



SISTEMA ANNOUNCES FINANCIAL RESULTS FOR THE THIRD QUARTER 2017

Moscow, Russia – 27 November 2017 – Sistema PJSFC (“Sistema” or the “Company”, together with its subsidiaries, “the Group”) (LSE: SSA, MOEX: AFKS), a publicly-traded diversified holding company operating primarily in Russia and the CIS, today announces its unaudited consolidated financial results in accordance with International Financial Reporting Standards (IFRS) for the quarter ended 30 September 2017.

OPERATIONAL AND STRATEGIC PROGRESS

- Continued revenue growth thanks to robust performance by Detsky Mir, Medsi and Segezha
- Solid OIBDA performance driven by MTS, Detsky Mir and Agroholding Steppe
- Cost control maintained across the portfolio and at the Corporate Centre, with consolidated SG&A flat YoY
- Board of Directors recommended declaring dividends totalling RUB 6.56 billion for 9M 2017 to be paid before 22 December 2017, subject to approval by a shareholder meeting

THIRD QUARTER FINANCIAL RESULTS

- Group revenues up 2.1% YoY to RUB 180.6 billion.
- Adjusted OIBDA¹ up 1.6% YoY to RUB 55.6 billion with an adjusted OIBDA margin of 30.8%
- Adjusted profit attributable to Sistema¹ of RUB 5.2 billion
- Net debt² at the Corporate Centre level of RUB 99.5 billion as of 30 September 2017
- Cash position² at the Corporate Centre level as of 30 September 2017 amounted to RUB 20.4 billion, excluding RUB 9.8 billion³ in FY 2016 dividends from MTS and BPGC frozen as part of Sistema’s legal dispute with Rosneft

COURT CASE

- RUB 106.6 billion claim against Sistema and Sistema-Invest filed in the Republic of Bashkortostan Arbitration Court in May 2017 by Rosneft and Bashneft, and joined later by the Republic of Bashkortostan to recover damages allegedly incurred by Bashneft during its reorganisation in 2014. The size of the claim was later increased to RUB 170.6 billion
- In August 2017, the Bashkortostan Arbitration Court partially satisfied the claim, determining the size of the damages allegedly incurred by Bashneft to be RUB 136.3 billion. The court’s decision has not come into effect
- Sistema has appealed the court’s decision, which the Company believes to be entirely baseless and unlawful
- Appeal hearings commenced at the Eighteenth Arbitration Court of Appeal in Chelyabinsk on 13 November 2017 and are scheduled to continue on 4 December 2017
- Further information on the case and Sistema’s position is available on the Company’s website at <http://www.sistema.com/investoram-i-akcioneram/informacija-ob-iske-k-afk-sistema/>

Mikhail Shamolin, President and Chief Executive Officer of Sistema, said:

“Our financial results for the quarter reflect the high quality of our assets and their robust strategies. Consolidated revenue at our Russian subsidiaries grew by 4.1%.”

“Our publicly traded assets, Detsky Mir and MTS, continue to lead the way in their respective industries. Both companies reported strong quarters of revenue and adjusted OIBDA growth as they continue to deliver on their strategies.”

“Segezha Group’s operational efficiency programme and continued investment to expand its production facilities are bearing fruit. The company delivered 15% revenue growth and stable OIBDA year-on-year despite continued pressure from the stronger rouble.”

“Our healthcare chain, Medsi, also posted a substantial increase in revenue and adjusted OIBDA, as it achieved stronger vertical integration and increased average capacity utilisation by 4.5 percentage points year-on-year to 47.6%. Medsi is successfully expanding in the fast-growing market for high-quality medical care in Russia both through organic growth and by acquiring and turning around assets in the regions.”

¹ See Attachment A for definitions and reconciliation of adjusted OIBDA and adjusted profit attributable to Sistema to IFRS financial measures.

² Including highly liquid deposits and liquid financial investments, based on management accounts. See Attachment A for reconciliation to IFRS financial measures.

³ Net of applicable taxes

“In October, we completed the merger of Sistema Shyam TeleServices’ telecommunications business with Reliance Communications (RCom), a large telecommunications operator in India. As a result, SSTL now owns a 10% equity stake in RCom.

“In October, the Board of Directors recommended an interim dividend of RUB 0.68 per share for the first nine months of 2017, reflecting the continued strong performance of our portfolio companies.

“We continue to defend our interests in the appeals courts following the Republic of Bashkortostan Arbitration Court’s ruling in the Bashneft case. We consider both the claim and the court’s decision to be baseless and unlawful. As part of the appeal process we have filed a motion to have the case re-heard in accordance with the rules of courts of first instance. We are confident in our position and continue to do everything we can to minimise consequences for Sistema and its stakeholders.”

Vsevolod Rozanov, Senior Vice President and Chief Financial Officer of Sistema, added:

“In the third quarter of 2017, our adjusted OIBDA increased by 1.6% year-on-year to RUB 55.6 billion, with an adjusted OIBDA margin of 30.8%. Significant contributions to this growth came from MTS, as well as Detsky Mir and Agroholding Steppe. We continue to keep our SG&A costs under control both across our portfolio companies and at the Corporate Centre: in the third quarter of 2017, consolidated SG&A expenses were flat year-on-year.

“In the reporting quarter, we successfully reduced leverage at the Corporate Centre by paying off a USD 97 million liability to the Russian State Agency for Federal Property Management.

“Our cash position declined as a result of paying down the liability to the Government, distributing dividends for 2016, and making targeted investments to grow specific portfolio companies.

“Overall, Sistema continues to do business as usual. We are executing on all our financial commitments in full and plan to do so in the future.”

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 third quarter 2017 results.

