



JOINT-STOCK FINANCIAL CORPORATION
SISTEMA

Sistema PJSFC Investor Presentation

Moscow, 2017



DISCLAIMER

Certain statements in this presentation may contain assumptions or forecasts in respect to forthcoming events within PJSC Sistema. The words “expect”, “estimate”, “intend”, “will”, “could” and similar expressions identify forward-looking statements. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not intend to update these statements to reflect events and circumstances occurring after the above-mentioned date or to reflect the occurrence of unanticipated events. Many factors could cause Sistema’s actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, deteriorating economic and credit 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: EXPOSURE TO A UNIQUE ASSET MIX IN THE GROWING RUSSIAN MARKET

WHO WE ARE

- Largest public investment holding in Russia
- Unique mix of assets across various attractive sectors of Russian economy
- Over 15 sectors of investments and expertise
- Partner of choice for global investors into Russia

WHAT WE DO

- Active management of portfolio via value accretive acquisitions and divestments
- Creating value by developing assets into market leaders with strong cash flow generation and credit quality
- Monetising investments through sales to strategic acquirers and successful IPOs

9M2016 HIGHLIGHTS



Key assets



- Largest telecom operator in Russia and Eastern Europe



- Leading pulp and paper holding



- Top children's retail chain in Russia and CIS



- Diversified agricultural holding



- Real estate development, rental assets

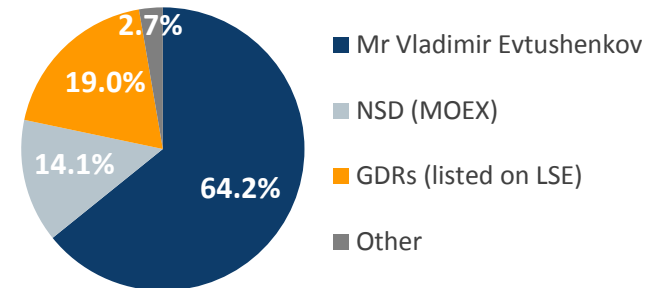


- Russia's leading private healthcare network



- High-tech holding

Shareholding structure**



* Adjusted operating income before depreciation and amortisation

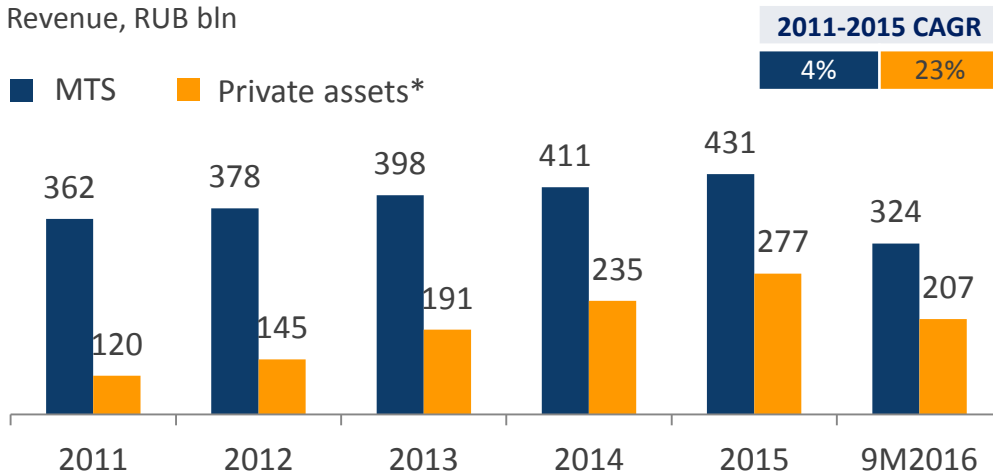
**As of end of 2015



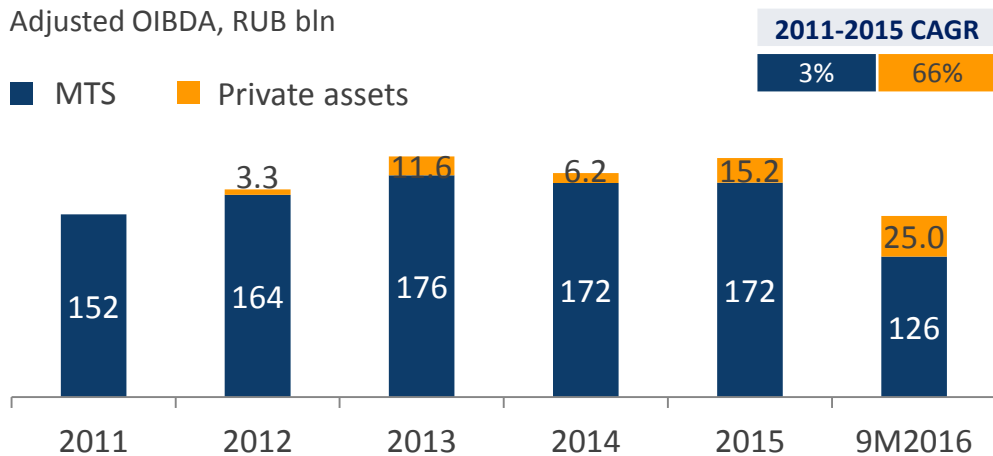
HEALTHY GROWTH AT MTS AND TURNAROUND OF PRIVATE ASSETS

Robust revenue and OIBDA growth

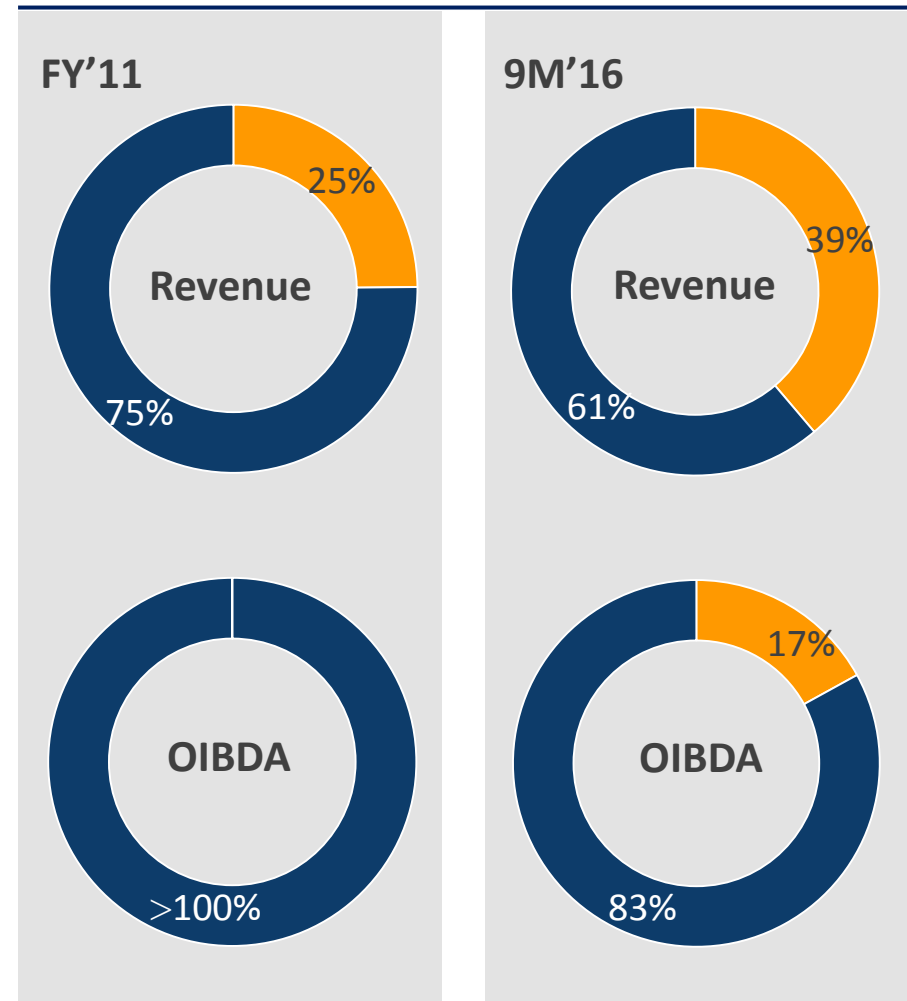
Revenue, RUB bln



Adjusted OIBDA, RUB bln



Improved mix within portfolio



■ MTS ■ Private assets

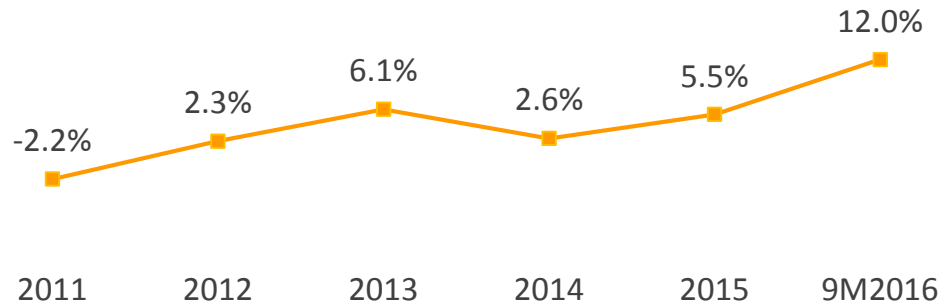
*Hereinafter non-public subsidiaries and assets, excluding Bashneft



