



JOINT-STOCK FINANCIAL CORPORATION

**SISTEMA**

# **Sistema PJSFC Financial Results 2Q 2016**

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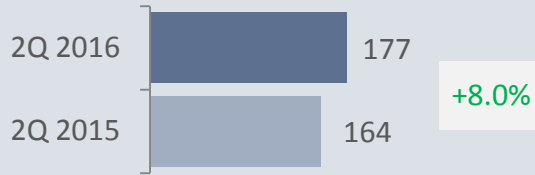
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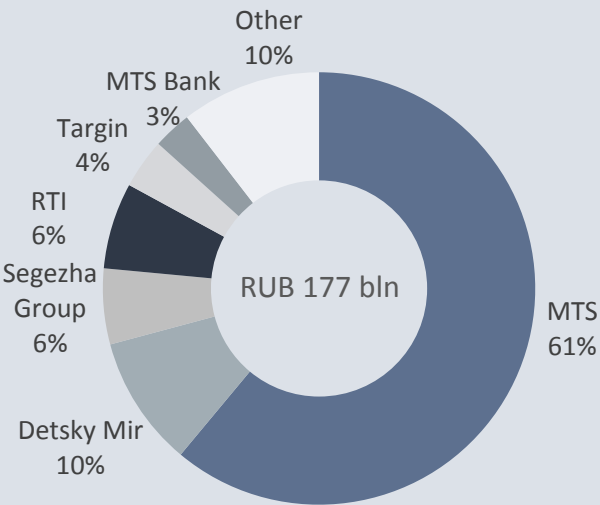
IFRS, RUB bln

# KEY HIGHLIGHTS

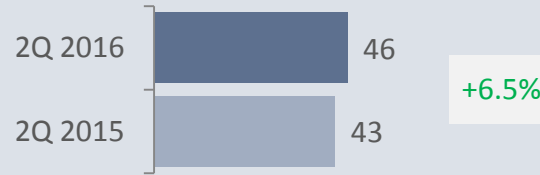
## CONSOLIDATED REVENUE



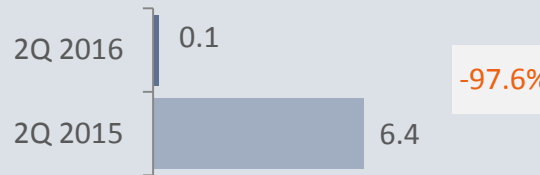
## REVENUE BREAKDOWN BY ASSETS



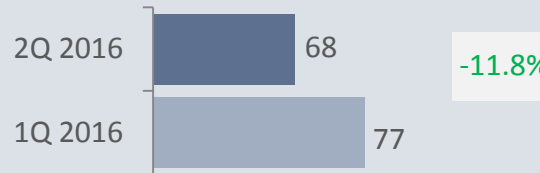
## OIBDA



## ADJUSTED PROFIT



## NET DEBT AT CORP CENTRE\*



- Strong revenue growth across portfolio companies: 11 of Sistema's 13 key assets\*\* increased revenues YoY
- Detsky Mir and Segezha Group remain key growth drivers with revenue up 38% and 28% YoY, respectively
- Consolidation of new promising assets in agriculture and pulp and paper business support revenue and OIBDA growth
- Contribution from non-public assets to portfolio's total OIBDA up to 15% vs. 7% in 2Q 2015
- Deleveraging programme well on track with SSTL debt repaid in 2Q-3Q 2016, Govt's put option restructured and Corporate Centre debt declining further in 2H 2016
- Dividend of RUB 6.5 bln paid for 2015 and RUB 3.7 bln recommended by the BoD for 1H 2016

\*Excluding liabilities under put options agreements and the agreement with Rosimushchestvo related to SSTL shares

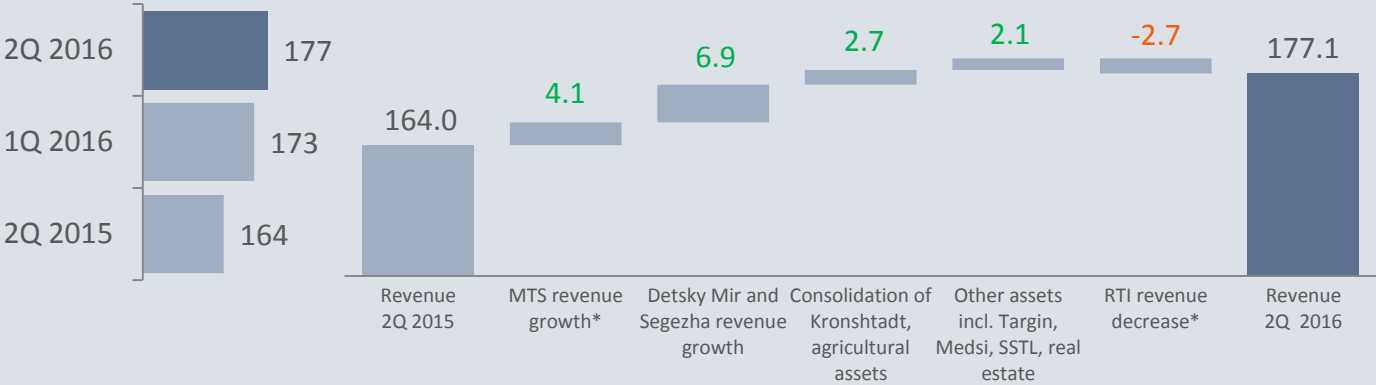
\*\*MTS, Detsky Mir, Segezha Group, Targin, RTI, BPGC, Medsi, MTS Bank, agricultural assets, Intourist, SSTL, Binnopharm, real estate segment



IFRS, RUB bln

# FINANCIAL REVIEW

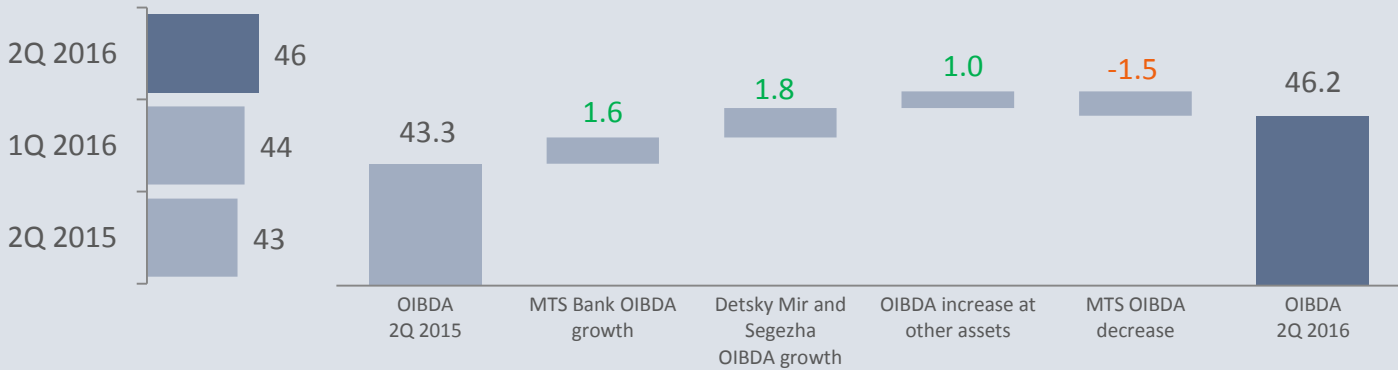
## CONSOLIDATED REVENUE ANALYSIS



- **MTS:** stronger data consumption and increase in retail handset sales
- **Detsky Mir:** 13.0% increase in like-for-like sales and growing traffic at existing stores
- **Segezha Group:** new production capacities in paper sacks, asset consolidation in wood processing, stronger EUR and USD FX rates
- **RTI:** disposal of the ICT business unit and uneven distribution of revenue from certain defense contracts

\*Excluding the impact of Nvision assets on RTI's revenues in 2Q'15 and on MTS revenues in 2Q'16

## OIBDA ANALYSIS



- **Detsky Mir:** top-line growth and improved operational efficiency helped to increase OIBDA by 155.6% YoY
- **Segezha Group:** favorable FX rate changes, production cost optimisation, asset consolidation in wood processing
- **MTS Bank:** OIBDA improvement due to lower provision charges and focus on cost reduction
- **MTS:** increased share of handset sales, weaker services usage and expenses to grow the retail network put pressure on OIBDA