The dial-in numbers for the conference call are:

Russia

+7 495 213 1767
8 800 500 9283 (toll free)

United Kingdom

+44 330 336 9105
0800 358 6377 (toll free)

United States

+1 323 794 2093
866 548 4713 (toll free)

Conference ID: 6690177

Alternatively, you can quote the conference call title: “Sistema Third Quarter 2017 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:

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FINANCIAL SUMMARY AND GROUP OPERATING REVIEW

<i>(RUB millions)</i>	3Q 2017	3Q 2016	Change	9M 2017	9M 2016	Change
Revenues	180,590	176,901	2.1%	509,613	507,977	0.3%
Adjusted OIBDA	55,626	54,748	1.6%	148,481	142,594	4.1%
Operating income	29,515	24,937	18.4%	72,934	66,747	9.3%
Profit attributable to Sistema	4,451	1,120	297.4%	4,288	4,186	2.4%
<i>Adjusted profit attributable to Sistema</i>	5,173	5,533	(6.5%)	5,675	7,665	(26.0%)

In the third quarter of 2017, Sistema's consolidated revenues increased by 2.1% year-on-year thanks to strong like-for-like sales growth and the ramp-up of new stores at Detsky Mir, solid mobile revenue growth from MTS's Russia business and higher sales of sack paper and sawn timber at Segezha Group.

Group selling, general and administrative expenses (SG&A) were essentially flat (-0.1%) year-on-year at RUB 37.5 billion, as increased SG&A costs at Detsky Mir due to the company's expansion were offset by declines in SG&A at RTI, SSTL and at the Corporate Centre. SG&A expenses at the Corporate Centre were RUB 2.1 billion in the quarter, down 23.0% year-on-year. Depreciation and amortisation expenses (D&A) in the third quarter of 2017 decreased by 3.1% year-on-year to RUB 24.6 billion, as a result of lower D&A at MTS.

Group adjusted OIBDA increased by 1.6% year-on-year in the third quarter to RUB 55.6 billion. This was driven by strong OIBDA growth at MTS thanks to recovery of demand for international roaming and reduced costs in the retail business. Adjusted OIBDA also grew considerably at Agroholding Steppe on the back of a strong performance by the field crop segment and at Detsky Mir thanks to further improvements in operational efficiency. The Group's adjusted OIBDA margin was 30.8% in the third quarter of 2017, almost unchanged from 30.9% a year earlier.

Adjusted profit attributable to Sistema was RUB 5.2 billion in the reporting quarter, down from RUB 5.5 billion in the same quarter last year, in particular due to growth in the share of non-controlling interests in adjusted profit of MTS and Detsky Mir.

OPERATING REVIEW⁴

MTS

<i>(RUB millions)</i>	3Q 2017	3Q 2016	Change	9M 2017	9M 2016	Change
Revenues	114,566	112,181	2.1%	326,087	324,100	0.6%
Adjusted OIBDA ⁵	48,737	45,769	6.5%	134,046	126,433	6.0%
Operating income	27,542	24,230	13.7%	72,605	65,241	11.3%
Adjusted profit attributable to Sistema	9,555	6,518	46.6%	23,169	19,116	21.2%

MTS continues to deliver strong financial results thanks to the robust growth of the business in the key markets of Russia and Ukraine. Revenue in the third quarter of 2017 grew by 2.1% year-on-year, driven primarily by a 3.2% year-on-year increase in revenue from the mobile business in Russia. As a share of total revenue, mobile increased to 67% from 65% a year earlier.

Strong growth of adjusted OIBDA (+6.5% year-on-year) and adjusted profit attributable to Sistema (+46.6% year-on-year) reflected increased data usage in Russia, expansion of demand for roaming services and optimisation of retail costs. The number of MTS retail stores decreased by 4.8% year-on-year to 5,710 as of 30 September 2017. The adjusted OIBDA margin improved to 42.5% in the third quarter 2017 from 40.8% in the same period a year earlier. The net debt to adjusted LTM OIBDA ratio remained at 1.1 times at the end of the quarter.

Retaining its focus on shareholder returns, MTS in September announced the launch of a share buyback plan totalling RUB 20 billion through April 2019. In the same month, MTS shareholders approved an interim dividend of RUB 10.4 per ordinary share (RUB 20.8 per ADR) for the first half of 2017.

In September 2017, MTS suspended provision of telecommunications services in Turkmenistan as a result of the disconnection by state company Turkmentelecom of international and inter-city zonal communications services and internet access. MTS recognised impairment of its long-lived assets in Turkmenistan of RUB 1.1 billion in the third quarter of 2017.

Significant events after the end of the reporting period

In October 2017, MTS and Ericsson signed an agreement to upgrade MTS's network to prepare it for the 5G standard and the Internet of Things (IoT). Under the agreement, in 2017-2020 Ericsson will supply MTS with the latest equipment and software for its core network and radio access network in a number of Russian regions, to a total of more than EUR 400 million.

In October 2017, MTS acquired a 50.82% stake in online cash-register start-up LiteBox for RUB 620 million. The acquisition allows MTS to enter the cloud-based cash-register market as a fully licensed fiscal data operator (FDO) and a provider of integrated digital cash-management solutions for B2B clients.

Detsky Mir⁶

<i>(RUB millions)</i>	3Q 2017	3Q 2016	Change	9M 2017	9M 2016	Change
Revenues	24,554	20,490	19.8%	66,649	54,226	22.9%
Adjusted OIBDA	3,045	2,227	36.7%	6,373	4,638	37.4%
Operating income	2,229	1,823	22.3%	4,342	3,462	25.4%
Adjusted profit attributable to Sistema	986	753	30.9%	1,502	1,224	22.7%

Revenue at Detsky Mir rose by 19.8% year-on-year in the third quarter of 2017 due to ramp-up of newly opened stores and the strongest growth in like-for-like sales among Russia's publicly traded retailers (+6.1% year-on-year), driven by a 10.5% increase in the number of tickets.

