



# IFRS Financial Results

1Q 2021

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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 2021 results.

To participate in the conference call, please dial:

**Russia**

+7 495 283 98 58

**UK**

+44 203 984 9844

**USA**

+1 718 866 4614

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**Sweden**

+46 10 551 30 20

**Conference ID: 657738**

**Link to webcast:** <https://mm.closir.com/slides?id=657738>

Or quote the conference call title: "Sistema First Quarter 2021 Financial Results".

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

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

Investor Relations  
Nikolay Minashin  
Tel.: +7 (495) 730 66 00  
n.minashin@sistema.ru

Public Relations  
Sergey Kopytov  
Tel.: +7 (495) 228 15 32  
kopytov@sistema.ru

**Moscow, Russia** – 15 June 2021 – Sistema PJSC (“Sistema”, the “Corporation”, or together with its subsidiaries and affiliates, the “Group”) (LSE: SSA, MOEX: AFKS), a Russian publicly traded investment company, today announces its unaudited consolidated financial results in accordance with International Financial Reporting Standards (IFRS) for the first quarter of 2021 (1Q 2021) ending 31 March 2021.

## KEY GROUP HIGHLIGHTS IN 1Q 2021 AND AFTER THE END OF THE REPORTING PERIOD

- ✓ **Segezha Group IPO.** In April 2021, Segezha Group completed an IPO on Moscow Exchange. The company raised RUB 30 billion, which will be used to finance its investment programme and optimise its debt portfolio. At the time of the IPO, the company's market capitalisation was RUB 125.5 billion, with a free float of 23.9%. The Corporation's stake is 72.0%<sup>1</sup>.
- ✓ **Development of the pharmaceutical business.** In February 2021, Sistema and its financial partner VTB contributed their 56.2% stake in OJSC Sintez to the equity of Binnopharm Group with the aim of creating a unified pharmaceutical holding. Concurrently, Sistema, VTB and a consortium of investors consisting of the Russia–China Investment Fund (a fund established by the Russian Direct Investment Fund and China Investment Corporation) and major Middle East funds (“the Consortium”) contributed an 85.6% stake in JSC Alium to the equity of Binnopharm Group. In March 2021, Sistema acquired a 32.4% stake in Sintez from JSC National Immunobiological Company, controlled by Rostec Corporation, and in May 2021 contributed this stake to the authorised capital of Binnopharm Group.
- ✓ **New dividend policy.** In May 2021, the Board of Directors approved a new dividend policy, according to which the Corporation will strive to pay dividends once a year in the amount of at least RUB 0.31 per share in 2021, RUB 0.41 per share in 2022 and RUB 0.52 per share in 2023. In addition to the basic dividend, the Board of Directors has recommended that, starting from 2022, Sistema distribute 10% of the absolute growth in its adjusted OIBDA for the previous year to shareholders in the event that the Corporation delivers absolute OIBDA growth of more than 5% for the previous year and that the net debt / OIBDA ratio does not exceed 3.0x as of the end of the preceding year.
- ✓ **Active debt capital markets programme.** In February 2021, the Corporation completed a secondary placement of series 001P-07 exchange-traded bonds. The Corporation repurchased RUB 2.8 billion in bonds out of the total of RUB 10 billion in the issue through a tender offer. All bonds repurchased during the tender offer the Corporation sold through a secondary placement at 99.55% of the nominal price. Also in February 2021, Sistema placed RUB 5 billion of series 001P-18 series and RUB 12.5 billion of series 001P-19 bonds with coupon rates of 6.90% per annum and 7.35% per annum, respectively. In April 2021, the Corporation placed RUB 10 billion of series 001P-20 bonds with a semi-annual coupon rate of 8.20% per annum.
- ✓ **Improved credit rating outlook.** In May 2021, S&P affirmed Sistema's rating at BB and revised its outlook upward to positive. The upgrade of S&P's outlook reflects the Corporation's success in increasing the share of liquid assets and growing the overall value of the portfolio as a result of the IPOs of Ozon and Segezha Group. S&P also noted the resilience of Sistema's diversified portfolio, which delivered impressive operational results in 2020 despite the global COVID-19 pandemic, as well as steady cash flows at the Corporate Centre level. The 'positive' outlook means that the rating may be upgraded over the next 12-18 months.
- ✓ **Sistema's stock buyback.** Launched on 17 September 2019, the programme provides for the repurchase of up to RUB 3.0 billion worth of the Corporation's ordinary shares by a wholly owned subsidiary of Sistema. The maximum number of shares to be repurchased under the Programme is capped at 300 million. As of 15 June 2021, 128.8 million shares had been repurchased for a total of RUB 1.9 billion.
- ✓ **MTS stock buyback.** In March 2021, Sistema, Sistema's wholly owned subsidiary Sistema Finance S.A. and LLC Sistema Telecom Assets concluded a sale and purchase agreement for shares and American depository shares of PJSC MTS as part of the new MTS share buyback programme totalling up to RUB 15 billion and running to 31 December 2021. Through the programme, in May 2021, Sistema's wholly owned subsidiary Sistema Finance S.A. sold 7,457,468 shares of PJSC MTS in the form of American depository shares for a total consideration of approximately RUB 2.368 billion to LLC Bastion, a wholly owned subsidiary of MTS. In June 2021 Sistema Finance S.A. sold 6,847,936 ordinary shares of MTS and 1,216,644 shares of MTS in the form of American depository shares to LLC Bastion, respectively, for the total amount of approximately RUB 2.648 billion. As of 04 June 2021, Sistema's effective stake in MTA amounted to 50.3023%

## PROGRESS IN ESG

- ✓ **New ESG policies approved.** In May 2021, Sistema's Board of Directors approved an Environmental Policy and a Human Rights Policy. These documents detail the Corporation's approach to sustainability management and set benchmarks for portfolio companies.

<sup>1</sup> Taking into account the partial exercise of the over-allotment option in connection with stabilisation procedure after the IPO of Segezha Group PJSC and the exercise of the option by Mikhail Shamolin, President of Segezha Group PJSC.