INCREASING CASH FLOW FROM PRIVATE ASSETS AND STABLE DIVIDENDS FROM MTS

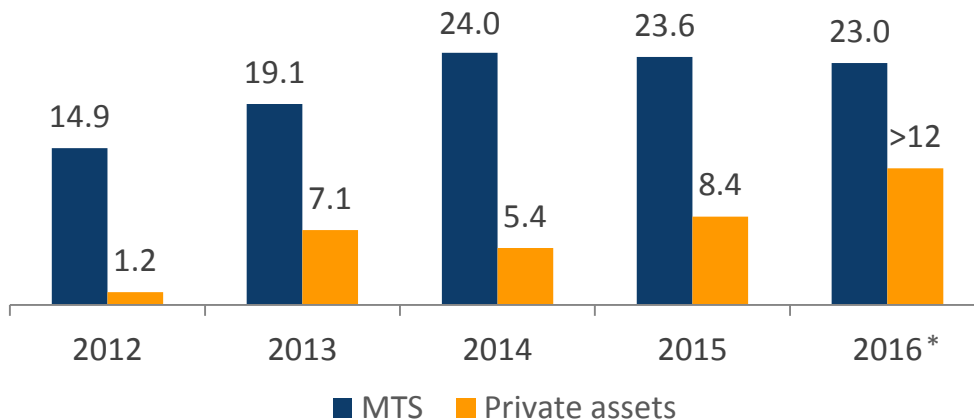
Increased profitability at private assets

OIBDA margin



Stronger dividends and cash returns to Sistema

RUB bln



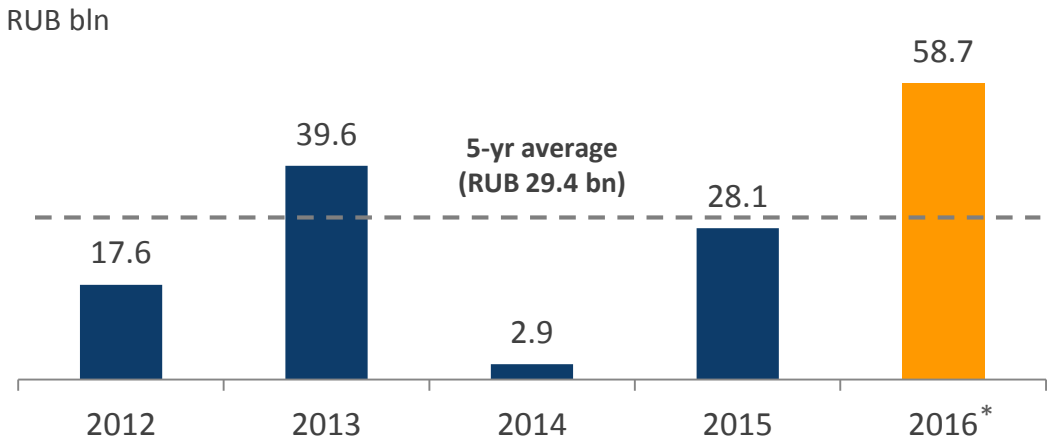
* Management estimates

- Sustainable improvement in profitability of private assets with a record OIBDA margin achieved for 9M 2016
- Over 10x growth in dividends and cash returns from private assets over last 5 years
- Share of private assets in total cash returns from subsidiaries to reach 34% for 2016 vs. 8% in 2012
- Stable dividend flow from MTS supports Sistema's investment resources and liquidity



CONSISTENT ASSET MONETISATIONS

Total asset divestments and monetisations



Largest transactions 2012 – 2016

2012-2013	2014-2015	2016*
<ul style="list-style-type: none"> • Sale of 49% in Russneft • Sale of <0.5% in MTS • Sale of power generation assets 	<ul style="list-style-type: none"> • Sale of 23% in Detsky Mir • Sale of real estate • Deposits from Ural-invest 	<ul style="list-style-type: none"> • Sale of MTS shares • Sale of 50% in SG-Trans • Deposits from Ural-Invest • Sale of real estate