Revenue from e-commerce grew by 50.3% year-on-year to RUB 0.9 billion for the quarter. In the first nine months of 2017 e-commerce represented 4.0% of total sales, compared to 3.1% in the same period a year earlier.

Adjusted OIBDA increased by 36.7% and the adjusted OIBDA margin was 12.4%, thanks to further improvements in operating efficiency, in particular successful control of rental and labour costs. The ratio of sales, general and administrative expenses⁷ to revenue improved to 21.3% in the quarter, versus 22.1% in the same period in 2016. Adjusted profit attributable to Sistema increased by 30.9% year-on-year to RUB 986 million due to the growth of OIBDA, as well as optimisation of the cost of debt.

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

⁵ Including share in results of MTS Bank

⁶ Results have been adjusted for additional accruals under the LTI program (including related tax effects).

⁷ Excluding D&A expenses, as well as share-based compensation and cash bonuses under the LTI program

Detsky Mir continues to strengthen its market position. In the fourth quarter of 2017 the company plans to open at least 50 new stores in Russia and Kazakhstan. As of 30 September 2017, Detsky Mir Group had 557 stores.

In the third quarter of 2017 Detsky Mir paid dividends for 2016 totalling RUB 2.6 billion. In November, the Board of Directors recommended dividends for the first nine months of 2017 totalling RUB 2.2 billion.

Segezha Group

<i>(RUB millions)</i>	3Q 2017	3Q 2016	Change	9M 2017	9M 2016	Change
Revenues	12,073	10,467	15.3%	32,355	31,872	1.5%
Adjusted OIBDA	2,220	2,182	1.7%	5,024	6,811	(26.2%)
Operating income	1,348	1,403	(3.9%)	2,435	4,335	(43.8%)
Adjusted profit/(loss) attributable to Sistema	506	227	122.3%	(229)	1,721	-

Revenue at Segezha Group increased by 15.3% year-on-year in the third quarter of 2017 thanks to higher sales of sack paper and sawn timber.

Depreciation of the euro and the US dollar against the rouble by 4% and 9% year-on-year, respectively, continued to have a negative impact on revenue and profitability (approximately 69% of Segezha Group's revenue is denominated in foreign currency), as did a decrease in sales of paper sacks due to low levels of consumer activity in the construction sector in Russia amid an atypically cold summer.

The company is putting in place measures to improve efficiency, including by managing purchase prices for raw materials, and by reducing logistics and administrative costs. In the third quarter of 2017, Segezha Group grew adjusted OIBDA by 1.7%, as compared to the third quarter of 2016.

A recovery in operational profitability during the year enabled the company to report a profit for the third quarter of 2017, compared to a loss in the previous quarter. The financial result was also positively affected by a decline in interest rates and optimisation of the cost of debt during the year.

Segezha Group is continuing to implement an extensive investment programme to increase production capacity. For the first nine months of 2017, Segezha's capital expenditures reached RUB 9.1 billion, up 22.7% year-on-year. In November a new paper-production machine with capacity of 110,000 tonnes a year – the only one of its kind in Russia – was launched at Segezha Pulp & Paper Plant. The company is also continuing construction of a plywood facility in Kirov with capacity of 86,000 cubic metres per year.

Agroholding Steppe

<i>(RUB millions)</i>	3Q 2017	3Q 2016	Change	9M 2017	9M 2016	Change
Revenues	3,665	3,462	5.9%	6,825	6,335	7.7%
Adjusted OIBDA	1,718	1,030	66.8%	3,891	1,733	124.5%
Operating income	1,231	819	50.2%	3,034	2,157	40.7%
Adjusted profit attributable to Sistema	755	579	30.5%	1,811	249	628.0%

In the 2017 harvest season, Steppe assets increased their gross crop harvest by 46.8% year-on-year to a record-setting 1,192 thousand tonnes as a result of expansion of the area under cultivation and maintaining the strong 5.1 tonnes-per-hectare average wheat crop yield recorded in 2016. A portion of the harvest was allocated for sale in subsequent quarters in order to maximise revenue.

In the third quarter of 2017, revenue grew by 5.9% year-on-year to RUB 3.7 billion, supported by increased sales of field crops, milk and apples. Revenue at the dairy division increased by 43.2% year-on-year, driven by a 9% growth of the herd to 4,174 cows and a 29% year-on-year increase in milk prices to RUB 28.1 per litre. The gross apple harvest increased by 4% year-on-year as young orchards came into target yields.

Agroholding Steppe's adjusted OIBDA increased by 66.8% thanks to the results of the field crop division and increased sales of milk and apples.

In the third quarter of 2017, Agroholding Steppe's main capital expenditures included construction of a new dairy farm for 1,800 cows as well as equipment upgrades on the back of an enlarged area under cultivation.

In the fourth quarter of 2017, Steppe finalised the acquisition of 10,000 hectares of land in the Stavropol region, bringing the land bank to 380,000 hectares.

RTI

<i>(RUB millions)</i>	3Q 2017	3Q 2016	Change	9M 2017	9M 2016	Change
Revenues	9,280	10,278	<i>(9,7%)</i>	26,153	30,418	<i>(14,0%)</i>
OIBDA	1,332	1,116	<i>19,4%</i>	1,580	2,779	<i>(43,1%)</i>
Operating income/(loss)	621	493	<i>26,0%</i>	(364)	973	-
Loss attributable to Sistema	(856)	(572)	-	(3,872)	(1,729)	-

RTI's revenue declined in the third quarter of 2017 due to rescheduling of work to later quarters across a number of contracts in the Defence Solutions business unit. This was mitigated by revenue growth of 14% year-on-year in the Microelectronics business unit, as a result of increased import substitution of electronic components and heightened demand for Mikron's products.