# STRONG PROGRESS IN STRATEGY EXECUTION IN 2Q 2016 AND BEYOND

## Corporate Centre

- ✓ **Deleveraging:** Total liabilities reduced and optimised further with SSTL debt redemption, government option on SSTL shares restructured and RUB 10 bln of local debt redeemed by Sistema PJSC early in 3Q 2016
- ✓ **Costs control:** SG&A at Corporate Centre down 6.4% YoY
- ✓ **Liquidity:** Strong cash position at the end of 2Q'16: RUB 38.8 bln

## Portfolio performance and monetisations

- ✓ **Performance of portfolio companies:**
  - **MTS:** Sustained market share, 5% YoY revenue growth with margins under macro and competitive pressures
  - **Detsky Mir:** Robust growth of # of stores (444 at end of 2Q'16), revenue up 38% YoY, OIBDA – up 156% YoY
  - **Segezha Group:** 28% YoY growth in revenues and 60% in OIBDA
  - **Agroholding Steppe:** Growing contribution to Group's quarterly revenues (RUB 1.8 bln) and OIBDA (RUB 0.5 bln) despite seasonally weak quarter
- ✓ **MTS:** 1.45% of MTS share capital sold in form of ADS for USD 123.5 mln in line with Sistema's strategy to further diversify its portfolio, expand investments in new projects and optimise its capital structure

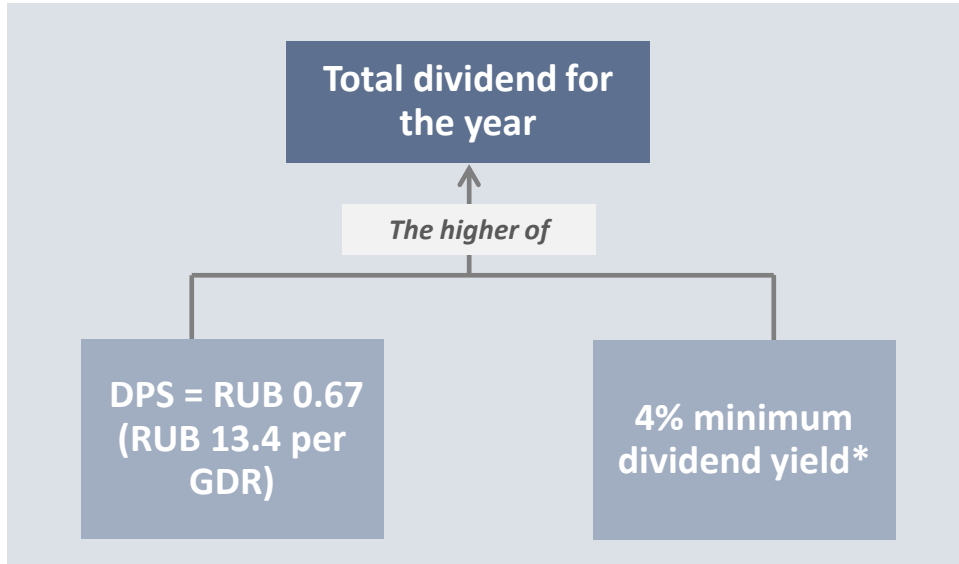
## M&A

- ✓ **Agro business:** 110 thsd ha. of land acquired in southern Russia in May. New assets are being integrated with work underway to increase sowing area, improve the soil fertility and develop infrastructure
- ✓ **Pulp and Paper:** Segezha Group's stake in Lesosibirsk LDK No. 1, Russia's largest vertically integrated wood processing enterprise, increased to 99%



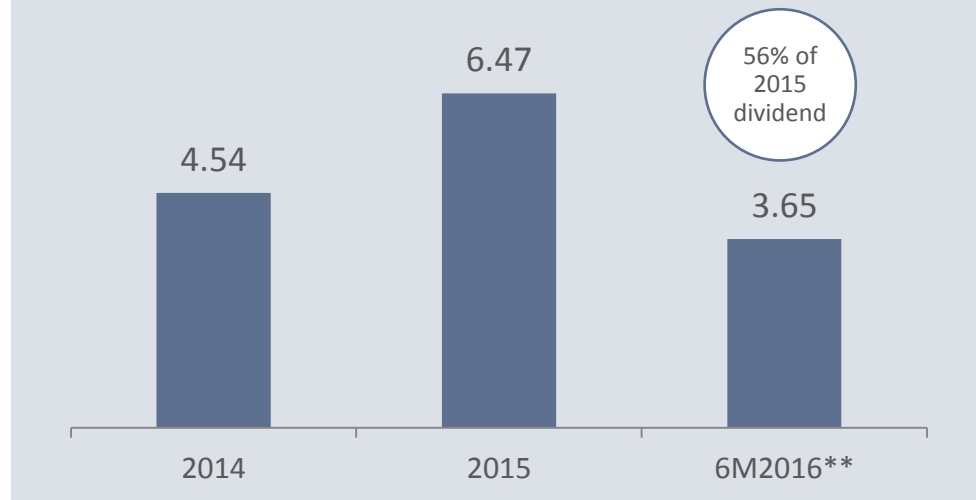
# SHAREHOLDER REMUNERATION: FIRST INTERIM DIVIDEND UNDER NEW DIVIDEND POLICY AIMED AT DIVIDEND GROWTH

## NEW DIVIDEND POLICY APPROVED IN APRIL 2016...



## ... AIMED AT INCREASING PAYOUTS

Sistema dividend payments, RUB bln



- ✓ More transparent policy with a fixed annual floor (RUB 0.67 per share) and minimum yield (4%)
- ✓ Progressive dividend payments to be achieved with market cap growth or minimum yield increased
- ✓ Sistema will seek to distribute dividends twice per year
- ✓ First interim dividend of RUB 3.7 bln recommended by the BoD in August 2016

\*Annual dividend divided by the weighted average price of Sistema ordinary share traded at the Moscow Exchange in the relevant reporting year

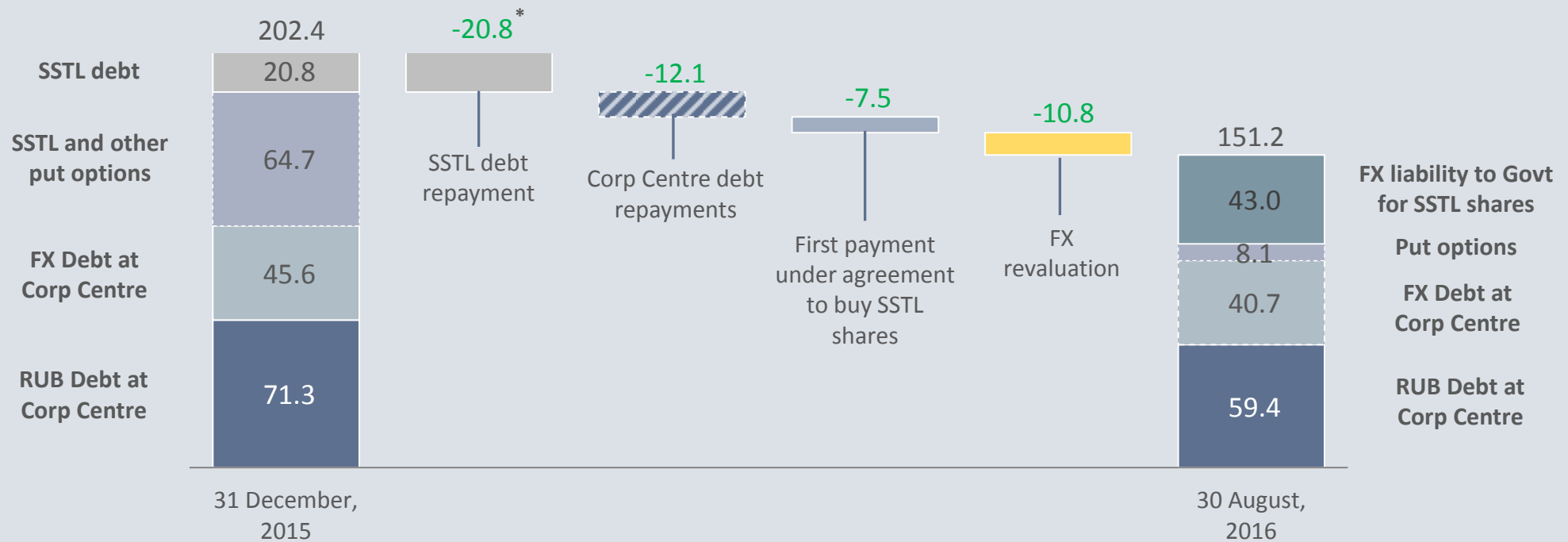
\*\* As per the Board of Directors' recommendation to the EGM