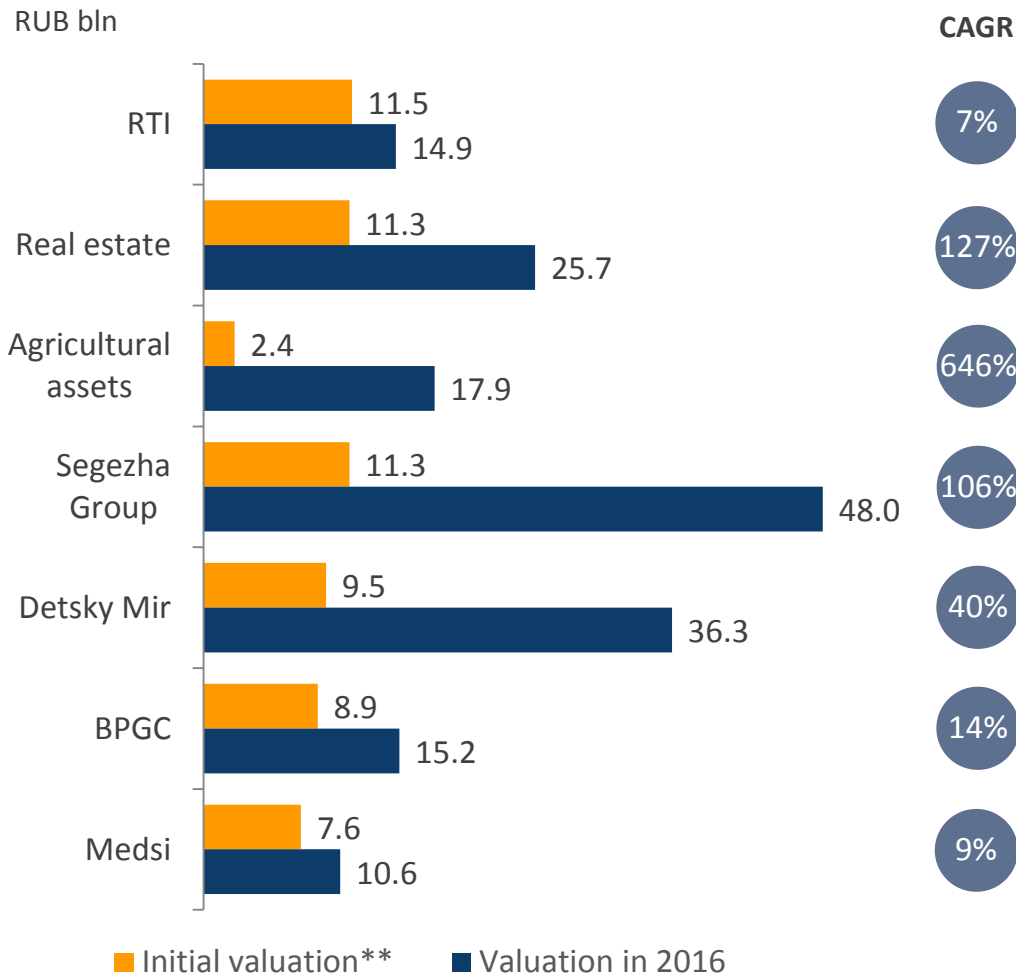
- Consistent divestments help to achieve targeted IRR and demonstrate value of our assets to the market
- Profitable exits continued in 2014 – 2015 despite macro downturn, with the flagship transaction being the sale of 23% in Detsky Mir
- 5-year record proceeds from monetisations delivered in 2016 including sale of a total of 2.7% in MTS, full exit from SG-trans, and proceeds from Ural-Invest deposits

* As of end of November 2016



GROWTH IN THE SELL-SIDE VALUATION OF KEY PRIVATE ASSETS

Analysts' valuations, consensus*



- Consensus revaluations mainly driven by assets' performance and improved portfolio's transparency
- Additional investments in agriculture, real estate and pulp and paper (Segezha) contributed to higher valuations
- Recent asset divestments and monetisations (Detsky Mir, SG-trans) done with a premium to sell-side consensus

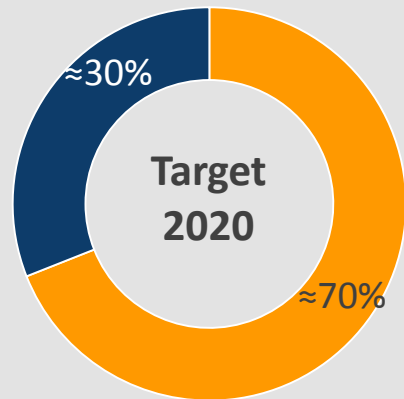
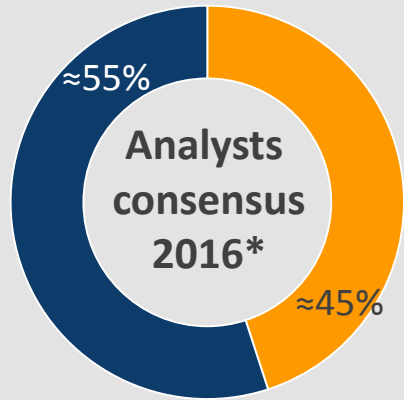
* Consensus is based on brokers that updated their valuations during a given year (2016: BCS, Citi, CS, DB, Gazprombank, JPM, MS, Otkritie, RenCap, VTB Capital)