An increase in the OIBDA margin to 14.4% in the third quarter of 2017 from 10.9% in the same quarter last year was driven by the Microelectronics segment, in particular by the recognition of income from subsidies for production of microchips for Mir national payment system cards, as well as an increased share of revenue from high-margin technologies developed by in-house research and development. The OIBDA margin of the Microelectronics segment amounted to 28%.

In June 2017, the Moscow Arbitration Court agreed to hear a lawsuit by the Ministry of Defence ("MoD" or "the Claimant") seeking penalties of RUB 4.97 billion from RTI JSC. A court hearing for this case has been scheduled to continue on 6 December 2017. RTI JSC believes that there is no legal basis for satisfying the Claimant's claims. RTI JSC continues to work with the MoD on a number of projects.

Medsi

<i>(RUB millions)</i>	3Q 2017	3Q 2016	Change	9M 2017	9M 2016	Change
Revenues	2,902	2,246	<i>29.2%</i>	8,195	6,806	<i>20.4%</i>
Adjusted OIBDA	486	198	<i>145.9%</i>	1,610	369	<i>336.1%</i>
Operating income/(loss)	135	87	<i>54.8%</i>	1,418	(353)	-
Adjusted profit/(loss) attributable to Sistema	152	(144)	-	499	(626)	-

Medsi is successfully implementing a strategy to build a vertically integrated medical group and expand on the Russian market, with a focus on operational efficiency.

Revenue at Medsi increased by 29.2% year-on-year to RUB 2.9 billion in the third quarter of 2017, mainly thanks to a strong increase in capacity utilisation at most of Medsi's assets, in particular its inpatient facilities and the Clinical-Diagnostic Centre (CDC) at Krasnaya Presnya that opened in December 2015. The number of visits at the CDC at Krasnaya Presnya in the reporting quarter grew by 2.6 times year-on-year to 111,500. The Centre accounted for 6% of Medsi's revenue and reached capacity utilisation of 24% (based on total capacity of 1.87 million visits per year).

Adjusted OIBDA in the third quarter of 2017 grew by 145.9% year-on-year thanks to an 89.3% year-on-year increase in OIBDA from primary care clinics in Moscow as capacity utilisation improved and higher margin services (including check-ups) accounted for a larger share of revenue. The CDC at Krasnaya Presnya turned OIBDA-positive with an OIBDA margin of 25.6%, which also supported overall OIBDA performance in the reporting quarter.

Capital expenditures increased by 2.5 times year-on-year as a result of new clinic openings and acquisitions of regional assets. In the third quarter of 2017 a new Medsi family clinic with around 4,000 square metres of space began operations in Moscow. During the quarter Medsi acquired MEDEM, one of the largest medical centres in St. Petersburg (6,800 square metres) as well as a 60% stake in Medlife, the leading chain of clinics in the Perm region with facilities totalling 7,800 square metres.

Bashkirian Power Grid Company (BPGC)

<i>(RUB millions)</i>	3Q 2017	3Q 2016	Change	9M 2017	9M 2016	Change
Revenues	4,091	3,892	<i>5.1%</i>	12,604	11,442	<i>10.2%</i>
OIBDA	1,307	1,402	<i>(6.8%)</i>	4,152	4,014	<i>3.4%</i>
Operating income	732	875	<i>(16.4%)</i>	2,425	2,327	<i>4.2%</i>
Profit attributable to Sistema	637	668	<i>(4.7%)</i>	1,985	1,854	<i>7.1%</i>

BPGC's revenue grew by 5.1% year-on-year in the third quarter of 2017 in connection with the indexation of tariffs for electricity transmission services that came into effect on 1 July 2017.

The OIBDA margin remained robust at 31.9% in the reporting quarter, and totalled 33.0% for the first nine months of 2017. OIBDA declined by 6.8% year-on-year and profit declined by 4.7% year-on-year in the quarter due to an increase in the cost of network losses, largely as a result of an increase in the market price for electricity.

Capital expenditures increased by 41.8% year-on-year in the reporting quarter. The company continued work on modernising Ufa's electricity grid using Smart Grid technologies, and on building new power supply facilities and power transmission lines. In the fourth quarter BPGC plans to complete the construction of the Kustarevskaya, Spartak and Alekseevka substations in Bashkortostan and put them into operation.

Sistema Shyam TeleServices Ltd. (SSTL)

<i>(RUB millions)</i>	3Q 2017	3Q 2016	Change	9M 2017	9M 2016	Change
Revenues	925	2,989	<i>(69.0%)</i>	3,656	10,393	<i>(64.8%)</i>
OIBDA	(1,184)	(262)	-	(3,776)	(658)	-
Operating loss	(1,389)	(478)	-	(4,371)	(1,336)	-
Loss attributable to Sistema	(1,530)	(816)	-	(4,472)	(3,461)	-

SSTL's results in the third quarter of 2017 reflect the company's decision to freeze client acquisition and marketing campaigns, as Sistema and Reliance Communications Ltd ("RCom") worked toward the merger of SSTL's telecommunications business with RCom. The merger was completed in October 2017, and SSTL now owns a 10% equity stake in RCom. SSTL may be entitled to an earn-out payment from RCom if the Indian Department of Telecommunications and the courts confirm that SSTL's spectrum can be used for deployment of 4G networks without any additional payments.