## 1Q 2021 FINANCIAL HIGHLIGHTS

- ✓ **Consolidated revenue grew by 8.4% year-on-year** to RUB 171.5 billion.
- ✓ **Adjusted OIBDA<sup>2</sup> increased** by 6.1% year-on-year to RUB 56.9 billion.
- ✓ **Adjusted OIBDA margin** was 33.2%.
- ✓ **Adjusted net loss attributable to Sistema was** RUB 2.4 billion.

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

"In the first quarter of 2021 Sistema accelerated growth of its financial indicators and increased revenue and adjusted OIBDA by 8% and 6% year-on-year, respectively. This growth was due to the strong results of our key consolidated portfolio companies. MTS demonstrated solid growth of its core business, despite lower revenue from international roaming, and achieved significant progress in developing an ecosystem of digital services. Our export-oriented assets Segezha Group and Agroholding Steppe delivered strong performance amid favourable macroeconomic conditions – recovery in demand from the construction industry and growth in global grain prices. Medsi achieved significant positive dynamics in revenue and OIBDA, driven by both routine medical care and services related to COVID-19.

"Our non-consolidated portfolio companies have also delivered strong performance. Ozon achieved 134.5% year-on-year growth in GMV on the back of significant increase in both the active customer base and order frequency. This was mainly thanks to the marketplace development supported by a four-fold year-on-year increase in the number of sellers. Binnopharm Group grew its revenue by 38% and increased OIBDA four-fold year-on-year thanks to higher sales in both hospital and retail segments, as well as successfully capturing synergies between the holding's businesses.

"We continue the transformation of our portfolio while making new sectors of the Russian economy accessible for Russian and international investors via IPOs of our portfolio companies. In April 2021, we completed the IPO of Segezha Group, as a result of which the company raised RUB 30 bln and achieved a market capitalisation of RUB 125.5 bln. The proceeds will allow the company to reduce debt leverage and implement a number of major investment projects which should significantly contribute to the scale of the business.

"Over recent months the Corporation has made significant process in developing its pharmaceuticals business, after combining stakes in our pharma assets into Binnopharm Group. We are continuing to scale the business, including through M&A transactions, as part of our strategy to create one of the country's leading pharmaceuticals producers. To achieve this Binnopharm Group may also raise external capital through a variety of instruments, including a potential IPO or debt placements.

"We strongly believe that the Corporation's success should translate into growth in dividend income for our shareholders. Under the new dividend policy adopted by the Board in May, we are offering fixed dividends which will be growing every year and total approximately RUB 3 billion in 2021, approximately RUB 4 billion in 2022 and approximately RUB 5 billion in 2023. Furthermore, starting from 2022 provided Sistema delivers strong financial results and maintains financial discipline, the Corporation will additionally distribute to shareholders 10% of the absolute growth of OIBDA<sup>3</sup> for the previous year."

<sup>2</sup> Here and hereinafter, see Appendix A of the financial results press release for 1Q 2021.

<sup>3</sup> Adjusted OIBDA calculated on the basis of the Corporation's consolidated IFRS financial statements.

## SISTEMA RESULTS REVIEW

(RUB mln)	1Q 2021	1Q 2020	Change
Revenue <sup>4</sup>	<b>171,536</b>	158,246	8.4%
Adj. OIBDA	<b>56,930</b>	53,654	6.1%
Operating profit	<b>25,384</b>	22,895	10.9%
Net (loss) attributable to Sistema	<b>(2,400)</b>	(10,214)	-
Adj. net (loss) attributable to Sistema	<b>(2,400)</b>	(9,409)	-

**Sistema's consolidated revenue increased by 8.4% year-on-year to RUB 171.5 billion**, driven by revenue growth at key assets: at MTS thanks to higher consumption of core telecommunications and financial services, increased sales of handsets and accessories, as well as the positive contribution of digital and cloud solutions for business and media products; at Segezha Group as a result of higher prices for sawn timber and plywood amid a recovery in demand from the construction industry, as well as the depreciation of the rouble; at Agroholding Steppe thanks to increased revenue in all key segments; and at Medsi thanks to a recovery in demand for routine medical care amid continued demand for services related to COVID-19.

**Group adjusted OIBDA<sup>5</sup> increased by 6.1% year-on-year to RUB 56.9 billion**, primarily due to increases in adjusted OIBDA at portfolio companies: at MTS following revenue growth, despite a significant decrease in revenues from international roaming; at Segezha Group stemming from higher prices for plywood and sawn timber, measures to contain production costs and a weaker rouble; at Steppe due to an effective commercial strategy for exports of its own and third-party agricultural

products, an increase in prices for wheat and corn prior to the imposition of export duties, as well as an increase in production and growth in the number of high-yielding dairy cows in the Dairy Farming segment; and at Medsi following revenue dynamics.

The year-on-year contraction in adjusted net loss was mainly due to growth in operating profit and the effect of the significant FX loss in the first quarter of 2020.

**Group SG&A costs** were nearly unchanged year-on-year. The Corporate Centre's SG&A increased due to the accrual of payments under the LTI programme, which had been suspended in 2018 and was reinstated in 2020.

**Group capex increased by 34.5% year-on-year to RUB 37.7 billion** as a result of an increase in investments at MTS in network development with a focus on expanding 4G capacity, as well as an increase in capex at Segezha Group. Investments were aimed at purchasing logging equipment, upgrading the Segezha Pulp and Paper Mill, introducing an SAP S/4HANA system and purchasing converting lines.

<sup>4</sup> Here and hereinafter results for 1Q 2020 are presented to reflect the divestiture of AGK Yuzhny.

<sup>5</sup> Group adjusted OIBDA for 1Q 2021 reflects the Group's share in the reduction of Ozon's net loss in the amount of RUB 0.1 billion (the net loss for 1Q 2021 was RUB 2.3 billion versus RUB 2.4 billion for 1Q 2020). As of 28 May 2021, 8.4 mln shares were issued to be used in Ozon's management incentive programme. In the event that all options under the programme are exercised, the effective share of Sistema, including Sistema VC, would amount to 32.4%.