# PROGRESS WITH DELEVERAGING: ENHANCING SISTEMA'S FINANCIAL POSITION AND INVESTMENT POTENTIAL

## CORPORATE CENTRE'S FINANCIAL LIABILITIES

Management accounts, RUB bln



- ✓ Corporate Centre's total financial liabilities down ≈25% since the start of 2016, well ahead of the plan
- ✓ Key drivers of deleveraging during 8M 2016: (i) prepayment of the debt guaranteed by Sistema at SSTL; (ii) restructuring of SSTL put option and first payment made to the Russian budget for SSTL shares, (iii) early redemption of RUB 10 bln 17%-coupon local bonds in August 2016

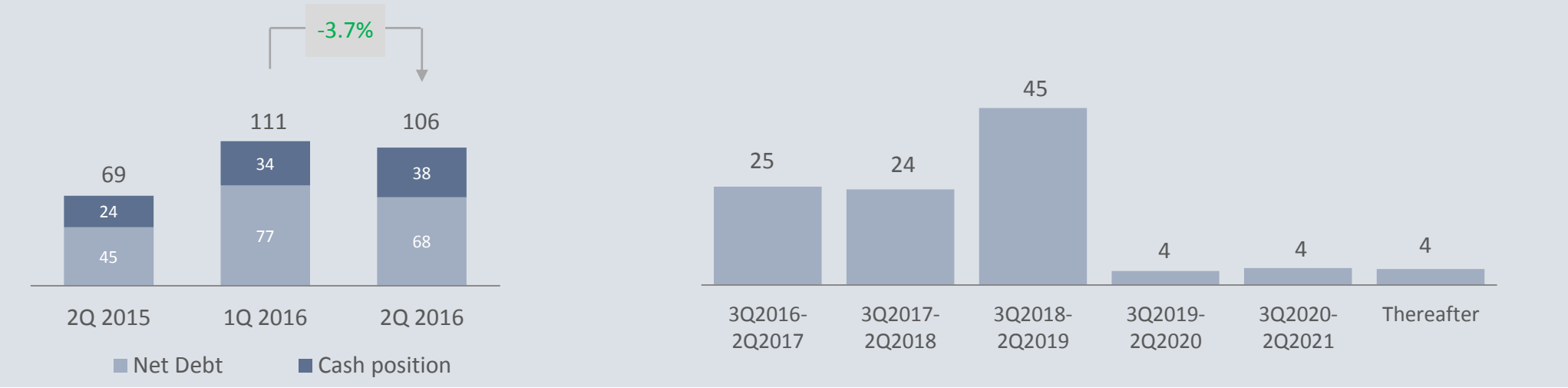
\*Amounts in Russian rubles calculated at RUB/USD exchange rate as of 31 December 2015



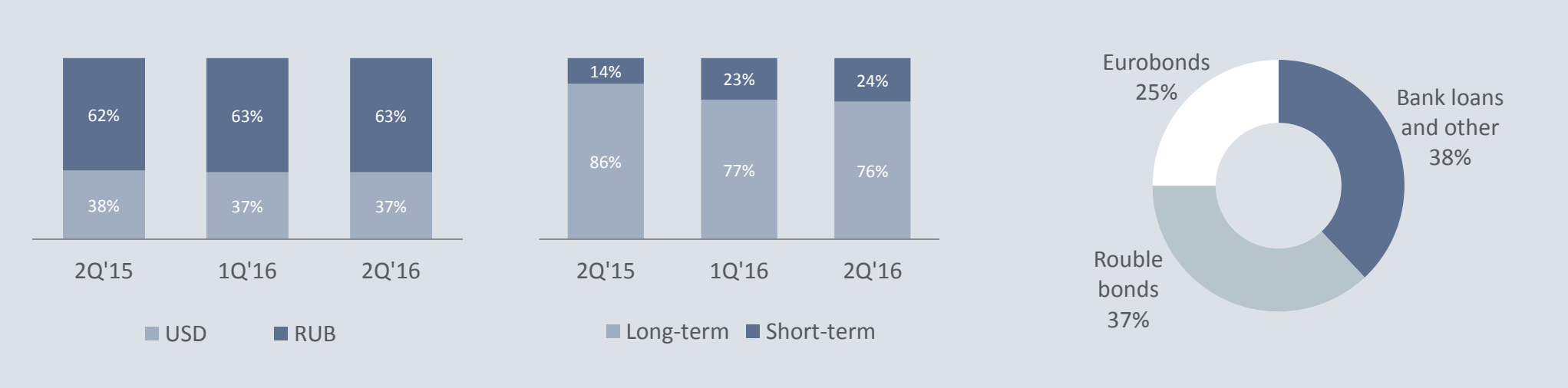
# CORPORATE CENTRE'S DEBT

Management accounts, RUB bln

## CORPORATE CENTRE'S DEBT AND MATURITY PROFILE\*



## CORPORATE CENTRE'S DEBT STRUCTURE\*



\*Excluding liabilities under put options agreements and the agreement with Rosimushchestvo related to SSTL shares