MTS Bank⁸

<i>(RUB millions)</i>	3Q 2017	3Q 2016	Change	9M 2017	9M 2016	Change
Revenues	4,681	4,534	3.2%	13,362	13,931	<i>(4.1%)</i>
OIBDA	685	913	<i>(25.0%)</i>	1,279	51	<i>2,405.0%</i>
Operating income/(loss)	542	750	<i>(27.7%)</i>	861	(493)	-
Profit/(loss) attributable to Sistema	466	612	<i>(23.9%)</i>	646	(557)	-

MTS Bank is successfully implementing a strategy to build a digital bank in partnership with MTS and other Sistema-owned companies.

MTS Bank's revenue in the reporting quarter increased by 3.2% to RUB 4.7 billion, as growth of sales of MTS-Smart debit cards helped drive fee and commission income 18.4% higher year-on-year.

Interest income declined in the reporting period as a result of lower interest rates in Russia. This was mitigated by an increase in the share of more profitable retail loans in total net loans to 57.5% as of 30 September 2017, from 53.1% a year earlier.

MTS Bank is growing its retail loan portfolio based on significantly improved credit scoring systems, with loans being issued primarily to clients of MTS. In the third quarter of 2017, point-of-sale loans via the MTS network totalled RUB 7.1 billion, an increase of 2.4 times year-on-year.

MTS Bank is actively developing digital customer-service channels, including in the on-line credit segment. In the third quarter of 2017, 11% of retail loan applications were generated via digital channels, compared to 0.6% in the same period of 2016.

Real Estate (Leader Invest, Business-Nedvizhimost)

<i>(RUB millions)</i>	3Q 2017⁹	3Q 2016	Change	9M 2017⁹	9M 2016	Change
Revenues	1,889	2,244	<i>(15.8%)</i>	9,254	7,235	27.9%
OIBDA	296	1,198	<i>(75.3%)</i>	2,754	3,120	<i>(11.7%)</i>
Operating income	478	1,037	<i>(53.9%)</i>	2,780	2,702	(2.9%)
(Loss)/profit attributable to Sistema	(139)	753	-	776	1,733	<i>(55.2%)</i>

In the third quarter of 2017, Leader Invest's sales volumes in Moscow grew 2.5 times year-on-year to 8,750 square metres, driven by an increase in the number of apartments sold in infill Comfort and Business class projects. Cash collections from sales doubled year-on-year to RUB 1.9 billion.

⁸ Excluding results of East-West United Bank (EWUB) and the result of the divestment of a 47% stake in EWUB

⁹ In this table Leader Invest results for 3Q 2017 and 9M 2017 are presented in accordance with IFRS 15. 3Q 2016 and 9M 2016 results are presented in accordance with IAS 18.

Revenue at Leader Invest increased by 49.9% year-on-year in particular as a result of adoption of a new financial reporting standard (IFRS 15) since 1 January 2017 in its financial statements which allowed the company to recognise additional revenues in connection with amendments to the Law on Shared Participation in Construction coming into force; the amendments limit a buyer's right to unilaterally terminate a contract.

As of the end of the reporting period, Leader Invest's sales portfolio amounted to 134,300 square metres of real estate in Moscow. Two Premium class buildings and one Business class building are expected to be operationally launched in the fourth quarter of 2017.

In September 2017, Leader Invest topped the Urban Awards ranking by number of development projects in the Moscow primary housing market.

In the third quarter of 2017 revenue and OIBDA of Sistema's rental assets (which include Business-Nedvizhimost and its subsidiary Mosdachtrest) declined by 41.0% and 65.8% year-on-year, respectively, due to recognition of revenue from the sale of assets in the third quarter of 2016.

In October 2017, Viacheslav Khvan was appointed CEO of Business-Nedvizhimost. From 2013-2017, Mr. Khvan was deputy CEO for business development at Detsky Mir.

Binnopharm

<i>(RUB millions)</i>	3Q 2017	3Q 2016	Change	9M 2017	9M 2016	Change
Revenues	405	295	37.3%	1,344	1,112	20.8%
OIBDA	(30)	11	-	152	92	64.7%
Operating (loss)/income	(72)	(42)	-	31	(65)	-
Loss attributable to Sistema	(86)	(69)	-	(103)	(129)	-

Revenue in the third quarter of 2017 increased by 37.3% year-on-year thanks to increased sales of the company's own medicines and an expanded product portfolio following the acquisition of Alpharm in December 2016. Sales of the group's own products increased by 22% year-on-year in the reporting quarter, with over-the-counter (OTC) products accounting for more than 50% of the product portfolio for the first time.

In the third quarter Binnopharm posted a loss on the OIBDA line, primarily as a result of an increase in the proportion of sales accounted for by seasonal OTC products (which have peak sales in the first and fourth quarters) as well as a one-off delay in the supply of medicines from third-party producers.

During the reporting quarter Binnopharm completed registration of its neuroprotectant product Neurocholine, providing a significant boost to the value of the company's neurological portfolio. Binnopharm also submitted applications to register an additional seven drugs.

Binnopharm continued its research and development initiatives in the first nine months of 2017, developing four coformulated cardiology and neurology drugs that are expected to launch in 2019-2020.

Hospitality assets

<i>(RUB millions)</i>	3Q 2017	3Q 2016	Change	9M 2017	9M 2016	Change
Revenues	1,330	873	52.2%	3,225	2,011	60.4%
OIBDA	472	335	41.2%	861	450	91.1%
Operating income	309	276	12.0%	387	267	45.0%
Profit/(loss) attributable to Sistema	87	119	(26.6%)	(146)	13	-

Revenue grew by 52.2% year-on-year to RUB 1.3 billion in the third quarter of 2017, driven by an expansion in the number of hotel rooms following the acquisition of Regional Hotel Chain (RHC) in the third quarter of 2016 and 6.7% revenue growth at Hotel Cosmos, the largest of Sistema's hospitality assets, as a result of a higher occupancy rate.