## OVERVIEW OF PORTFOLIO COMPANIES

### MTS



#### LEADING TELECOMMUNICATIONS OPERATOR AND DIGITAL SERVICES PROVIDER IN RUSSIA

(RUB mln) <sup>6</sup>	1Q 2021	1Q 2020	Change
Revenue	<b>123,940</b>	117,475	5.5%
Adj. OIBDA	<b>55,425</b>	52,166	6.2%
Adj. OIBDA margin	<b>44.7%</b>	44.4%	0.3 p.p.
Operating profit	<b>28,640</b>	27,168	5.4%
Adj. net profit attributable to Sistema <sup>7</sup>	<b>8,090</b>	9,031	(10.4%)

In 1Q 2021, **MTS's revenue increased by 5.5% year-on-year** to RUB 123.9 billion, driven by increased consumption of the company's core telecommunications and financial services, increased sales of handsets and accessories, and positive contributions from digital and cloud solutions for business and media products.

In 1Q 2021, **adjusted OIBDA totalled RUB 55.4 billion, up 6.2% year-on-year** on the back of revenue growth, despite a significant reduction in revenue from international roaming.

**The adjusted OIBDA margin** in 1Q 2021 **was 44.7%**, an increase of 0.3 p.p. year-to-year.

In 1Q 2021, adjusted net profit decreased year-on-year due to the high base effect from the same period last year on account of FX revaluation. At the same time, net profit was supported by sustainable growth of the core business, the contribution of MTS Bank and lower financial expenses as a result of the optimisation of the debt portfolio amid declining interest rates.

**Capex.** In 1Q 2021, capex increased by 45.3% year-on-year to RUB 29.3 billion mainly due to increased investments in network development, with an emphasis on expanding 4G capacity.

#### OUTLOOK FOR 2021

For 2021 MTS forecasts revenue growth of no less than 4%, OIBDA growth of no less than 4% and capex of RUB 100–110 billion.

#### KEY HIGHLIGHTS IN 1Q 2021 AND AFTER THE END OF THE REPORTING PERIOD

**New streaming service.** In April 2021, MTS launched a new streaming service called KION. Its catalogue includes more than 200 TV channels and thousands of films, series, animated films and documentaries.

**High dividend payments.** In April 2021, MTS's Board of Directors recommended that the Annual General Meeting of Shareholders approve annual dividends in the amount of RUB 26.51 per ordinary share of MTS (RUB 53.02 per ADR).

**Stock buyback programme.** In March 2021, a programme was announced for the repurchase of up to RUB 15 billion worth of the company's shares by the end of 2021.

**Exchange-traded social bonds.** In March 2021, MTS placed RUB 4.5 billion worth of series 001P-18 exchange-traded social bonds on Moscow Exchange.

**Creation of an ESG Committee.** In March 2021, MTS announced the creation of a Board of Directors ESG Committee.

**Strong credit ratings.** In February 2021, NCR assigned MTS a rating of AAA.ru with a stable outlook – the agency's highest-possible assessment of creditworthiness. In March 2021, Expert RA upgraded MTS Bank's credit rating to ruA- with a stable outlook, taking into account the Bank's growing role in MTS's digital ecosystem.

<sup>6</sup> MTS's results are presented including the divestment of Envision Group in 4Q 2020. Results for 2020 have been restated due to the divestment of Envision Group.

<sup>7</sup> Here and hereinafter net profit is presented as the share attributable to Sistema.

## SEGEZHA GROUP

### LEADING RUSSIAN VERTICALLY INTEGRATED FORESTRY HOLDING

(RUB mln)	1Q 2021	1Q 2020	Change
Revenue	<b>18,217</b>	14,332	27.1%
OIBDA	<b>5,028</b>	2,627	91.4%
OIBDA margin	<b>27.6%</b>	18.3%	9.3 p.p.
Operating profit	<b>3,388</b>	1,091	210.4%
Net profit/(loss) attributable to Sistema	<b>2,361</b>	(5,221)	-

**Segezha Group's revenue saw a significant increase of 27.1% year-on-year** to RUB 18.2 billion in 1Q 2021, mainly due to higher prices for sawn timber and plywood amid recovery in demand from the construction industry. Increases in average exchange rates – 22.7% for EUR and 12.2% for USD – had a considerable impact on positive revenue dynamics in the reporting period.

**Segezha Group's OIBDA increased by 91.4% year-on-year** in 1Q 2021 to RUB 5.0 billion mainly due to higher prices for plywood and sawn timber. The depreciation of the rouble and measures taken to constrain growth in production costs also had a considerable impact on OIBDA growth.

**The OIBDA margin increased by 9.3 p.p. year-on-year** to 27.6% in 1Q 2021.

**Net profit was RUB 2.4 billion** in 1Q 2021, compared with a loss of RUB 5.2 billion a year earlier. This result was achieved on the back of OIBDA growth and due to the effect of revaluation of the company's FX-denominated debt.

Capex amounted to RUB 3.9 billion<sup>8</sup> in 1Q 2021. Investments were aimed at purchasing logging equipment, upgrading the Segezha Pulp and Paper Mill, introducing an SAP S/4HANA system and purchasing converting lines.

**Paper production** decreased by 9.7% year-on-year to 89.6<sup>9</sup> thousand tonnes in 1Q 2021 mainly due to renovations at the Segezha Pulp and Paper Mill. Paper sales volumes decreased by 22.1% to 51.7 thousand tonnes following a decline in production volumes in the reporting period and due to high opening inventories at the beginning of 2020.

In 1Q 2021, Segezha Group sold 305.4<sup>10</sup> million **paper sacks**, a 2.6% year-on-year decrease in sales volumes. Carry-over of some shipments from 1Q to 2Q at Russian facilities exerted pressure on sales volumes. The lower sales figure for the Russian market was partially offset by higher shipments at the Group's European facilities on the back of restored demand from the construction industry, which led to increased sales of sacks for cement. **Production volume rose 1.6% year-on-year to 339.6 million units** thanks to sales growth at Western assets.

**Plywood production** totalled 49.8 thousand cubic metres in 1Q 2021, unchanged from a year earlier. Sales volumes in the reporting period totalled 47.2 thousand cubic metres, down 3.4% year-on-year due to higher inventories in the corresponding period last year. Revenue from the sale of plywood increased due to higher prices and an increased share of sales of high-margin products. Global price growth has been driven mainly by pent-up demand from the construction industry.

**Sawn timber production** decreased by 9.2% year-on-year to 241.7 thousand cubic metres in 1Q 2021, mainly due to the reallocation of a larger volume of marketable sawn timber at the Sokolsky PPM for the production of glulam products and CLT panels. At the same time, sawn timber sales volumes decreased by only 0.7% in the reporting period thanks to the sale of existing inventories. Global sawn timber prices continued to rise mainly due to pent-up demand from the construction industry.