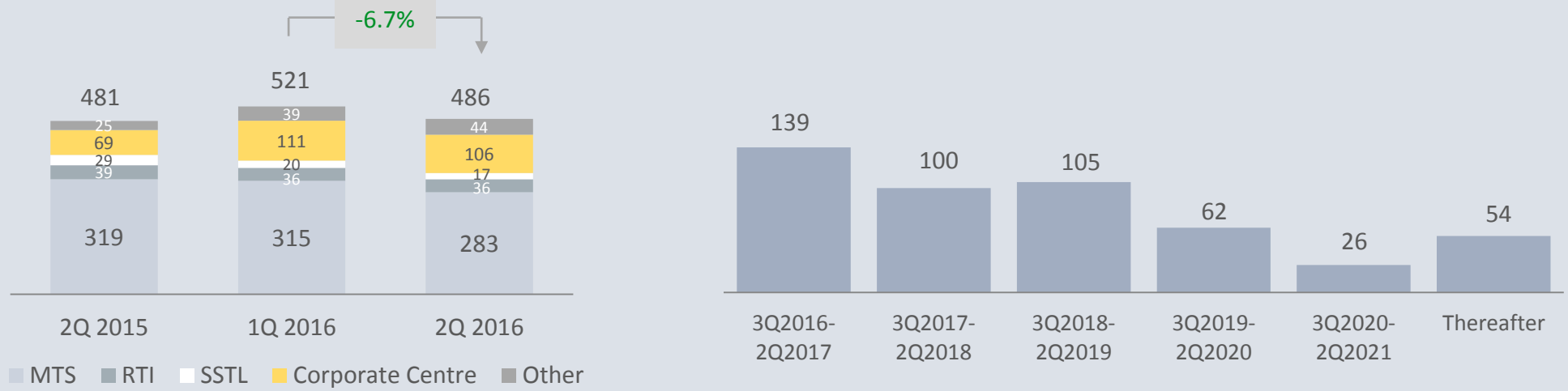




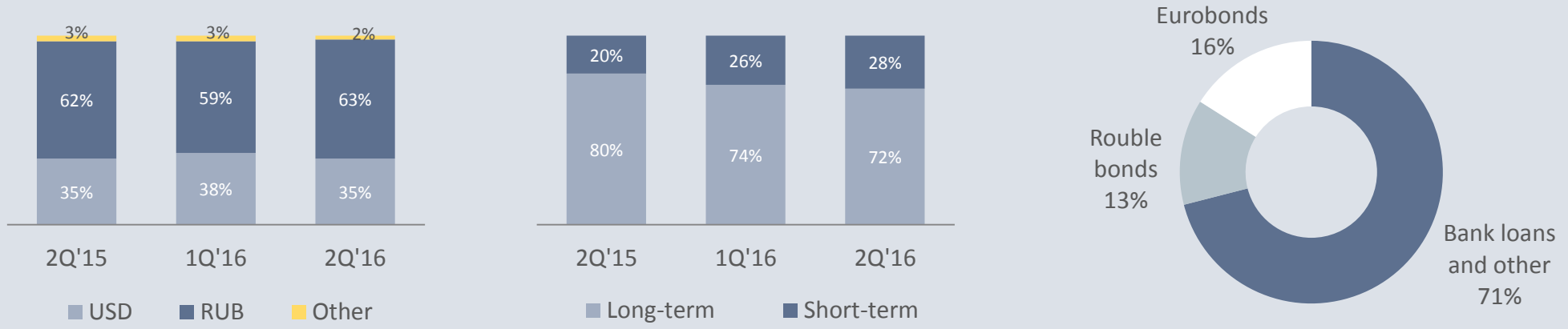
# CONSOLIDATED DEBT

## CONSOLIDATED DEBT AND MATURITY PROFILE

Management accounts, RUB bln



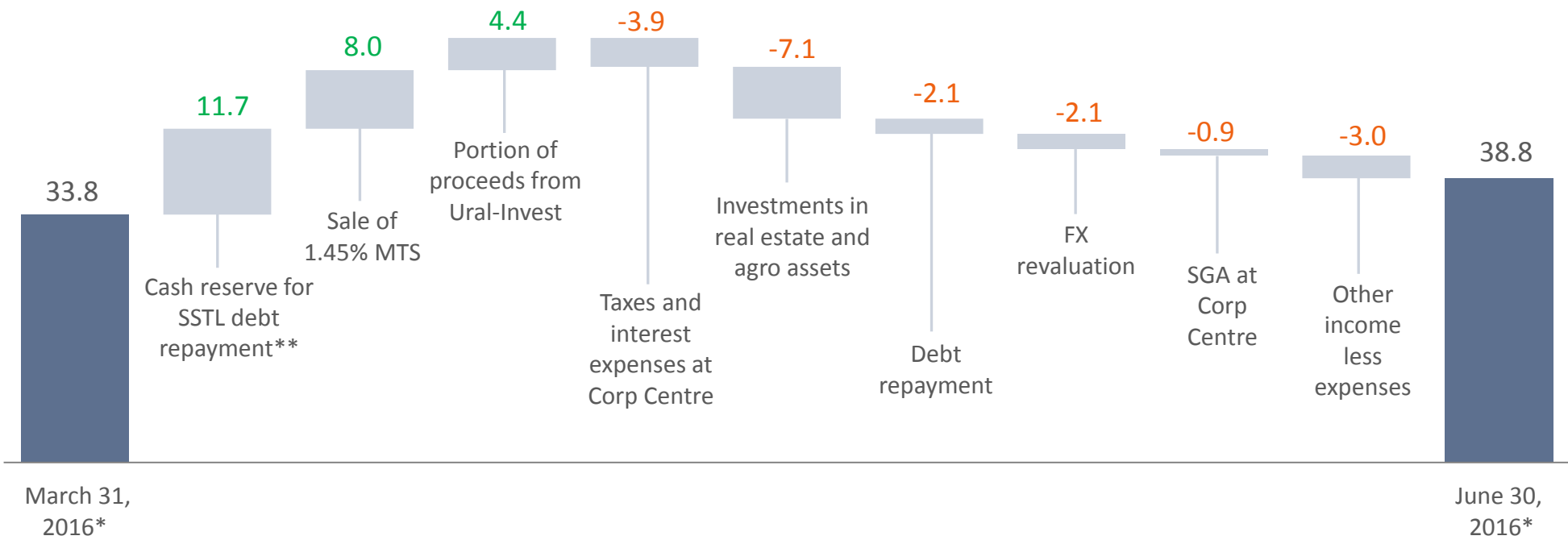
## CONSOLIDATED DEBT STRUCTURE





# CASH FLOWS AT THE CORPORATE CENTRE

Management accounts, RUB bln



- ✓ Corporate Centre's cash position supported by monetisation of MTS shares as well as inflow of Ural-Invest deposits as well as redistribution of short-term liquidity as part of SSTL debt early repayment
- ✓ As of end of 2Q 2016, Sistema's cash position amounted to RUB 38.8 bln excluding RUB 8.5 bln of short-term deposits
- ✓ Investments in agriculture and real estate include acquisitions of land in southern Russia, the final payment for Rent-Nedvizhimost shares, investments in Sistema Capital Partners and other investments in real estate

\* Including highly liquid deposits

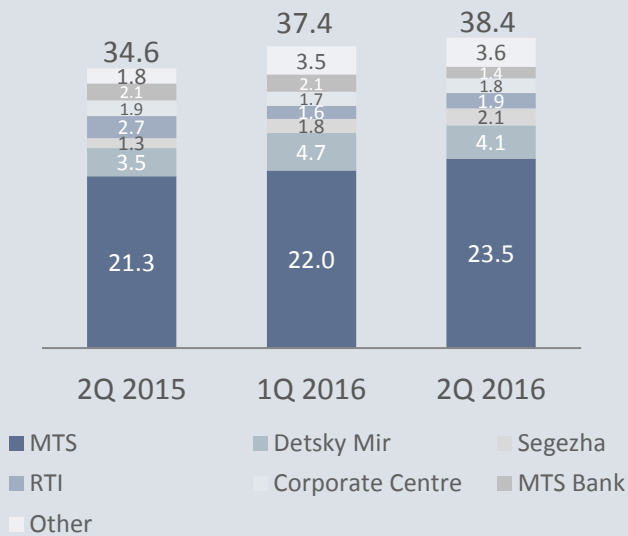
\*\*Net of SSTL financing. The funds were used to complete SSTL debt redemption in August 2016.



IFRS, RUB bln

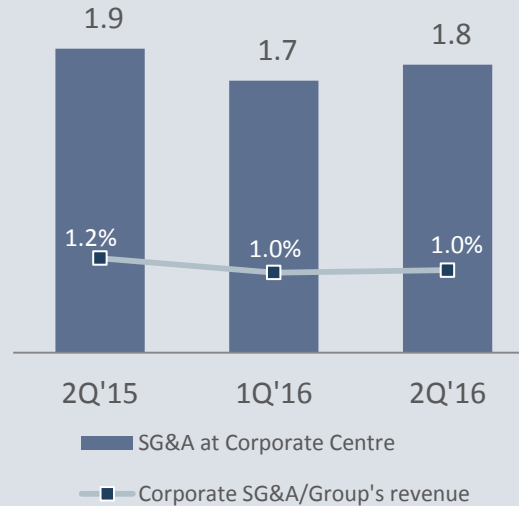
# SG&A AND CAPEX

## GROUP'S SG&A



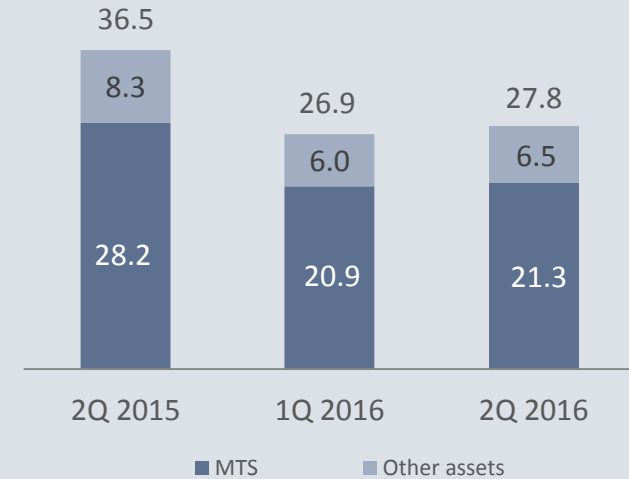
- Group's SG&A up YoY by 10.9% due to cost growth at MTS (expansion of retail network), Segezha (increase in production and M&A), Detsky Mir (expansion strategy) and new asset consolidation
- YoY improvements of SGA/Revenue ratio at subsidiaries:
  - Detsky Mir: down to 23.7% from 27.6%
  - MTS Bank: down to 28.2% from 30.9%
  - Targin: down to 1.7% from 2.0%

## CORPORATE CENTRE'S SG&A



- SG&A at Corporate Centre decreased by 6.4% YoY
- Corporate SG&A/Revenue ratio decreased from 1.2% of Group revenues in 2Q 2015 to 1.0% in 2Q 2016

