, plant and equipment	422,437	422,321
Investment property	19,207	23,310
Goodwill	59,284	59,488
Other intangible assets	109,478	112,125
Right-of-use-asset	193,557	194,247
Investments in associates and joint ventures	56,962	34,507
Deferred tax assets	32,480	32,648
Loans receivable and other financial assets	100,124	95,557
Deposits in banks	303	186
Other assets	14,448	15,618
Total non-current assets	1,008,280	990,007
CURRENT ASSETS:		
Inventories	81,814	97,131
Contract asset	5,677	7,297
Accounts receivable	61,604	63,517
Advances paid and prepaid expenses	16,136	16,984
Current income tax assets	2,427	4,195
Other taxes receivable	21,623	18,641
Loans receivable and other financial assets	88,891	106,329
Deposits in banks	2,446	15,506
Restricted cash	8,675	8,614
Cash and cash equivalents	104,176	114,183
Assets of disposed segment	20,139	19,911
Other assets	2,574	3,090
Total current assets	416,182	475,398
<b>TOTAL ASSETS</b>	<b>1,424,462</b>	<b>1,465,405</b>



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

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
<b>LIABILITIES AND EQUITY</b>		
SHAREHOLDERS' EQUITY:		
Share capital	869	869
Treasury shares	(4,329)	(4,759)
Additional paid-in capital	73,437	73,375
Retained earnings	(46,931)	(63,572)
Accumulated other comprehensive (loss)/income	4,253	11,204
Equity attributable to shareholders of Sistema	27,299	17,117
Non-controlling interests	43,603	45,911
<b>TOTAL EQUITY</b>	<b>70,902</b>	<b>63,028</b>
NON-CURRENT LIABILITIES:		
Borrowings	572,745	592,442
Lease liabilities	183,184	183,161
Bank deposits and liabilities	5,014	3,414
Deferred tax liabilities	37,441	40,161
Provisions	5,717	4,368
Liability to Rosimushchestvo	7,545	8,097
Other financial liabilities	2,097	1,473
Other liabilities	6,228	6,546
Total non-current liabilities	819,971	839,662
CURRENT LIABILITIES:		
Borrowings	153,654	105,893
Lease liabilities	24,486	24,206
Accounts payable	110,281	126,917
Bank deposits and liabilities	130,219	129,872
Income tax payable	2,397	2,775
Other taxes payable	24,032	20,409
Dividends payable	4,447	4,415
Provisions	16,485	73,244
Liability to Rosimushchestvo	7,696	8,113
Contract liabilities and other non-financial liabilities	44,916	50,141
Liabilities of disposed segment	7,254	6,826
Other financial liabilities	7,722	9,904
Total current liabilities	533,589	562,715
<b>TOTAL LIABILITIES</b>	<b>1,353,560</b>	<b>1,402,377</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,424,462</b>	<b>1,465,405</b>

**SISTEMA PJSC AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018**  
*(Amounts in millions of Russian roubles)*

**CASH FLOWS FROM OPERATING ACTIVITIES:**

**Three months ended March 31,**

	<b>2019</b>	<b>2018</b>
Net profit for the period	25,274	6,554
Adjustments to reconcile net income to net cash provided by operations (including discontinued operations):		
Depreciation and amortization	33,128	31,910
Share of the profit or loss of associates and joint ventures, net	(536)	(822)
Finance income	(2,092)	(1,653)
Finance costs	26,972	15,799
Income tax expense	5,328	5,150
Currency exchange loss/(gain)	(10,685)	640
Gain from discontinued operations	(17,231)	-
Profit on disposal of property, plant and equipment	(705)	(313)
Impairment loss on loans receivable	724	732
Dividends received from associates and joint ventures	1,020	906
Non-cash compensation to employees	227	-
Impairment of long-lived assets	47	366
Impairment of financial assets	974	1,376
Other non-cash items	1,768	1,687
	<b>64,213</b>	<b>62,332</b>
Movements in working capital:		
Bank loans to customers and interbank loans due from banks	(1,226)	1,165
Bank deposits and liabilities	4,231	2,837
Restricted cash	(61)	(3,476)
Financial assets/liabilities at fair value through profit or loss	10,232	(250)
Accounts receivable and contract assets	(2,954)	(3,693)
Advances paid and prepaid expenses	(1,307)	(1,519)
Other taxes receivable	(3,403)	484
Inventories	2,336	(4,153)
Accounts payable	(13,955)	(13,391)
Subscriber prepayments	132	(249)
Other taxes payable	4,943	1,197
Advances received and other liabilities	4,131	4,508
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 <sup>16</sup>	(18,624)	(14,404)
Income tax paid	(7,330)	(5,991)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>(14,248)</b>	<b>(54,603)</b>