### KEY HIGHLIGHTS IN 1Q 2021 AND AFTER THE END OF THE REPORTING PERIOD

**Launch of a new CLT plant.** In February 2021, the first plant in Russia for the production of CLT panels, with an annual capacity of 50 thousand cubic metres, was commissioned in the town of Sokol in the Vologda region.

**ESG progress.** In March 2021, Segezha Group joined the UN Global Compact and signed an agreement with WWF Russia on the conservation of old-growth forests in the Arkhangelsk region.

In April 2021, Segezha Group adopted a new sustainability strategy and policy. The strategy focuses on four key areas: an innovative forestry business, making Russia's forest regions a better place to live, climate-focused forest management and production, and a responsible forest supply chain.

<sup>8</sup> Capex are presented excluding M&A

<sup>9</sup> Approximately 29.1% of paper produced was supplied to Segezha Group's own converting facilities to produce paper packaging.

<sup>10</sup> Including 18.8 million consumer paper bags.

**IPO.** In April 2021, Segezha Group completed an IPO on Moscow Exchange, attracting a wide range of institutional investors from across Europe, the United Kingdom, the United States and Asia, along with a sizeable number of both institutional and retail investors from Russia. The Company raised RUB 30 billion as a result. Upon completion of the IPO, Segezha Group's free float was 23.9%. Sistema's stake amounts to 72.0%<sup>11</sup>. Segezha Group's shares are included in Moscow Exchange's Level 1 quotation list.

**New dividend policy.** In April 2021, Segezha Group's Board of Directors approved an updated dividend policy, according to which the company will strive to pay dividends at least once a year. Segezha Group intends to pay out dividends in an amount ranging from RUB 3 billion to RUB 5.5 billion every year from 2021 to 2023. Starting from 2024, the distribution of dividends is expected to be based on adjusted free cash flow.

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<sup>11</sup> Taking into account the partial exercise of the over-allotment option in connection with stabilisation procedure after the IPO of Segezha Group PJSC and the exercise of the option by Mikhail Shamolin, President of Segezha Group PJSC.



## AGROHOLDING STEPPE

### ONE OF RUSSIA'S LARGEST AGRICULTURE HOLDINGS AND LANDOWNERS

(RUB mln) <sup>12</sup>	1Q 2021	1Q 2020	Change
Revenue	<b>6,751</b>	4,836	39.6%
OIBDA	<b>1,197</b>	724	65.4%
OIBDA margin	<b>17.7%</b>	15.0%	2.8 p.p.
Operating profit	<b>892</b>	478	86.7%
Net profit attributable to Sistema	<b>299</b>	122	145.3%

**Steppe's revenue** for 1Q 2021 **increased by 39.6% year-on-year to RUB 6.8 billion** mainly due to increased revenue in the Field Crops and Agrot trading segments, thanks to the sale of stocks carried over from last year's crop, an increase in agricultural exports and higher global grain prices, positive dynamics in the Dairy Farming segment as a result of an increase in gross milk yield, as well as revenue growth in the Sugar and Grocery Trading segment.

In 1Q 2021, **OIBDA increased by 65.4% year-on-year to RUB 1.2 billion** mainly due to the execution of an effective trading strategy for the export sale of the company's own and third-party agricultural products, an increase in prices for wheat and corn ahead of the introduction of export duties, as well as an increase in production and in the number of high-yielding dairy cows in the Dairy Farming segment.

**The OIBDA margin** in 1Q 2021 **increased by 2.7 p.p. year-on-year to 17.7%**.

In 1Q 2021, Steppe's **net profit** increased by 145.3% year-on-year to RUB 0.3 billion, mainly on the back of OIBDA dynamics.

**Steppe's capex** in 1Q 2021 totalled RUB 0.8 billion and was allocated primarily for infrastructure improvements, as well as construction, upgrades to dairy farms and the buy-out of land shares.

**Net debt** in 1Q 2021 increased by 17% year-on-year, driven by investments made in 2020.

**Steppe's land bank** as of the end of the reporting period stood at **566,000 hectares, making the company one of the six largest landowners in Russia**. The company has been gradually increasing its land bank through the consolidation of neighbouring land assets.

**The average export selling price for wheat increased by 14% year-on-year** in 1Q 2021.

**The operating performance of the Dairy Farming segment demonstrated solid growth:** in 1Q 2021, gross milk yield totalled about 20 thousand tonnes, an increase of 14.6% year-on-year, and the dairy herd reached 7,043 head as of the end of the reporting period. The average daily milk production per cow in 1Q 2021 was 31.7 kg.

**Sales volume in the Agrot trading segment** since the start of the 2020/2021 season totalled 1,206 thousand tonnes, an increase of 9.4% year-on-year. An increase in export volumes and the execution of an effective sales strategy enabled the segment's strong financial performance.

**Sales volumes in the Sugar and Grocery Trading segment** in 1Q 2021 totalled 57 thousand tonnes. There is steady demand for sugar and grocery products, which had a positive impact on the segment's financial performance.

<sup>12</sup> RZ Agro is accounted for as an investment in a joint venture in Agroholding Steppe's IFRS financial statements. Agroholding Steppe's financial results reflect the divestiture of AGK Yuzhny in May 2020.

## MEDSI

### LEADING PRIVATE HEALTHCARE OPERATOR IN RUSSIA



(RUB mln)	1Q 2021	1Q 2020	Change
Revenue	<b>7,240</b>	5,902	22.7%
Adj. OIBDA <sup>13</sup>	<b>1,391</b>	1,117	24.5%
Adj. OIBDA margin <sup>13</sup>	<b>19.2%</b>	18.9%	0.3 p.p.
Operating profit	<b>630</b>	624	0.9%
Adj. net profit attributable to Sistema <sup>13</sup>	<b>495</b>	333	48.6%

**Medsi's revenue grew by 22.7% year-on-year to RUB 7.2 billion** in 1Q 2021 due to the recovery in demand for routine medical care amid continuing demand for COVID-19-related services, including testing, chest CT scans and the services of the infectious diseases department in Otradnoe, and also thanks to developments in in-home care and telemedicine.