## GROUP'S CAPEX



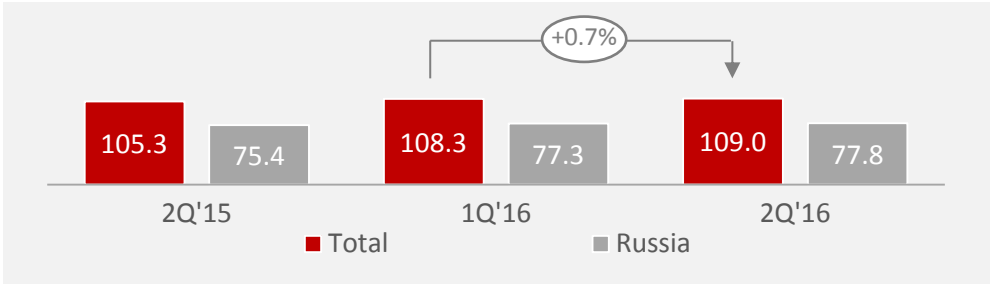
- The Group's CAPEX decreased YoY by 24%
- MTS reduced CAPEX to RUB 21.3 bln (-24% YoY)
- Segezha Group and newly consolidated agricultural assets grow CAPEX to upgrade and expand production capacities



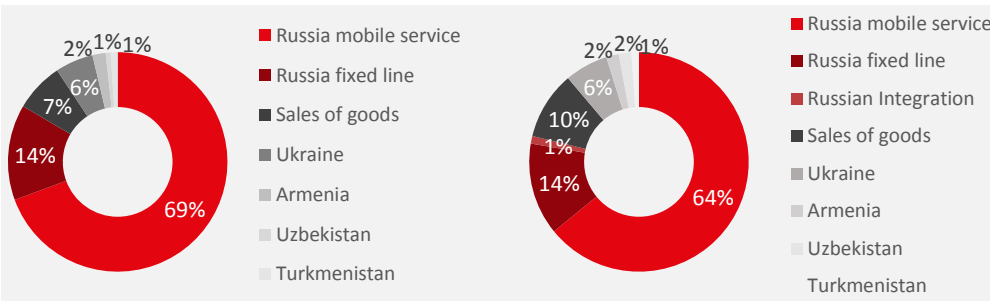
## Portfolio Overview

# TOP TELECOM OPERATOR IN RUSSIA: SUSTAINING MARKET SHARE IN COMPETITIVE LANDSCAPE

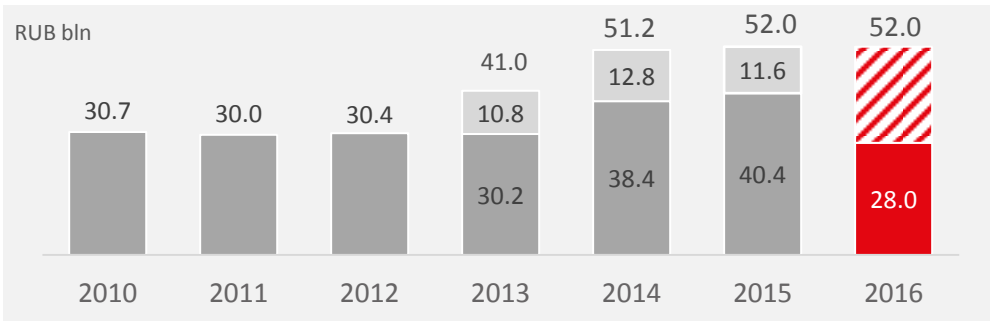
## SUBSCRIBER BASE



## REVENUE BREAKDOWN



## DIVIDEND HISTORY



RUB bln	2Q'16	2Q'15	YoY	1Q'16	QoQ
Revenue	108.1	102.7	5.3%	108.1	0.0%
OIBDA	40.6	42.0	-3.5%	40.5	0.2%
OIBDA margin	37.5%	40.9%	-3.4 p.p.	37.4%	0.1 p.p.
Profit*	4.8	9.1	-47.0%	7.8	-37.6%
Net debt	258.3	274.5	-5.9%	270.2	-4.4%
CAPEX	21.3	28.2	-24.4%	20.9	1.8%

> Despite challenging operating conditions and a backdrop of stronger competition, MTS revenue performance continued to outpace the market

> YoY revenue growth mainly driven by stronger retail sales and stronger data traffic consumption in Russia and Ukraine

> Lower-margin handsets sales accounted for a larger share of MTS' overall revenues (10% in 2Q 2016 vs. 7% in 2Q 2015). Macroeconomic factors affecting mobile service usage, lower margins on roaming, and expenses related to expanding the retail network put additional pressure on OIBDA performance

> Profit declined in particular as a result of lower OIBDA as well as higher finance costs due to the repurchase of the company's outstanding 2020 Eurobond Notes with redemption premium

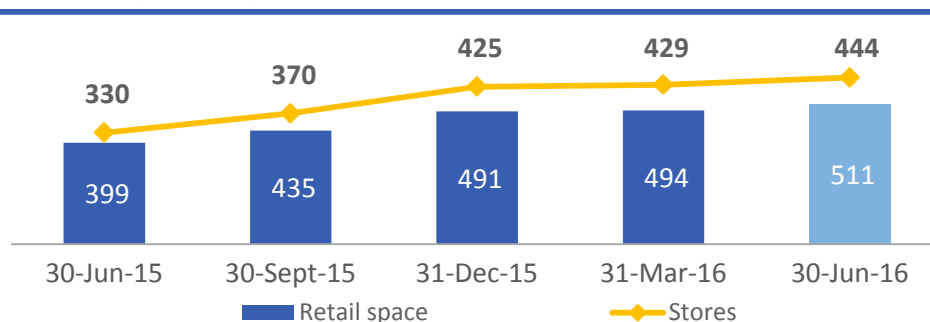
> In 3Q 2016 MTS completed payments of 2015 dividends totalling RUB 28.0 bln. MTS's Board of Directors also recommended semi-annual dividends for 1H 2016 in the total amount of RUB 24.0 bln

> In August 2016, MTS sold its stake in Uzbekistan telecommunications operator Universal Mobile Systems LLC

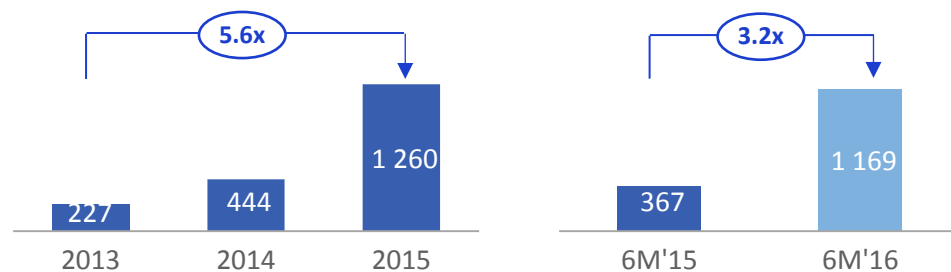
\*Here and thereafter profit is presented in Sistema's share

# TOP CHILDREN'S GOODS RETAILER IN RUSSIA AND CIS: HIGH EXPANSION RATE AND EFFICIENCY

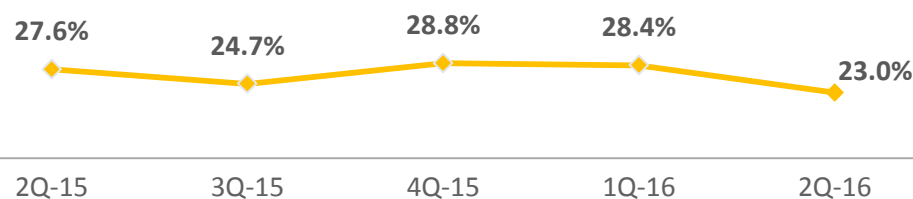
## RETAIL SPACE (THSD M<sup>2</sup>) AND NUMBER OF STORES



## E-COMMERCE SALES\*



## SG&A / REVENUE



RUB bln	2Q'16	2Q'15	YoY	1Q'16	QoQ
Revenue	17.3	12.6	37.6%	16.4	5.5%
OIBDA	1.6	0.6	2.6x	0.8	2.0x
OIBDA margin	9.3%	5.0%	4.3 p.p.	4.9%	4.4 p.p.
Profit	0.4	0.3	14.4%	0.1	5.2x
Net debt	13.0	13.0	0.0%	12.5	4.1%
SGA/revenue	23.7%	27.6%	-3.9 p.p.	28.4%	-4.7 p.p.
Like-for-like growth	13.0%	17.9%	-4.9 p.p.	13.1%	-0.1 p.p.
Traffic growth	2.4%	6.7%	-4.3 p.p.	0.9%	1.5 p.p.
Average check growth	10.3%	10.4%	-0.1 p.p.	12.1%	-1.8 p.p.
CAPEX	0.3	0.7	-56.6%	0.3	14.5%