** Initial valuation is dated 2012 for RTI, Detsky Mir, BPGC and Medsi, 2014 for Segezha (represented by cost of acquisition), and 2015 for agricultural assets and real estate

STRATEGIC FOCUS: DIVERSIFYING PORTFOLIO THROUGH SUPERIOR GROWTH IN PRIVATE ASSETS



Portfolio composition (% of gross asset value)









■ MTS ■ Non-MTS assets

Verticals / sectors	Key assets	Change in % of portfolio	Target % of portfolio	Strategic rationale / actions
Exports & import substitution				
Pulp and paper	segezha group	Strong growth	20-25%	<ul style="list-style-type: none"> Capitalising on Russia's cost advantages Hedging macro / consumer risks
Agriculture	Agroholding "STEPPE" Joint Stock Company			
Consumer sector				
Children's retail	Detsky Mir RETAIL CHAIN	Strong growth	20-25%	<ul style="list-style-type: none"> Playing recovery in consumer spending Leveraging Sistema's expertise in high-growth sectors
Healthcare	MED ORCS			
Retail banking	MTS Bank			
Real estate and hospitality				
Real estate	Real estate icons	Strong growth	≤15%	<ul style="list-style-type: none"> Playing Russian macro recovery Hedging inflation risks
Hospitality	Sistema Hotel Management			
Other, including funds				
High-tech	RTI KRONSTADT GROUP	Moderate growth	<15%	<ul style="list-style-type: none"> Developing higher margin businesses Monetising smallest assets to save resources
Other	BINNOPHARM company of JSC Sistema Other			

*Based on MTSS 12m target price (Bloomberg consensus) and consensus valuation of Sistema's non-public assets



BUSINESSES WITH STRONGEST GROWTH POTENTIAL

Verticals / assets	Market size 2016*	Market CAGR 2017 – 2020	Revenue CAGR 2017 – 2020*	Key drivers
Exports & import substitution				
	RUB 4.0 trln	1-4%	≈25%	<ul style="list-style-type: none"> Global leadership in production costs Investments in production capacity and modernization Considerable optimisation of operating costs
	RUB 2.5 trln	6-8%	>25%	<ul style="list-style-type: none"> Production cost advantages and strong expertise Organic expansion and M&A in high-growth segments Land bank growth to >500 thsd hectares by end 2017
Consumer sector				
	RUB 519 bln	≈2%	Above the market	<ul style="list-style-type: none"> Growth in # of stores, displacing competitors E-commerce growth – sales up ≈3x YoY in 9M 2016 Pricing power and economies of scale
	RUB 538 bln	≈14%	>25%	<ul style="list-style-type: none"> Structural growth in the domestic market Increased penetration into Russian regions Turnaround in old clinics, expansion of profitable formats
Real estate and hospitality				
 <p>Leader-Invest, Business-Nedvizhimost, Mosdachtrest</p>	Sistema's portfolio ≈3 mln m ²	Portfolio CAGR ≈2%	≈18%	<ul style="list-style-type: none"> Monetisation of large residential development portfolio Restructuring and renovation of property for rent Cottage rental business: renovations & income growth
	RUB 78 bln	≈13%	>20%	<ul style="list-style-type: none"> Growth in domestic tourism Growth of market share in Moscow and regions Restructuring of Intourist assets based on acquired chain