OIBDA grew by 41.2% year-on-year to RUB 472 million due to consolidation of new assets as well as growth of OIBDA at Cosmos.

The 26.6% year-on-year decrease in profit was due to higher interest costs as a result of the consolidation of RHC assets.

In November 2017 the 243-room Holiday Inn Express Moscow Paveletskaya opened. Thanks to its favourable location in central Moscow and recognisable international brand, occupancy at the hotel is expected to exceed 50% in 2018.

Corporate

<i>(RUB millions)</i>	3Q 2017	3Q 2016	Change	9M 2017	9M 2016	Change
Adjusted OIBDA	(2,271)	(2,769)	-	(5,791)	(7,261)	-
Adjusted loss	(4,941)	(3,461)	-	(13,547)	(10,435)	-
Indebtedness	119,892	99,267	20.8%	119,892	99,267	20.8%

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

In the third quarter, the Corporate Centre's SG&A decreased by 23.0% year-on-year to RUB 2.1 billion.

The cash position at the Corporate Centre stood at RUB 20.4 billion as of 30 September 2017 (excluding RUB 9.8 billion in FY 2016 dividends from MTS and BPGC frozen as part of Sistema's legal dispute with Rosneft), versus RUB 36.2 billion as of 30 June 2017.

KEY GROUP HIGHLIGHTS IN 3Q 2017 AND AFTER THE REPORTING PERIOD

On 13 November 2017, hearings on Sistema's appeal of the decision of the Bashkortostan Arbitration court described above commenced in the Eighteenth Arbitration Court of Appeals in Chelyabinsk. The hearing has been scheduled to continue on 4 December 2017.

In November 2017, Sistema subsidiary Sistema Finance sold 8,138,237 ordinary shares of MTS to a subsidiary of MTS, Stream Digital, as part of the MTS share buyback programme in a transaction totalling RUB 2.3 billion. In October 2017 Sistema Finance sold an additional 8,456,757 ordinary shares of MTS to Stream Digital as part of the share buyback programme in a transaction totalling RUB 2.4 billion.

On 31 October 2017, Sistema completed the merger of the telecommunications business of Sistema Shyam TeleServices with Reliance Communications, one of India's leading telecommunications operators. SSTL now owns a 10% equity stake in RCom. SSTL may become entitled to an earn-out payment from RCom if India's Department of Telecommunications and the courts of India confirm that SSTL's spectrum can be used for deployment of 4G networks without any additional payments.

In October 2017, Sistema's Board of Directors called an extraordinary general meeting of shareholders (EGM) to approve payment of interim dividends for the first nine months of 2017 in the amount of RUB 0.68 per ordinary share (RUB 13.6 per GDR) with a record date of 8 December 2017. The EGM will be held in absentia on 28 November 2017. Shareholders as of 3 November 2017 are eligible to participate in the EGM.

In September 2017, Sistema filed an appeal against the ruling of the Arbitration Court of the Republic of Bashkortostan dated 30 August 2017 related to the claim by Rosneft, Bashneft and the Republic of Bashkortostan seeking recovery from Sistema and its subsidiary Sistema-Invest of losses allegedly incurred by Bashneft as a result of its reorganisation in 2014.

On 23 August 2017, the Republic of Bashkortostan Arbitration Court partially satisfied claims brought by Rosneft, Bashneft and the Republic of Bashkortostan and ordered Sistema and Sistema-Invest to pay damages of RUB 136,273,554,065. Sistema considers the ruling to be unlawful and unfounded. The decision of the Republic of Bashkortostan Arbitration Court will not come into effect until such time as the appeals court makes its decision.

In July and August 2017, a technical default occurred on certain Sistema credit and off-balance sheet obligations with a total amount equivalent to RUB 12.8 billion. The technical default took place due to the ongoing freeze of shares of MTS, Medsi and BPGC owned by Sistema and Sistema-Invest.

In July 2017, Sistema paid out RUB 7.8 billion in dividends for FY 2016, representing RUB 0.81 per ordinary share (RUB 16.2 per GDR).

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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, banking, retail, timber processing, agriculture, real estate, pharmaceuticals, tourism and healthcare services. The company was founded in 1993. Its revenue in 2016 reached RUB

697.7 bln; its total assets equalled RUB 1.1 trln as of 31 December 2016. 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 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 PJSFC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE NINE AND THREE MONTHS ENDED 30 SEPTEMBER 2017 AND 2016
(Amounts in millions of Russian roubles, except for per share amounts)

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
Revenue	509,613	507,977	180,590	176,901
Cost of sales	(241,431)	(248,582)	(84,933)	(84,039)
Selling, general and administrative expenses	(113,030)	(112,397)	(37,472)	(37,498)
Depreciation and amortisation	(72,882)	(72,368)	(24,606)	(25,398)
Impairment of long-lived assets	(1,742)	(377)	(1,415)	(227)
Impairment of financial assets	(3,250)	(7,936)	(1,008)	(6,092)
Taxes other than income tax	(4,519)	(4,346)	(1,357)	(1,658)
Share of the profit or loss of associates and joint ventures	2,310	3,208	1,168	950
Gain on acquisition		1,175	-	-
Other income	4,792	3,455	1,533	2,554
Other expenses	(6,927)	(3,062)	(2,985)	(556)
OPERATING INCOME	72,934	66,747	29,515	24,937
Finance income	5,904	8,235	2,116	2,446
Finance costs	(38,481)	(44,300)	(12,378)	(12,677)
Currency exchange gain/(loss)	(123)	7,403	(858)	890
PROFIT BEFORE TAX	40,234	38,085	18,395	15,596
Income tax expense	(14,845)	(14,770)	(5,890)	(5,794)
PROFIT FROM CONTINUING OPERATIONS	25,389	23,315	12,505	9,802
Profit/(Loss) from discontinued operations	1,201	(3,495)	1,438	(2,480)
PROFIT FOR THE PERIOD	26,590	19,820	13,943	7,322
Profit/(loss) attributable to:				
Shareholders of Sistema PJSFC	4,288	4,186	4,451	1,120
Non-controlling interests	22,302	15,634	9,492	6,202
	26,590	19,820	13,943	7,322
Earnings per share (basic and diluted), Russian Rubles:				
From continuing and discontinued operations	0.45	0.44	0.47	0.12