> Detsky Mir added 15 new stores in 2Q 2016 and expects to open at least 80 new stores over the course of 2016, in line with its expansion strategy in the Russian market

> Detsky Mir's revenues increased YoY mainly due to a 13.0% rise in like-for-like sales and increased traffic at existing stores. The like-for-like growth in the number of checks was 2.4% despite generally weaker Russian consumer demand

> E-commerce remained Detsky Mir's fastest growing segment with the segment's sales increasing 3.2 times year-on-year in 2Q 2016

> The group's SG&A as a percentage of revenues was 24%, a 4 p.p. decrease YoY, in particular due to increased automation of business processes

> In 2Q 2016 Detsky Mir's OIBDA almost tripled YoY

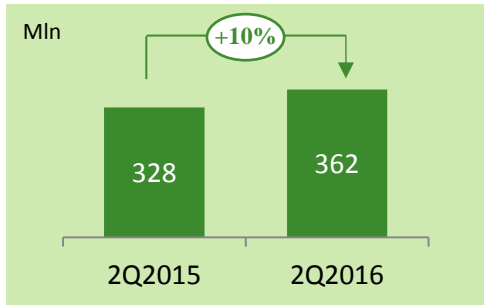
> Detsky Mir paid RUB 1.3 billion in dividends in 3Q 2016

\*All online-orders on detmir.com, including orders with delivery and in-store pick-ups

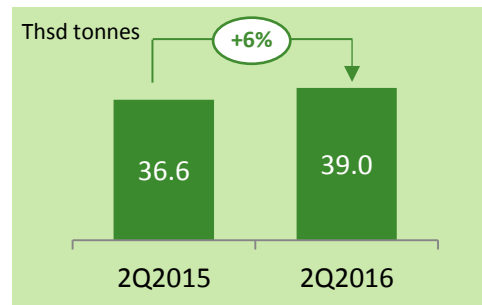


# LEADING PULP AND PAPER HOLDING SEGEZHA GROUP: GROWTH THROUGH INVESTMENT AND M&A

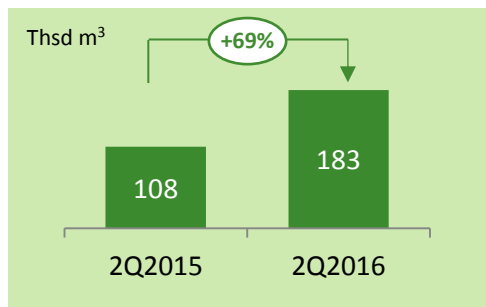
## PAPER SACKS



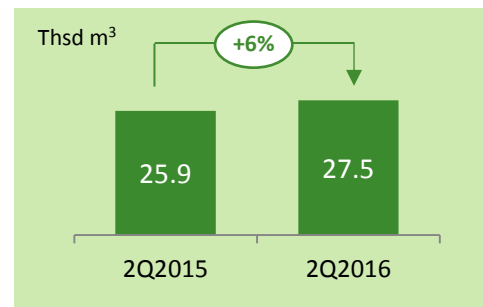
## SACK PAPER



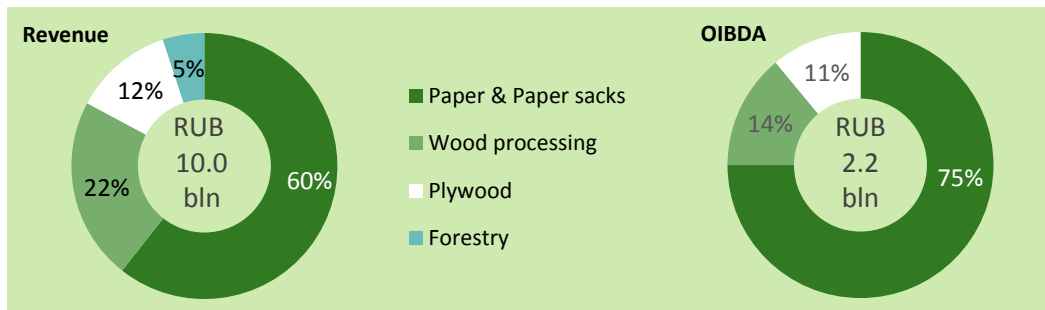
## SAWN LUMBER



## PLYWOOD



## REVENUE AND OIBDA BY BUSINESS SEGMENTS



RUB bln	2Q'16	2Q'15	YoY	1Q'16	QoQ
Revenue	10.0	7.8	27,8%	11.4	-11.9%
OIBDA	2.2	1.4	60.2%	2.4	-7.7%
OIBDA margin	22.2%	17.7%	4.5 p.p.	21.2%	1.1 p.p.
Profit	0.5	0.3	46.6%	1.0	-51.5%
Net debt	14.8	0.5	32.5x	10.8	36.8%
CAPEX	2.0	1.6	24.6%	2.4	-13.2%
Share of FX-denom. revenues	73%	67%	5%	69%	4%
Own forestry consumption	60%	51%	8%	68.2%	-8.6%
Total forestry, '000 m³	730.9	704.1	4%	1,070.2	-31.7%

> Segezha's key products revenues increased YoY mainly due to:

- (i) addition paper packaging production capacity in Segezha and new paper sack plant in Salsk;
- (ii) consolidation of Lesosibirsk LDK No. 1 in 1Q 2016 and two-fold increase in sawn lumber production capacity;
- (iii) stronger USD and EUR exchange rate.

> Revenue declined QoQ due to 9.6% depreciation in the average EUR exchange rate vs. RUB, as well as a decline in paper and plywood prices on dollar markets

> YoY growth in OIBDA facilitated by revenue trends as well as the implementation of measures to optimise production costs of paper, plywood and fibreboard

> Segezha is undertaking a large-scale investment programme aimed at increasing market share of key products, improving production efficiency and maximising competitiveness of the holding at a reasonable cost. CAPEX is financed through Russian bank loans.

# DIVERSIFIED AGROHOLDING: EXCELLENT OPERATING RESULTS, FINANCIALS REFLECT SEASONALITY



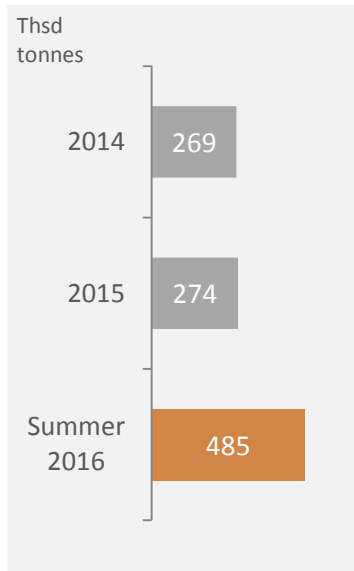
Crop production	Milk production	Vegetables production	Apple orchards
<ul style="list-style-type: none"> <li>Land bank:                             <ul style="list-style-type: none"> <li>'Steppe': 147k ha</li> <li>RZ Agro: 100k ha</li> </ul> </li> <li>Modern equipment and agrotechnology</li> </ul>	<ul style="list-style-type: none"> <li>4 dairy farms</li> <li>≈8,800 heads of livestock (≈3,590 forage-fed cows)</li> </ul>	<ul style="list-style-type: none"> <li>Greenhouses with total area of 144 ha</li> <li>Infrastructure: bio-laboratory, agro-chemical laboratory, boiler-house, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Land bank: 1,771 ha</li> <li>Orchards: 630 ha</li> <li>Fruit storage capacity of 21 thsd tonnes</li> </ul>