Market 2020*

RUB 4.6 trln

RUB 3.3 trln

RUB 565 bln

RUB 914 bln

Sistema >3 mln m²

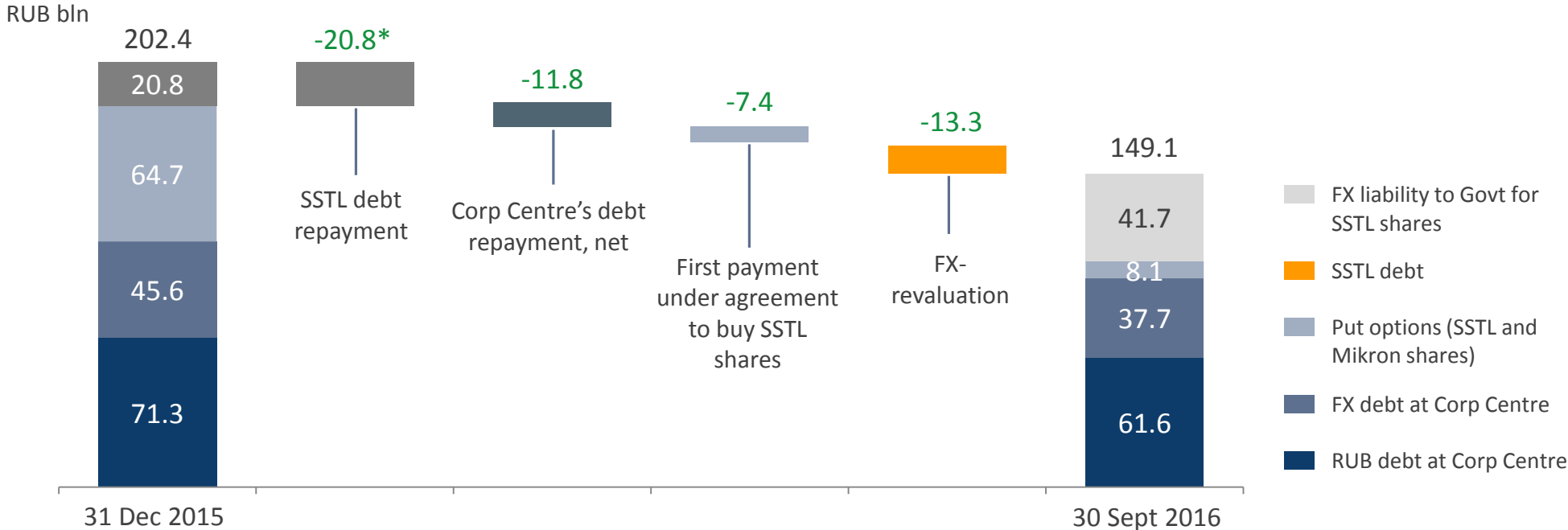
RUB 126 bln

*Source: Ipsos Comcon for children's retail 2016-17 with 2% growth rate applied for 2018-2020, Sistema Group companies estimates for pulp and paper, agro, healthcare and hospitality sectors



DELEVERAGING AND DEBT OPTIMISATION ON THE CORPORATE CENTRE LEVEL

Corporate Centre's total financial liabilities



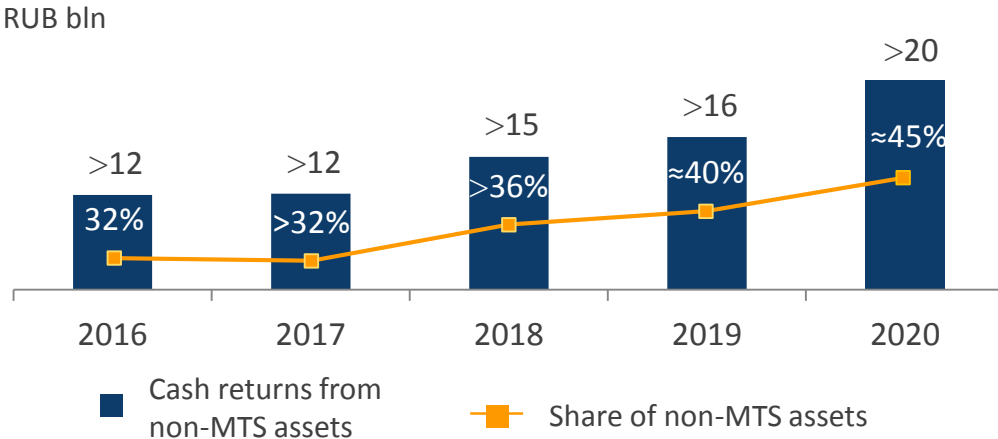
- Corp Centre's total financial liabilities down approximately 26% since the start of 2016
- Drivers of deleveraging during 9M 2016: (i) prepayment of the debt guaranteed by Sistema at SSTL; (ii) first payment made to the Russian budget for SSTL shares, (iii) early redemption of RUB 10 bln 17%-coupon local bonds in August 2016
- Deleveraging and debt optimisation to continue in 4Q 2016 with redemption of Corp Centre's debt, 2nd payment to the Russian government for SSTL shares, restructuring the option for Mikron shares and refinancing debt through successful local bond placements