**Adjusted OIBDA increased by 24.5% year-on-year to RUB 1.4 billion** in 1Q 2021, following revenue. At the same time, the net debt / adjusted LTM OIBDA ratio remained at a comfortable level of 1.0x. Participation in the Nebo residential development project contributed RUB 0.1 billion to adjusted OIBDA.

In 1Q 2021, **the adjusted OIBDA margin increased by 0.3 p.p. year-on-year** to 19.2%.

**Adjusted net profit grew 48.6% year-on-year** to RUB 0.5 billion mainly due to dynamics in adjusted OIBDA.

**Revenue from the Clinical Diagnostic Centre (CDC) at Belorusskaya** in 1Q 2021 **totalled RUB 855 mln.** OIBDA reached RUB 332 million, with an OIBDA margin of 39%.

**Revenue from the CDC at Krasnaya Presnya** in 1Q 2021 **totalled RUB 936 mln.** OIBDA reached RUB 286 million, with an OIBDA margin of 31%.

**Utilisation** grew in 1Q 2021 **by 6 p.p. year-on-year up to 54% for outpatient facilities and by 9 p.p. year-on-year to 96% for in-patient facilities** due to the recovery of activity levels for routine medical care while maintaining additional revenue from COVID-19 diagnostics and treatment.

**The average cheque** grew by 7.5% year-on-year to RUB 3,000 in 1Q 2021 due to an increase in the share of cost-intensive services in the outpatient segment for COVID-19 diagnostics as well as the higher average cheque for COVID-19 treatment at the Otradnoe hospital.

**Floor space increased** by 2.4% year-on-year to 215.7 thousand square metres in 1Q 2021 as a result of the opening of new clinics in Moscow.

#### KEY HIGHLIGHTS IN 1Q 2021 AND AFTER THE END OF THE REPORTING PERIOD

**Increase in self-sufficiency.** A project is being rolled out **to centralise laboratory testing** and substitute outsourcing. This focus on meeting diagnostic standards will lead to an increase in laboratory revenue.

**Network expansion.** Construction of **a new multifunctional centre on Michurinsky Prospekt, with more than 34,000 square metres** of floor space, is nearing completion, with the opening planned for 1H 2022. The medical centre will include a CDC for children and adults, a daytime in-patient clinic, and a 24-hour in-patient clinic with a centre for high-tech surgery.

In May 2021, a **CDC in Shchelkovo, Moscow region**, was launched with 3,633 square metres of floor space.

**Brisk growth in downloads of the SmartMed telemedicine app** and use of digital services. The number of appointments made through the app, excluding instrumental and laboratory diagnostics, now exceeds appointments made through all other channels. In 1Q 2021, the number of telemedicine consultations increased four-fold year-on-year.

**Air ambulance service.** Medsi, together with one of Russia's largest air ambulance operators, Russian Helicopter Systems, is launching an air ambulance service for patients from several regions of the Russian Federation, including the Moscow region, to the company's clinics.

<sup>13</sup> Adjusted for allocations related to the LTI programme and for the effect of the acquisition of the Izhevsk clinic.

## BUSINESS NEDVIZHIMOST

### RENTAL ASSETS WITH A UNIQUE POOL OF PROPERTIES

<i>(RUB mln)</i>	1Q 2021	1Q 2020	Change
Revenue	926	988	(6.3%)
OIBDA	295	272	8.3%
OIBDA margin	31.8%	27.5%	4.3 p.p.
Operating profit	169	155	9.2%
Net profit attributable to Sistema	46	188	(75.3%)

**Revenue at Business Nedvizhimost** in 1Q 2021 decreased by 6.3% year-on-year mainly due to a change in the structure of sales revenue, namely: in 1Q 2020, the company sold land plots located both in the Moscow region and in Moscow (Serebryany Bor), but land plots were sold only in the Moscow region in 1Q 2021.

In 1Q 2021, **OIBDA increased by 8.3% year-on-year** to RUB 0.3 billion, resulting in a **4.3 p.p. increase in the OIBDA margin**. This growth was the result of cost optimisation.

**Year-on-year net profit dynamics at Business Nedvizhimost** in 1Q 2021 were the result of the high base effect in 1Q 2020 due to non-monetary factors.

### KEY HIGHLIGHTS IN 1Q 2021 AND AFTER THE END OF THE REPORTING PERIOD

**Territoria project.** Business Nedvizhimost is continuing the active development of a network of co-working spaces at ATS buildings acquired from MGTS. This project will offer potential clients a network of contemporary, comfortable and high-tech flexible offices located both in the centre of Moscow and in densely populated residential areas outside the centre. Co-working members can choose the most suitable location for their business or remain mobile and move among facilities in the network. In addition, the company is working on new service concepts to make more efficient use of the company's assets and promote the Business Nedvizhimost brand.

## BPGC



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

(RUB mln)	1Q 2021	1Q 2020	Change
Revenue	<b>5,232</b>	5,841	(10.4%)
OIBDA	<b>974</b>	1,910	(49.0%)
OIBDA margin	<b>18.6%</b>	32.7%	(14.1 p.p.)
Operating profit	<b>264</b>	1,210	(78.2%)
Net profit attributable to Sistema	<b>180</b>	886	(79.7%)

**Revenue at BPGC** in 1Q 2021 decreased by 10.4% year-on-year to RUB 5.2 billion as a result of a decrease in power supply volumes and net supply of electricity due to usage reductions in the oil sector on the back of the OPEC+ agreement.

In 1Q 2021, **OIBDA** amounted to **RUB 1.0 billion**. The year-on-year decrease resulted from lower revenue and higher costs, including payments for Federal Grid Company (FGC) services, as well as payments for technical losses.

**The OIBDA margin was 18.6%** in 1Q 2021.

BPGC's **net profit** declined in 1Q 2021 on the back of the lower OIBDA and a reduction in finance income.

#### KEY HIGHLIGHTS IN 1Q 2021 AND AFTER THE END OF THE REPORTING PERIOD

**ESG progress.** In March 2021, BPGC was placed in the highest category in the environmental efficiency rating compiled by ERA for 2020. This result testifies to the company's transparency, operational improvements in terms of quality and environmental performance, as well as the efficient use of resources to achieve these results.