## Argroholding Steppe\*\*

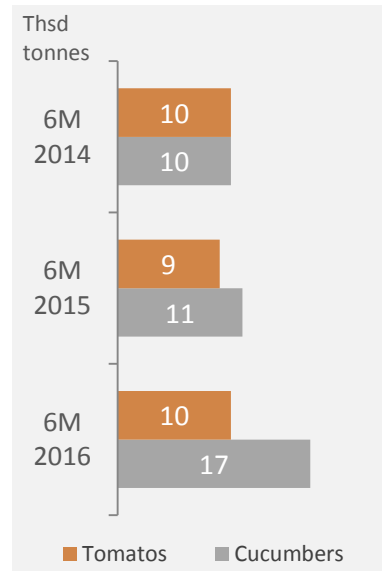
## RZ Agro\*\*\*

RUB bln	6M'16	6M'15	YoY	2Q'16	6M'16	6M'15	YoY
Revenue	2.9	2.5	17.0%	1.8	0.9	0.3	3.5x
OIBDA	0.7	0.5	49.8%	0.5	0.7	0.2	3.3x
OIBDA margin	24.5%	19.1%	5.4 p.p.	29.5%	71.0%	74.9%	-3.9 p.p.
Loss/ (profit)	-0.3	-0.08	n/a	-0.1	0.5	0.2	3.2x
Net debt	1.1	n/a	n/a	1.1	0.08	0.3	3.5x
CAPEX	0.4	0.5	-17.1%	0.3	0.1	0.08	73.4%

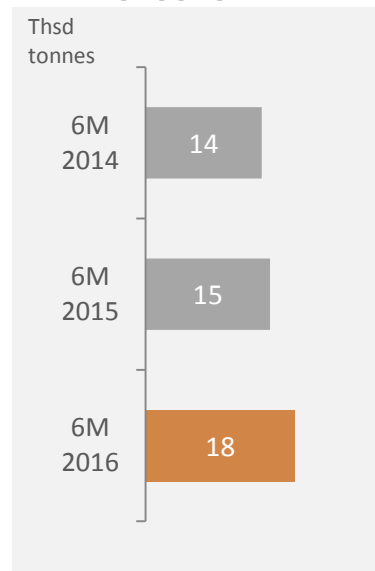
## WHEAT PRODUCTION\*\*



## VEGETABLES



## MILK PRODUCTION



> Steppe's financial performance during 6M 2016 reflects strong seasonality of its businesses with most revenues in open-field crop production and fruit production recognised in 2H of the year

> In May, Steppe acquired 110 thousand ha. of land in southern Russia. Work is underway at the new assets to increase the sowing area, improve soil fertility and develop infrastructure

> Increased output and high wheat yields, offsetting lower global prices for grain

> Increased milk production, driven by growth of the dairy herd and high productivity

> The increase in vegetable harvest following commissioning of a greenhouse complex and improvements to plant-care quality led to increased revenue and OIBDA

> RZ Agro's results reflect uneven distribution of revenue recognition across reporting periods due to uneven distribution of grain sales

\*Including 'Steppe' and RZ Agro

\*\*\*Data for 6M 2015 are based on management accounts

\*\*\*Sistema through 'Agroholding 'Steppe' owns 50% of RZ Agro and does not consolidate the company in Sistema's financial statements



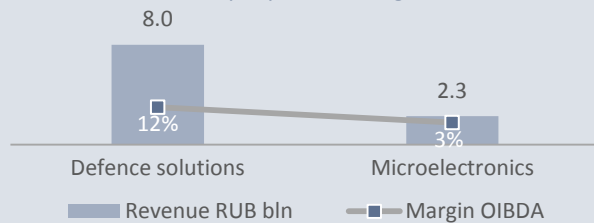


# HIGH-TECH (RTI) AND OILFIELD SERVICES (TARGIN)

## RTI **РТН**

RUB bln	2Q'16	2Q'15	YoY	1Q'16	QoQ
Revenue without ICT business unit (NVision)*	11.4	14.2	-20.3%	8.7	29.4%
Revenue	11.4	16.8	-32.2%	8.7	30.9%
OIBDA	0.9	1.2	-29.9%	0.8	6.0%
OIBDA margin	7.5%	7.3%	0.2%	9.3%	-1.8%
Loss/(profit)	-0.6	0.2	n/a	-0.7	n/a
Net debt	29.3	19.4	51.1%	29.0	1.3%
Share of debt related to state defence contracts**	32%	44%	-12 p.p.	32%	-

### Results by key business segments



- > RTI's revenues declined YoY primarily due to the disposal of ICT BU, and also as a result of lower revenue in Defense Solutions BU due to uneven distribution of revenue from certain contracts over the course of the year .
- > Lower OIBDA and OIBDA margins in 2Q 2016 came as a result of a one-off effect of provisions for accounts receivable and inventory in the Microelectronics BU.
- > In 2Q 2016 the Government of the Russian Federation approved a plan of guaranteed purchases from domestic microelectronics producers. The plan envisages purchases of 50 mln units with Russian-made microchips between 2016 and 2018. It is expected that this will create additional demand for RFID chips and microcircuits, key products of Mikron (a division of RTI Group).
- > In 3Q 2016 Mikron began shipments of radiation-resistant integrated microcircuits in 3rd generation GLONASS-K navigation satellite systems. Mikron's microchips will replace foreign-produced versions previously used in units for data processing and communications functions.

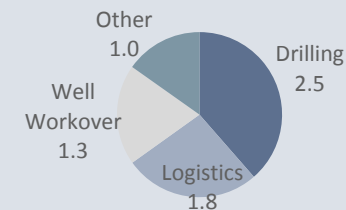
\*Information and Communications Technologies BU disposed in 2015.

\*\* Share of debt related to state defence contracts (with effectively zero interest rate).

## Targin **ТАРГИН**

RUB bln	2Q'16	2Q'15	YoY	1Q'16	QoQ
Revenue	6.6	6.1	8.0%	6.8	-3.3%
OIBDA	0.8	0.9	-16.1%	0.9	-11.2%
OIBDA margin	11.6%	15.0%	-3.4 p.p.	12.7%	-1.1p.p.
Loss/(profit)	-0.01	0.42	n/a	0.11	n/a
Net debt	4.7	3.0	55.6%	4.3	9.9%
CAPEX	0.9	1.1	-16.9%	1.3	-32.5%

### Revenue, RUB bln



- > Targin's revenues increased YoY as a result of a 4% increase in drilling volumes and a 3% increase in transportation services volumes following the addition of new clients.
- > Targin's OIBDA and OIBDA margin decreased YoY due to expenses related to the roll-out of new services – directional drilling, drill bit completion, well completion and downhole work – as well as a temporary decrease in the profitability of a number of large contracts in the Drilling division due to increased prices for consumable material and subcontracted services.
- > Targin's priority in 2H 2016 is to optimise expenses and grow business volumes across all key segments and also to reduce periods of work stoppage, breakdowns and maintenance stoppages with the goal of further decreasing the decline in revenue from drilling services.
- > Targin is carrying out an investment programme aimed at expanding its product portfolio, developing new technologies and modernising its equipment. In 2Q 2016, Targin continued to borrow to fund key investment projects, which in turn put additional pressure on net income performance.

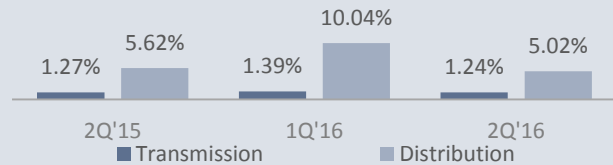


# ELECTRIC POWER GRIDS (BPGC), FINANCIAL SERVICES (MTS BANK)

## BPGC

RUB bln	2Q'16	2Q'15	YoY	1Q'16	QoQ
Revenue	3.5	3.3	5.3%	4.1	-15.4%
OIBDA	1.1	1.1	4.2%	1.5	-25.2%
OIBDA margin	32.6%	32.2%	0.4 p.p.	36.1%	-3.5 p.p.
Profit	0.5	0.6	-18.4%	0.7	-31.6%
CAPEX	1.4	1.1	29.7%	0.7	2.1x
New connections, '000	5,525	4,949	11.6	5,461	1.2
Connected power, MVt	85.1	105.7	-19.5	86.5	-1.6

Losses on distribution and transmission grids

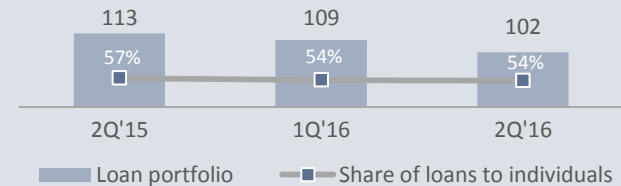


- > BPGC's revenue grew YoY, mainly as a result of an increase in electricity transmission tariffs that came into force on 1 July 2015 as well as a higher number of connections. QoQ decrease in revenue reflects the seasonal decline in electricity consumption.
- > OIBDA increased YoY mainly as a result of stronger revenue.
- > BPGC's main CAPEX in 2Q 2016 related to connecting customers, deployment of energy-saving and energy-efficiency technologies, creation of automated remote control and connectivity systems and an automated management system, as well as the acquisition of electricity networks in Bashkiriya's largest city, Ufa. BPGC also continued the programme of implementation of Smart Grid technology to the Ufa city network.