SISTEMA PJSFC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 SEPTEMBER 2017 AND 31 DECEMBER 2016
(Amounts in millions of Russian roubles)

	30 September	31 December
	2017	2016
ASSETS		
NON-CURRENT ASSETS:		
Property, plant and equipment	399,698	408,131
Investment property	24,636	22,647
Goodwill	54,168	52,224
Other intangible assets	105,024	107,716
Investments in associates and joint ventures	21,617	19,537
Deferred tax assets	25,876	24,185
Loans receivable and other financial assets	98,956	100,023
Deposits in banks	10	27,274
Other assets	17,417	14,387
	<u>747,402</u>	<u>776,124</u>
CURRENT ASSETS:		
Inventories	96,644	82,690
Accounts receivable	60,645	60,888
Advances paid and prepaid expenses	19,221	19,389
Current income tax assets	1,642	2,580
Other taxes receivable	18,761	18,176
Loans receivable and other financial assets	98,279	62,588
Deposits in banks	32,143	9,173
Restricted cash	6,480	10,098
Cash and cash equivalents	68,871	60,190
Other assets	2,570	2,195
	<u>405,256</u>	<u>327,967</u>
TOTAL ASSETS	<u>1,152,658</u>	<u>1,104,091</u>

SISTEMA PJSFC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 SEPTEMBER 2017 AND 31 DECEMBER 2016 (CONTINUED)
(Amounts in millions of Russian roubles)

	30 September 2017	31 December 2016
LIABILITIES AND EQUITY		
SHAREHOLDERS' EQUITY:		
Share capital	869	869
Treasury shares	(5,756)	(6,575)
Additional paid-in capital	95,676	87,369
Retained earnings	87,943	91,290
Accumulated other comprehensive loss	(12,502)	(13,752)
Equity attributable to shareholders of Sistema	166,230	159,201
Non-controlling interests	45,770	57,770
TOTAL EQUITY	212,000	216,971
NON-CURRENT LIABILITIES:		
Borrowings	417,708	395,017
Liabilities under put option agreements		
Bank deposits and liabilities	10,146	6,432
Deferred tax liabilities	41,737	40,753
Provisions	3,425	3,411
Liability to Rosimushchestvo	16,905	21,282
Other financial liabilities	24,361	25,580
Other liabilities	9,694	8,742
Total non-current liabilities	523,976	501,217
CURRENT LIABILITIES:		
Borrowings	107,267	83,109
Accounts payable	109,964	110,879
Bank deposits and liabilities	103,595	99,888
Advances received	30,217	26,069
Subscriber prepayments	16,345	17,900
Income tax payable	1,390	962
Other taxes payable	12,464	16,391
Dividends payable	9,208	249
Provisions	10,731	10,752
Liability to Rosimushchestvo	9,220	11,783
Other financial liabilities	6,281	7,921
Total current liabilities	416,682	385,903
TOTAL LIABILITIES	940,658	887,120
TOTAL LIABILITIES AND EQUITY	1,152,658	1,104,091

SISTEMA PJSFC AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 AND 2016
(Amounts in millions of Russian roubles)

	Nine months ended September 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the period	26,590	19,820
Adjustments to reconcile net income to net cash provided by operations (including discontinued operations):		
Depreciation and amortization	72,882	75,677
Share of the profit or loss of associates and joint ventures	(2,310)	(3,208)
Finance income	(5,904)	(8,309)
Finance costs	38,481	45,198
Income tax expense	14,845	14,987
Currency transaction gain	123	(7,387)
(Profit)/loss from discontinued operations	(1,201)	2,200
Gain from fair value adjustment of financial instruments through profit or loss	(1,220)	(18)
Gain from disposal of property, plant and equipment	(262)	(482)
Gain on disposal of subsidiaries	-	(96)
Amortization of connection fees	(615)	(678)
Impairment loss on loans receivable	177	3,451
Dividends received from associates and joint ventures	2,592	1,688
Non-cash compensation to employees	1,443	1,970
Impairment of long-lived assets	1,742	377
Impairment of financial assets	3,250	8,240
Other non-cash items	4,858	3,518
	155,471	156,948
Movements in working capital:		
Bank loans to customers and interbank loans due from banks	(3,670)	16,051
Bank deposits and liabilities	7,421	(8,072)
Restricted cash	3,618	(9,076)
Financial assets at fair value through profit or loss	(1,808)	(7,808)
Accounts receivable	(5,027)	2,152
Advances paid and prepaid expenses	(165)	(1,806)
Other taxes receivable	(1,524)	2,796
Inventories	(13,977)	(10,293)
Accounts payable	(2,729)	(14,209)
Subscriber prepayments	(940)	(3,310)
Other taxes payable	(3,989)	3,021
Advances received and other liabilities	3,885	(5,287)
Interest paid	(35,755)	(44,253)
Income tax paid	(16,748)	(11,411)
	84,063	65,443
NET CASH PROVIDED BY OPERATING ACTIVITIES	84,063	65,443

SISTEMA PJSFC AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 AND 2016 (CONTINUED)
(Amounts in millions of Russian roubles)