**Infrastructure expansion.** Construction of the 110/10 kW Romanovka substation continues; the substation will provide electricity to household and industrial consumers in the Demsky district of Ufa and the Ufimsky district of Bashkortostan, including large residential complexes. Completion of construction and commissioning of the power plant is scheduled for the end of 2021.

## COSMOS HOTEL GROUP<sup>14</sup>

### ONE OF RUSSIA'S LEADING HOTEL MANAGEMENT COMPANIES

(RUB mln)	1Q 2021	1Q 2020	Change
Revenue	644	811	(20.7%)
Adj. OIBDA	(66)	24	-
Adj. OIBDA margin	(10.2%)	2.9%	(13.2) p.p.
Operating loss	(238)	(1,261)	-
Adj. net loss attributable to Sistema	(323)	(428)	-

**Revenue at Cosmos Hotel Group amounted to RUB 0.6 billion** in 1Q 2021, a year-on-year decrease due to the continued restrictions and operating challenges in the tourism and hospitality industries amid the COVID-19 pandemic, while hotels operated under normal conditions in 1Q 2020.

**Adjusted OIBDA** declined in 1Q 2021 on the back of the drop in revenue, despite the fact that hotels continued to implement austerity measures to minimise losses during the pandemic.

**The adjusted net loss** was the result of negative adjusted OIBDA dynamics.

**The share of revenue from hotels outside Russia** in 1Q 2021 was 3.5%, versus 15.4% in 1Q 2020, as hotels outside Russia were not permitted to operate and were thus closed during this period.

**ADR<sup>15</sup>** for the Group's hotel portfolio in 1Q 2021 decreased by 13.8% year-on-year to RUB 3.0 thousand.

**RevPAR<sup>16</sup>** across the hotel portfolio declined by 2.8% from RUB 1,500 to RUB 1,400 on the back of a dramatic decrease in occupancy. Russian hotels managed to show growth of 27% year-on-year thanks to the lifting of some restrictions on domestic tourism.

**Average occupancy** in 1Q 2021 increased by 5.5 p.p. to 48.3% thanks to positive dynamics in the Russian segment. Some international destinations remained closed to Russian citizens, which drove an increase in domestic tourism.

### KEY HIGHLIGHTS IN 1Q 2021 AND AFTER THE END OF THE REPORTING PERIOD

**Vaccination tours.** In April 2021, Cosmos Travel, an online platform for foreign tourists booking travel to Russia and part of Cosmos Hotel Group, launched COVID-19 vaccination packages for Russians living abroad. Medsi Group is a programme partner.

In May 2021, Cosmos Hotel Group **signed an agreement to operate Hilton Garden Inn**, located at 2-4 Kozhevnickeskaya St in Moscow. The opening of the hotel is scheduled for November 2021. Hilton Garden Inn Moscow Paveletskaya will be a 4\* hotel with 237 comfortable modern rooms. It will become the fifth hotel of Cosmos Hotel Group in Moscow. This is the first hotel which is part of an international chain which will be operated by Cosmos Hotel Group but not owned by the company, in line with Cosmos Hotel Group's current strategy aimed at creating the leading hotel chain in Russia.

<sup>14</sup> Based on management accounts.

<sup>15</sup> Average daily rate.

<sup>16</sup> Revenue per available room per day.

## CORPORATE CENTRE

<i>(RUB mln)</i>	<b>1Q 2021</b>	<b>1Q 2020</b>	<b>Change</b>
Adj. OIBDA	<b>(5,000)</b>	4,198	-
Adj. net (loss)	<b>(9,324)</b>	(11,793)	-
Corporate Centre's financial liabilities <sup>17</sup>	<b>207,874</b>	<b>207,808</b>	0.0%

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

In 1Q 2021<sup>18</sup>, the Group's SG&A to revenue ratio decreased year-on-year from 19.2% to 18.0%. SG&A to revenue across most assets declined in the first quarter year-on-year due to a focus on operational efficiency. The Corporate Centre's SG&A increased as a result of accruals for the LTI programme.

The Corporate Centre's financial liabilities remained unchanged year-on-year. As of 31 March 2021, RUB-denominated bonds accounted for 69% of the Corporate Centre's financial liabilities.

In March 2021, LLC Megapolis-Invest ("Megapolis-Invest"), jointly controlled by the Group (75.86%) and LLC Sberbank Investments ("SberInvest") (24.14%), acquired an additional 29.64% stake in JSC Electroavod from a private investor for RUB 5.8 billion, which was provided to Megapolis-Invest in the form of a loan by SberInvest, thus giving Megapolis-Invest a 94.01% stake in JSC Electroavod.

Earlier, in December 2020, Megapolis-Invest had acquired a 64.37% stake in JSC Electroavod and a 100% stake in LLC Elektrokombinat ("Elektrozavod Group") from a group of private investors for RUB 24.7 billion.

Elektrozavod Group includes transformer equipment production facilities in Moscow and Ufa, maintenance divisions, research and design institutes, an engineering centre and land plots totalling 19 hectares near the Elektrozavodskaya metro station in Moscow.

In May 2021, Sistema, through its wholly-owned subsidiary Capgrowth Investments Limited, participated in portfolio company Etalon Group's rights offering for newly issued ordinary shares to existing holders of Etalon Group equity securities (the "Rights Offering") pro rata to Capgrowth's share in the capital of Etalon Group PLC (25.6%). Capgrowth subscribed for 22,632,806 shares of Etalon Group at the price of USD 1.7 per ordinary share.

Sistema also executed with JSC Alfa Bank a non-deliverable swap agreement passing through economic, but not voting, rights with respect to Etalon Group's global depository receipts ("GDRs") (the "Swap Agreement"), under which the Alfa Bank intends to acquire in aggregate up to 20% of Etalon Group's capital in the form of GDRs via their acquisition from existing shareholders of Etalon Group (including Capgrowth) as well as via participation of Alfa Bank in Etalon Group's rump offering of GDRs which took place on 13 May 2021, following the Rights Offering. The term of the Swap Agreement is 30 months, subject to early termination events set out in the Swap Agreement.