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

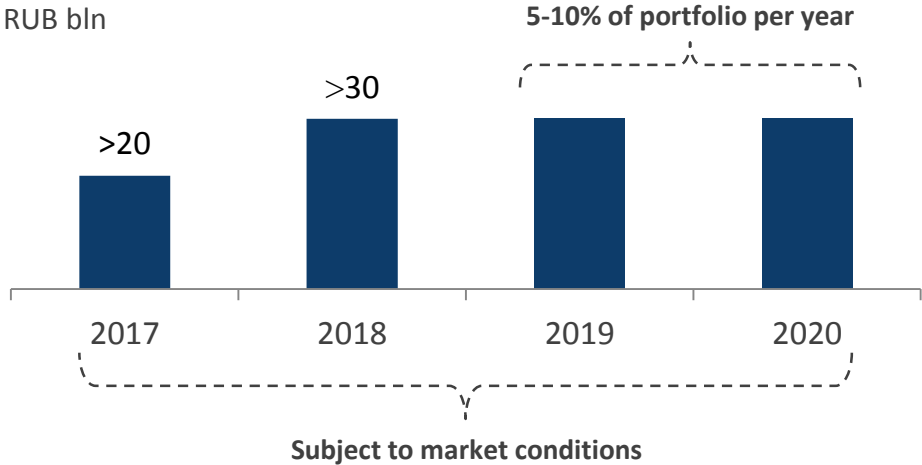


SISTEMA CASH FLOWS: FCF DRIVEN BY INCREASED CASH RETURNS FROM ASSETS AND MONETISATIONS

Dividends and cash return from non-MTS assets*

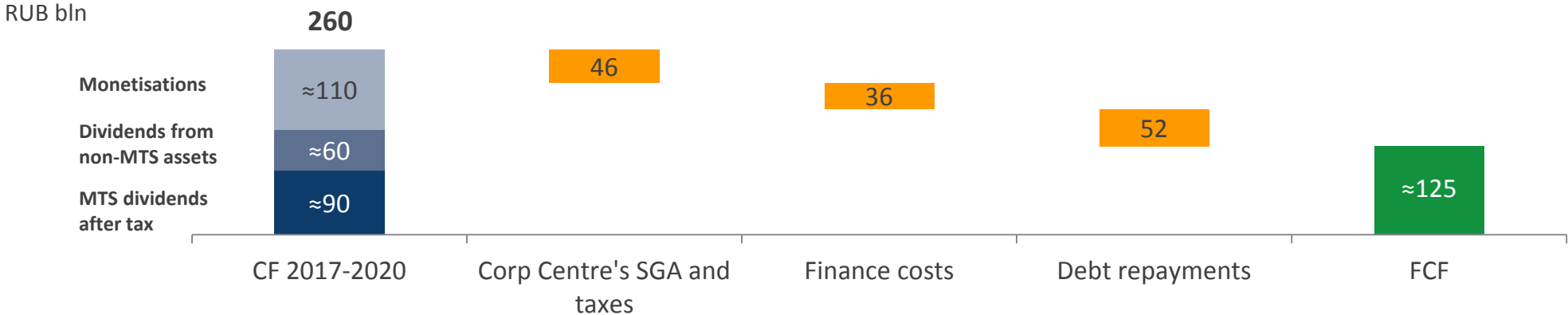


Monetisation (divestment) outlook



*For current asset mix in the portfolio

Corporate Centre's cash flows (not for purposes of guidance*)

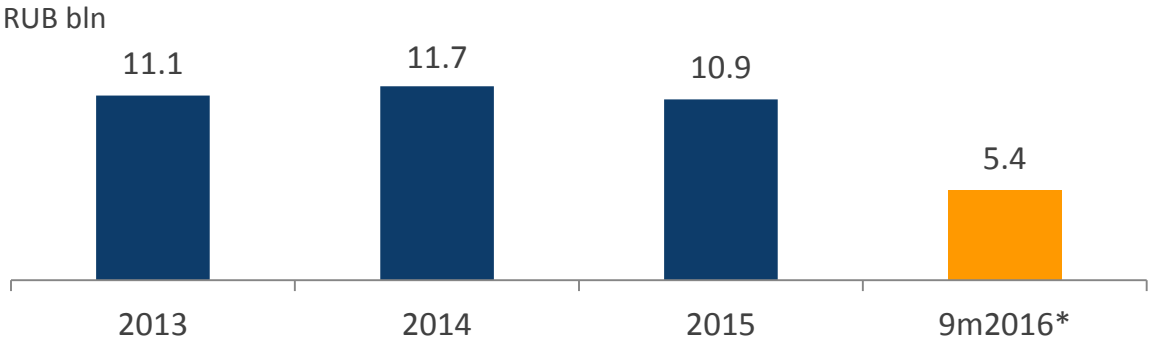


*Actual cash flows may differ from current projections



COST CONTROLS AND UNIQUE MOTIVATION SYSTEM AIMED AT MAXIMISING CASH FLOWS TO CORP CENTRE AND SHAREHOLDERS

Corporate Centre's SG&A costs



- Costs maintained flat over the last three years despite inflationary pressures
- Portfolio managers' remuneration based on cash returns only
- Unique coinvestment programme launched in 2016 perfectly aligns shareholders' and management's interests
- In 2016, member of Sistema's Management Board invested over RUB 400 mln of personal wealth into Sistema shares