	Nine months ended September 30,	
	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchases of property, plant and equipment and investment property	(55,756)	(56,536)
Proceeds from sale of property, plant and equipment	6,457	3,229
Payments for purchases of intangible assets	(14,394)	(24,735)
Payments for businesses, net of cash acquired	(3,003)	(5,432)
Payments for investments in associates and joint ventures	(4,967)	(2,410)
Proceeds from sale of investments in affiliated companies	3,846	6,000
Payments for purchases of financial assets, long-term	(21,145)	(17,673)
Proceeds from sale of financial assets, long-term	8,501	5,140
Payments for financial assets, short-term	(42,796)	(20,679)
Proceeds from disposal of subsidiaries, net of cash disposed	811	-
Proceeds from sale of financial assets, short-term	27,867	82,784
Interest received	5,857	8,109
Other	-	1,504
NET CASH USED IN INVESTING ACTIVITIES	(88,722)	(20,699)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	160,875	60,063
Principal payments on borrowings	(112,810)	(123,558)
Debt issuance costs	(29)	-
Acquisition of non-controlling interests in existing subsidiaries	(13,350)	(9,979)
Payments to purchase treasury stock	(1,601)	(2,082)
Proceeds from capital transactions with non-controlling interests	13,544	15,158
Dividends paid	(24,301)	(21,200)
Cash outflow under credit guarantee agreement related to foreign-currency hedge	(1,766)	(2,032)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	20,562	(83,630)
Effect of foreign currency translation on cash and cash equivalents	(7,222)	(3,456)
Net increase/(decrease) in cash and cash equivalents	8,681	(42,342)
Cash and cash equivalents at the beginning of the period	60,190	122,775
Cash and cash equivalents at the end of the period	68,871	80,433

SISTEMA PJSFC AND SUBSIDIARIES
UNAUDITED SEGMENTAL BREAKDOWN FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 AND 2016
(Amounts in millions of Russian roubles)

	External revenues		Inter-segment revenue		Segment operating income	
	9m2017	9m2016	9m2017	9m2016	9m2017	9m2016
MTS	324,288	323,820	1,799	280	72,258	65,408
Detsky mir	66,649	54,226	-	-	4,342	3,462
RTI	26,062	30,374	91	44	(364)	973
MTS Bank	12,175	13,028	1,186	903	861	(493)
Corporate	1,374	1,373	674	835	(6,210)	(12,317)
Total reportable segments	430,548	422,821	3,750	2,062	70,887	57,033
Other	79,065	85,156	1,075	1,075	1,883	8,800
	509,613	507,977	4,825	3,137	72,770	65,834
Inter-segment eliminations					164	914
Operating income					72,934	66,747
Finance income					5,904	8,235
Finance costs					(38,481)	(44,300)
Foreign currency exchange gain					(123)	7,403
Profit before tax					40,234	38,085

	Capital expenditures		Depreciation and amortisation	
	9m2017	9m2016	9m2017	9m2016
MTS	48,716	60,406	60,294	61,192
Detsky mir	1,242	945	1,331	1,176
RTI	1,670	2,559	1,945	1,806
MTS Bank	365	186	418	544
Corporate	1,397	1,171	419	422
Other	16,761	16,004	8,475	7,228
	70,151	81,271	72,882	72,368

Attachment 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 2017</i>	<i>3Q 2016</i>	<i>9M 2017</i>	<i>9M 2016</i>
Operating income	29,515	24,937	72,934	66,747
Impairment of long-lived assets in Turkmenistan (MTS)	1,146		1,146	
Impairment of financial assets		4,634		4,634
Gain on acquisitions at Agroholding Steppe				-1,175
Gain on a penalty payment by a counterparty (Medsi)		-221		-221
Gain on investments at Medsi			-785	
Impairment of goodwill (subsidiary of Segezha Group)				241
Accruals related to LTI program at Detsky Mir	359		700	
Impairment of inventory			1,604	
Adjusted operating income	31,020	29,350	75,599	70,226
Depreciation and amortisation	24,606	25,398	72,882	72,368
Adjusted OIBDA	55,626	54,748	148,481	142,594

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

<i>RUB millions</i>	<i>3Q 2017</i>	<i>3Q 2016</i>	<i>9M 2017</i>	<i>9M 2016</i>
Profit attributable to Sistema	4,451	1,120	4,288	4,186
Impairment of long-lived assets in Turkmenistan (MTS)	573		573	
Gain on acquisitions at Agroholding Steppe				-1,175
Impairment of financial assets		4,634		4,634
Gain on a penalty payment by a counterparty (Medsi)		-221		-221
Gain on investments at Medsi			-785	
Impairment of goodwill (subsidiary of Segezha Group)				241
Accruals related to LTI program at Detsky Mir	149		315	
Impairment of inventory			1,283	
Adjusted profit attributable to Sistema	5,173	5,533	5,674	7,665

Net debt at the Corporate Centre level. We define net debt as indebtedness less cash, cash equivalents and other liquid deposits and financial instruments. The indebtedness is defined as long-term debt, including its current portion, and short-term debt. We believe that the presentation of net debt at the Corporate Centre level provides useful information to investors because we use this measure in our management of the Corporate Centre's liquidity, financial flexibility, capital structure and leverage. Net debt at the Corporate Centre level can be reconciled to the indebtedness of our Corporate segment as follows:

<i>RUB millions</i>	<i>3Q 2017</i>	<i>3Q 2016</i>
Indebtedness of the Corporate segment	119,892	99,267
Cash and cash equivalents	(15,731)	(8,598)
Liquid deposits and financial instruments	(4,703)	(10,088)
Net debt at the Corporate Centre level	99,458	80,581