Along with the Swap Agreement, an Option Agreement has been entered into between Alfa Bank and Capgrowth under which (i) Capgrowth has the right to purchase all GDRs acquired by Alfa Bank pursuant to the Swap Agreement (the "Call Option") and (ii) should Capgrowth not exercise the Call Option, Alfa Bank has the right to sell all such GDRs to a third party and, further, in the absence of an interested purchaser, to Capgrowth, in each case within the periods and on the terms and conditions set out in the Option Agreement.

In June 2021, Capgrowth increased its stake in Etalon Group from 25.6% to 29.8% as a result of acquisition of shares from minority investors.

<sup>17</sup> Here and hereinafter the Corporate Centre's financial liabilities are presented based on management accounts.

<sup>18</sup> Based on management accounts.

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

Investor Relations  
Nikolay Minashin  
Tel.: +7 (495) 730 66 00  
[n.minashin@sistema.ru](mailto:n.minashin@sistema.ru)

Public Relations  
Sergey Kopytov  
Tel.: +7 (495) 228 15 32  
[kopytov@sistema.ru](mailto:kopytov@sistema.ru)

**Sistema PJSC is a publicly traded diversified Russian holding company serving over 150 million customers in the sectors of telecommunications, high technology, financial services, retail, paper and packaging, agriculture, real estate, tourism and medical services. The company was founded in 1993. Revenue in 2020 was RUB 691.6 billion; total assets equalled RUB 1.4 trillion as of 31 December 2020. Sistema's global depositary receipts are listed under the "SSA" ticker on the London Stock Exchange. Sistema's ordinary shares are listed under the "AFKS" ticker on the Moscow Exchange. Website: [www.sistema.ru](http://www.sistema.ru).**

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

*Some of the information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of Sistema. You can identify forward-looking statements by terms such as "expect", "believe", "anticipate", "estimate", "intend", "will", "could", "may" or "might", the negative of such terms or other similar expressions. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. In addition, there is no assurance that the new contracts entered into by our subsidiaries referenced above will be completed on the terms contained therein or at all. We do not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, general economic conditions, our competitive environment, risks associated with operating in Russia, rapid technological and market change in our industries, impact of COVID-19 pandemic on macroeconomic situation in the markets of presence and financial results of Sistema and its subsidiaries and associates, as well as many other risks specifically related to Sistema and its operations.*

**SISTEMA PJSFC AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020**  
**(Amounts in millions of Russian roubles, except for per share amounts)**

	<b>Three months ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Revenue	171 536	158 246
Cost of sales	(83 264)	(71 565)
Selling, general and administrative expenses	(30 828)	(30 381)
Depreciation and amortisation	(31 546)	(29 761)
Impairment of long-lived assets	(106)	(1 502)
Impairment of financial assets	(594)	234
Taxes other than income tax	(1 197)	(1 086)
Share of the profit or (loss) of associates and joint ventures	(969)	(1 546)
Other income	2 764	1 804
Other expenses	(412)	(1 548)
<b>OPERATING INCOME</b>	<b>25 384</b>	<b>22 895</b>
Finance income	1 325	1 098
Finance costs	(15 795)	(17 525)
Currency exchange (loss)/gain	504	(11 540)
Change in fair value of financial instruments	366	7 660
<b>PROFIT BEFORE TAX</b>	<b>11 784</b>	<b>2 588</b>
Income tax expense	(6 142)	(4 728)
<b>Profit/(loss) from continuing operations</b>	<b>5 642</b>	<b>(2 140)</b>
Profit from discontinued operations	145	663
<b>Net profit for the year</b>	<b>5 787</b>	<b>(1 477)</b>
<b>Attributable to:</b>		
Shareholders of Sistema JSFC	(2 400)	(10 214)
Non-controlling interests	8 187	8 737
	<b>5 787</b>	<b>(1 477)</b>
<b>Profit/(loss) per share (basic and diluted), in Russian Rubles:</b>		
From continuing operations	(0,26)	(1,14)
From continuing and discontinued operations	(0,25)	(1,09)



**SISTEMA PJSFC AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF MARCH 31, 2021 AND DECEMBER 31, 2020**  
*(Amounts in millions of Russian roubles)*

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
<b>ASSETS</b>		
NON-CURRENT ASSETS:		
Property, plant and equipment	432 439	427 311
Investment property	11 892	12 649
Goodwill	57 238	57 204
Other intangible assets	98 746	99 749
Right-of-use asset	154 590	153 103
Investments in associates and joint ventures	79 318	73 856
Deferred tax assets	41 969	41 402
Other financial assets	167 641	158 629
Deposits in banks	7	22
Other assets	25 460	22 916
Total non-current assets	<u>1 069 300</u>	<u>1 046 841</u>
CURRENT ASSETS:		
Inventories	52 711	46 449
Contract asset	6 441	6 306
Accounts receivable	63 590	56 458
Advances paid and prepaid expenses	17 056	15 302
Current income tax assets	4 597	5 449
Other taxes receivable	18 728	17 636
Other financial assets	108 594	104 573
Deposits in banks	1 616	1 755
Restricted cash	3 617	4 310
Cash and cash equivalents	93 950	113 693
Other assets	1 448	2 544
Total current assets	<u>372 348</u>	<u>374 475</u>
<b>TOTAL ASSETS</b>	<b><u>1 441 648</u></b>	<b><u>1 421 316</u></b>

**SISTEMA PJSC AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF MARCH 31, 2021 AND DECEMBER 31, 2020 (CONTINUED)**  
*(Amounts in millions of Russian roubles)*

	<b>March 31,</b>	<b>December 31,</b>
	<b>2021</b>	<b>2020</b>
<b>LIABILITIES AND EQUITY</b>		
EQUITY:		
Share capital	869	869
Treasury shares	(3 017)	(3 029)
Additional paid-in capital	74 898	75 279
Accumulated loss	(29 424)	(27 025)
Accumulated other comprehensive income	17 858	18 753
Equity attributable to shareholders of Sistema JSFC	61 184	64 847
Non-controlling interests	31 857	22 482
<b>TOTAL EQUITY</b>	<b>93 041</b>	<b>87 329</b>
NON-CURRENT LIABILITIES:		
Loans and borrowings	648 489	640 570
Lease liabilities	149 046	147 803
Bank deposits and liabilities	5 996	4 199
Deferred tax liabilities	35 532	34 769
Provisions	7 373	7 388
Other financial liabilities	6 161	3 745
Other liabilities	8 224	6 774
Total non-current liabilities	860 821	845 248
CURRENT LIABILITIES:		
Loans and borrowings	88 370	83 391
Lease liabilities	19 763	17 772
Accounts payable	95 756	102 148
Bank deposits and liabilities	187 961	195 346
Income tax payable	1 126	1 029
Other taxes payable	16 753	15 540
Dividends payable	3 325	3 325
Provisions	17 888	16 612
Contract liabilities and other liabilities	50 588	49 844
Other financial liabilities	6 256	3 732
Total current liabilities	487 786	488 739
<b>TOTAL LIABILITIES</b>	<b>1 348 607</b>	<b>1 333 987</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1 441 648</b>	<b>1 421 316</b>