<sup>16</sup> Including 5,080 of lease interest paid for 3 months 2019 out of which 4,706 relate to lease that would have been classified as operating under «old» standards

**SISTEMA PJSFC AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018 (CONTINUED)**  
**(Amounts in millions of Russian roubles)**

	Three months ended March 31,	
	2019	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for purchases of property, plant and equipment and investment property	(16,884)	(17,119)
Proceeds from sale of subsidiaries net of cash disposed	10,786	-
Proceeds from sale of property, plant and equipment	1,045	637
Payments to obtain and fulfill contracts	(1,038)	(1,164)
Payments for purchases of intangible assets	(4,403)	(5,545)
Payments for businesses, net of cash acquired	(1,639)	(3,286)
Payments for investments in associates and joint ventures	(15,957)	(2,991)
Proceeds from disposal of investments in affiliated companies	-	119
Payments for purchases of financial assets, long-term	(6,875)	(5,535)
Proceeds from sale of financial assets, long-term	325	272
Payments for financial assets, short-term	(3,077)	(1,049)
Proceeds from sale of financial assets, short-term	17,011	25,941
Interest received	2,171	5,408
Other	965	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(17,570)</b>	<b>(4,312)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from borrowings	58,272	154,436
Principal payments on borrowings	(17,787)	(51,195)
Lease liabilities payments <sup>17</sup>	(5,170)	(5,373)
Acquisition of non-controlling interests in existing subsidiaries	(12,225)	(5,572)
Proceeds from sale of treasury stock	233	-
Dividends paid	-	(90)
Debt issuance costs	(20)	-
Cash outflow under credit guarantee agreement related to foreign-currency hedge	-	(981)
<b>NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES</b>	<b>23,303</b>	<b>91,225</b>
Effect of foreign currency translation on cash and cash equivalents	(1,492)	808
<b>Net decrease in cash and cash equivalents</b>	<b>(10,007)</b>	<b>33,118</b>
Cash and cash equivalents at the beginning of the period	114,183	59,959
Cash and cash equivalents at the end of the period	104,176	93,077

<sup>17</sup> Including 4,986 of payments for 3 months 2019 under lease that would have been classified as operating in accordance with «old» 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>	<b>1Q 2019</b>	<b>1Q 2018</b>
<b>Operating income</b>	<b>27,885</b>	<b>26,490</b>
Accruals related to LTI program at portfolio companies	393	147
Other non-recurring gains, net	382	967
Provisions for litigation and amounts due under contracts with clients at RTI	175	
<b>Adjusted operating income</b>	<b>28,835</b>	<b>27,604</b>
Depreciation and amortisation	33,128	31,664
<b>Adjusted OIBDA</b>	<b>61,962</b>	<b>59,269</b>

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

<i>RUB millions</i>	<b>1Q 2019</b>	<b>1Q 2018</b>
<b>Profit (loss) attributable to Sistema</b>	<b>16,641</b>	<b>(1,243)</b>
Accruals related to LTI program at portfolio companies	259	61
Other non-recurring gains, net	382	967
Revaluation of provision for liability with regards to the U.S. Department of Justice and the U.S. Securities and Exchange Commission investigation (MTS)	(1,722)	-
Provisions for litigation and amounts due under contracts with clients at RTI	152	
<b>Adjusted profit (loss) attributable to Sistema</b>	<b>15,713</b>	<b>(215)</b>

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

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

<i>RUB millions</i>	<b>As of March 31, 2019</b>	<b>As of December 31, 2018</b>
Long-term borrowings	572,745	592,442
Short-term borrowings	153,654	105,893
Liability to Rosimushchestvo net of interest	15,090	16,194
<b>Total borrowings</b>	<b>741,489</b>	<b>714,529</b>



Consolidated finance lease <sup>18</sup>	18,051 <sup>19</sup>	18,684 <sup>20</sup>
<b>Consolidated total debt</b>	<b>759,540</b>	<b>733,213</b>
Cash and cash equivalents	(104,176)	(114,183)
Deposits in banks	(2,749)	(15,692)
<b>Consolidated net debt</b>	<b>652,615</b>	<b>603,338</b>

<sup>18</sup>In accordance with the standard IAS 17.

<sup>19</sup>Including RUB 1,307 million of short-term finance lease.

<sup>20</sup>Including RUB 1,517 million of short-term finance lease.