## MTS Bank

RUB bln	2Q'16	2Q'15	YoY	1Q'16	QoQ
Revenue	5.1	6.8	-25.4%	5.4	-5.3%
Loss	-0.8	-2.2	n/a	-0.1	n/a
Interest income	3.9	4.9	-20.5%	4.6	-15.5%
Commission income	0.8	0.9	-3.7%	0.7	13.4%
Net assets	22.9	31.7	-27.6%	24.6	-6.7%
Capital Adequacy Ratio (N1)	19.1%	16.1%	3p.p.	20.2%	-1.1 p.p.

Loan portfolio of MTS Bank\*



- > MTS Bank's revenue and interest income declined YoY and QoQ due to a contraction of the Bank's balance sheet and net assets and lower interest rates on the Russian market.
- > SGA declined YoY by 11% and QoQ by 4% as a result of improved operational efficiency.
- > A decrease in provisions enabled the bank to reduce the net loss YoY.
- > MTS Bank's targets include the development of its retail business by leveraging the MTS client base and sales network, building a quality credit portfolio among mid-sized businesses and companies within the Sistema Group, as well as maintaining healthy capital adequacy ratios.
- > As a part of the strategy, in July 2016 MTS Bank's shareholders meeting took the decision to increase its charter capital by issuing 10 mln shares in a closed subscription offered to Sistema Group companies. The price of the shares will be determined by the MTS Bank Board of Directors.

\*On a standalone basis

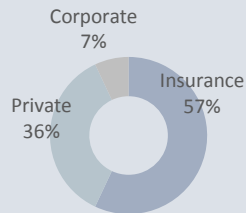


# HEALTHCARE (MEDSI) AND PHARMACEUTICALS (BINNOPHARM)

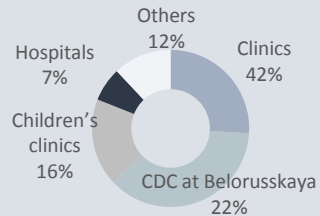
## Medsi

RUB bln	2Q'16	2Q'15	YoY	1Q'16	QoQ
Revenue	2.3	2.0	13.3%	2.3	2.4%
OIBDA	0.1	0.2	-30.2%	0.04	3x
OIBDA margin	5.6%	9.1%	-3.5 p.p.	1.9%	3.7 p.p.
Loss	-0.2	-0.1	n/a	-0.2	n/a
Net debt	-0.6	-0.1	n/a	-1.2	n/a
Patient visits, '000	1 843	1 783	3.4%	1 766	4.4%
Services provided, '000	2 942	2 806	4.8%	2 799	5.2%

Revenue by clients



Revenue by assets

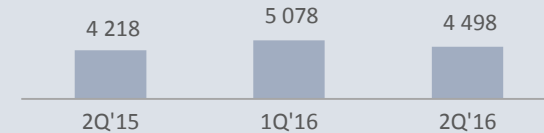


- > The increase in revenue YoY was the result of high traffic from patients covered by insurance as well as a 13% YoY increase in unique patients paying out-of-pocket following the opening of the Clinical-Diagnostic Centre (CDC) at Krasnaya Presnya in Moscow in 4Q 2015. Revenues at that facility increased 2.2 times QoQ.
- > Revenues at Medsi's largest facility, the CDC at Belorusskaya in Moscow, rose by 7.3% YoY as a result of an increase of the average check.
- > OIBDA was under pressure in 1H 2016 from the phased roll-out of the new Krasnaya Presnya CDC (64 medical offices were in operation by the end of 2Q 2016), in line with Medsi's business plan.

## Binnopharm

RUB bln	2Q'16	2Q'15	YoY	1Q'16	QoQ
Revenue	0.5	0.4	32.1%	0.3	62.2%
OIBDA	0.1	0.04	2.1x	0.002	40x
OIBDA margin	15.8%	9.9%	5.9 p.p.	0.5%	15.3 p.p.
Loss	-0.03	-0.005	n/a	-0.03	n/a
Net debt	0.9	1.1	-13.5%	0.9	5.9%

Production of finished pharmaceutical products, '000



- > Binnopharm's revenues grew YoY and QoQ due to:
  - contract for the Regevak B vaccine with the National Immunobiological Company.
  - increased sales of the company's own drugs on the back of its stronger sales capacities and efforts. Sales of Salbutamol rose 1.6 times YoY and sales of Noben rose 5.8 times YoY.
- > In 2Q 2016 Binnopharm delivered on its strategy to transform the business mix, with lower margin distribution sales accounting for only 14% of revenues in 2Q 2016, versus 56% during 2Q 2015. This drove improved OIBDA margin performance.
- > Net loss in 2Q 2016 was primarily due to higher amortisation costs and debt service expenses.
- > Binnopharm continues to invest in its research and development centre along with development and registration of new products. At the end of 2Q 2016 Binnopharm had more than 7 drugs undergoing registration with 2 of those expected to come to market in 2016.

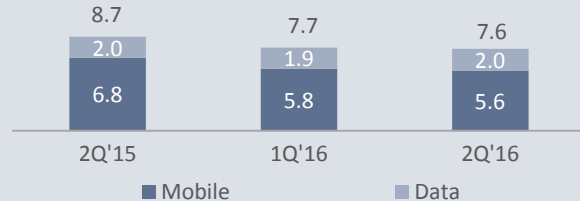


# INDIAN TELECOM OPERATOR, TOURISM

## SSTL

RUB bln	2Q'16	2Q'15	YoY	1Q'16	QoQ
Revenue	3.4	3.1	11.8%	4.0	-13.2%
OIBDA	-0.4	-0.4	n/a	0.05	n/a
Loss	-1.5	-1.7	n/a	-1.2	n/a
Net debt	13.2	27.2	-51.6%	14.5	-9.4%

Subscriber base, mln

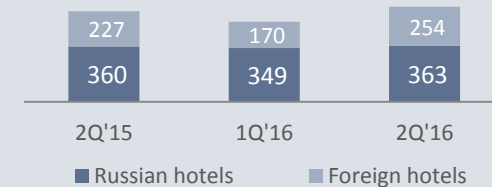


- > SSTL's revenue grew YoY due to an increase in data revenues, as the company's data subscriber base increased to 2,026 thsd subscribers as of 30 June 2016 from 1,948 thsd subscribers as of the beginning of 2Q 2016.
- > OIBDA loss was RUB 444 mln in 2Q 2016. In Indian rupees SSTL narrowed its OIBDA loss YoY by 5.3%
- > Sistema continued working on the transaction to merge SSTL's telecom business with RCom, one of India's leading telecom operators. The Rajasthan and Bombay High Courts' decisions re the transaction are expected to be received in September 2016. Due to the new frequency auction announced by the Indian Government, all consolidation transactions have been suspended until the auction's completion, with the final approval of the transaction with RCom by the Department of Telecommunications of India expected in the fourth quarter of 2016.

## Intourist

RUB bln	2Q'16	2Q'15	YoY	1Q'16	QoQ
Revenue	0.6	0.6	5.1%	0.5	18.9%
OIBDA	0.1	0.1	-22.6%	0.04	2.1x
OIBDA margin	13.1%	17.8%	-4.7 p.p.	6.7%	6.4 p.p.
Loss	-0.03	-0.002	n/a	-0.1	n/a
Net debt	1.2	1.2	2.0%	1.3	-4.8%
Room capacity	2370	2519	-5.9%	2501	-5.2%

Revenue by geography, RUB mln



- > Intourist's revenues increased YoY thanks to higher sales of its hotels in Italy and the Czech Republic, in part as a result of the weaker rouble relative to the EUR and Czech krona.
- > Intourist's number of hotel rooms decreased in 2Q 2016 due to the ending of a lease agreement with 131-room Intourist Yelets.
- > As of 30 June 2016, Intourist Group managed 7 hotels across Russia, Italy, the Czech Republic and Namibia with a total of 2,370 rooms.



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