**SISTEMA PJSFC AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020**  
*(Amounts in millions of Russian roubles)*

	<b>Three months ended March 31</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net profit for the year	5 787	(1 477)
Adjustments for:		
Depreciation and amortization	31 546	29 875
Share of the profit of associates and joint ventures, net	969	1 546
Finance income	(1 325)	(1 106)
Finance costs	15 795	17 553
Income tax expense	6 142	4 720
Currency exchange loss/(gain)	(422)	11 541
Gain from discontinued operations	(145)	-
Change in the fair value of financial instruments	(221)	(7 660)
Profit on disposal of property, plant and equipment	(617)	(232)
Expected credit losses allowance on loans to customers	2 149	2 043
Non-cash compensation to employees	960	307
Impairment of long-lived assets	106	1 554
Impairment loss from write-offs of financial assets	594	(195)
Other non-cash items	(430)	849
	<u>60 888</u>	<u>59 318</u>
Movements in working capital:		
Bank loans to customers and interbank loans due from banks	(14 631)	(9 535)
Bank deposits and liabilities	(5 875)	(5 611)
Restricted cash	519	686
Financial assets at fair value through profit or loss	(544)	4 698
Accounts receivable and contract assets	(7 233)	(293)
Advances paid	(1 770)	(109)
Other taxes receivable	(1 110)	(289)
Inventories	(6 852)	(3 869)
Accounts payable	6 824	548
Subscriber prepayments	(397)	(388)
Other taxes payable	1 213	1 341
Advances received and other liabilities	4 606	3 878
Interest paid	(18 231)	(15 331)
Income tax paid	(5 149)	(7 744)
Dividends received from associates and joint ventures	703	266
	<u>12 961</u>	<u>27 566</u>
<b>Net cash provided by operating activities</b>	<b>12 961</b>	<b>27 566</b>



**SISTEMA PJSFC AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020 (CONTINUED)**  
*(Amounts in millions of Russian roubles)*

	<b>Three months ended March 31</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for purchases of property, plant and equipment	(25 985)	(21 878)
Proceeds from sale of subsidiaries, net of cash	1 336	(38)
Proceeds from sale of property, plant and equipment	2 464	782
Payments to obtain and fulfill contracts	(1 349)	(1 188)
Payments for purchases of intangible assets	(11 764)	(6 197)
Payments for businesses, net of cash acquired	(2 489)	(1 461)
Payments for investments in associates and joint ventures	(3 086)	(1 419)
Payments for purchases of financial assets, long-term	(5 659)	(5 509)
Proceeds from sale of financial assets, long-term	2 026	2 306
Payments for financial assets, short-term	(268)	(2 114)
Proceeds from sale of financial assets, short-term	2 867	815
Interest received	1 783	680
Other	97	(402)
<b>Net cash used in investing activities</b>	<b>(40 027)</b>	<b>(35 623)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from borrowings	41 172	163 763
Principal payments of loans and borrowings	(28 778)	(73 512)
Lease liabilities payments	(4 830)	(4 196)
Acquisition of non-controlling interests in existing subsidiaries	(600)	-
Proceeds from capital transactions with non-controlling interests	336	51
Dividends paid	-	(11 171)
Debt issuance costs	(123)	(25)
<b>Net cash provided/(used in) by financing activities</b>	<b>7 177</b>	<b>74 910</b>
Effect of foreign currency translation on cash and cash equivalents	146	1 020
<b>Net decrease/increase in cash and cash equivalents</b>	<b>(19 743)</b>	<b>67 873</b>
Cash and cash equivalents at the beginning of the period	113 693	63 669
Cash and cash equivalents at the end of the period	93 950	131 542

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

**Adjusted OIBDA, operating 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 2021</b>	<b>1Q 2020</b>
<b>Operating income</b>	<b>25 384</b>	<b>22 895</b>
Accruals related to LTI program at portfolio companies	-	19
Impairment of hospitality assets	-	1 109
Impairment of non-current assets (MTS)	-	319
Other non-recurring income, net	-	(450)
<b>Adjusted operating income</b>	<b>25 384</b>	<b>23 893</b>
Depreciation and amortisation	31 546	29 761
<b>Adjusted OIBDA</b>	<b>56 930</b>	<b>53 654</b>

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

<i>RUB millions</i>	<b>1Q 2021</b>	<b>1Q 2020</b>
<b>Net loss attributable to Sistema</b>	<b>(2 400)</b>	<b>(10 214)</b>
Accruals related to LTI program at portfolio companies	-	18
Impairment of hospitality assets	-	975
Impairment of non-current assets (MTS)	-	160
Other non-recurring income, net	-	(348)
<b>Adjusted net loss attributable to Sistema</b>	<b>(2 400)</b>	<b>(9 409)</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 the Russian Federation. 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>31 March 2021</b>	<b>31 December 2020</b>
Long-term borrowings	648 489	640 570
Short-term borrowings	88 370	83 391
<b>Total borrowings</b>	<b>736 859</b>	<b>723 961</b>
Consolidated finance lease	18 864 <sup>2</sup>	18 507 <sup>3</sup>
<b>Consolidated total debt</b>	<b>755 723</b>	<b>742 468</b>
Cash and cash equivalents	(93 950)	(113 693)
Deposits in banks	(1 623)	(1 777)
<b>Consolidated net debt</b>	<b>660 150</b>	<b>626 998</b>

<sup>1</sup> In accordance with the standard IAS 17

<sup>2</sup> Including RUB 1,520 million of short-term finance lease

<sup>3</sup> Including RUB 1,572 million of short-term finance lease