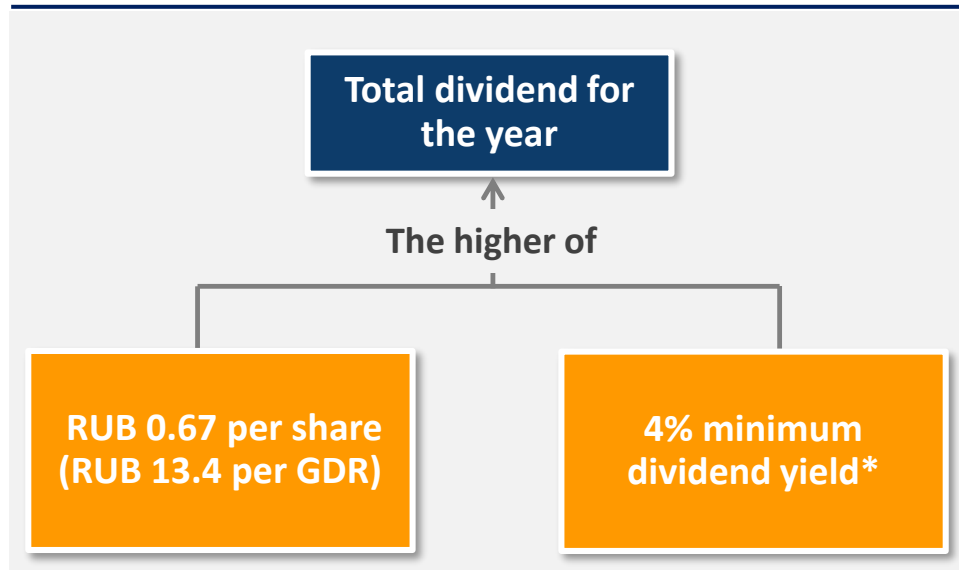
Remuneration (annual bonus & LTI)	Coinvestment programme (allocating % of annual income)	
Heads of portfolios and functional divisions	Heads of portfolios	Heads of functional divisions
<ul style="list-style-type: none"> • 10% of net cash return from investments** • Sistema shares allocated annually based on KPIs 	<ul style="list-style-type: none"> • Assets in the current portfolio managed • New assets acquired under the person's management • Sistema shares (discretionary) 	<ul style="list-style-type: none"> • Sistema shares (obligatory)

*Adjusted for SGA costs related to asset monetisations
 **Net cash return = cash proceeds from dividends or divestments adjusted for acquisition cost and portfolio's SGA costs as well as a hurdle rate

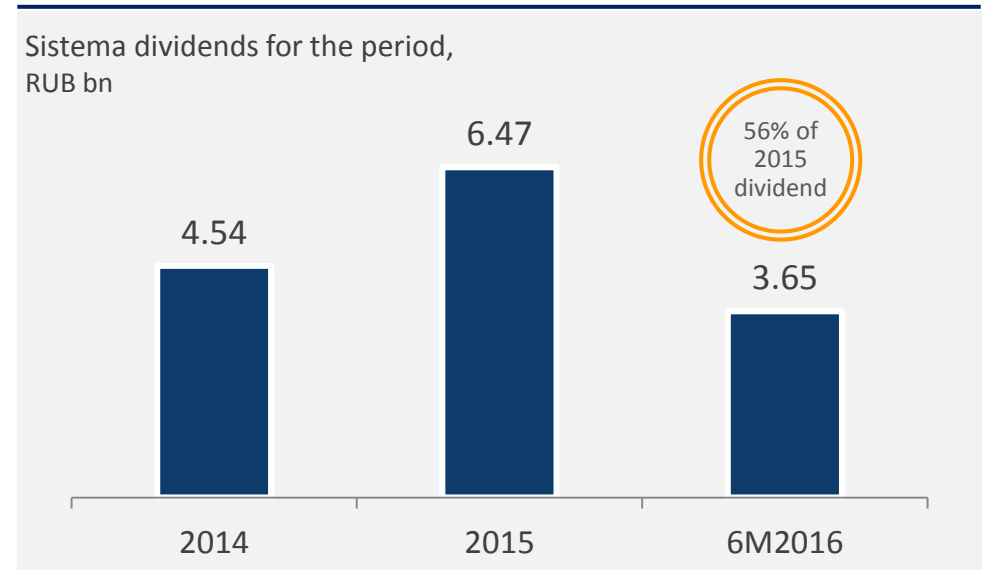


SHAREHOLDER REMUNERATION: FIRST INTERIM DIVIDEND UNDER NEW DIVIDEND POLICY AIMED AT DIVIDEND GROWTH

New dividend policy approved in 2016...



...aimed at increasing payouts



- Transparent dividend policy with a fixed annual floor (RUB 0.67 per share) and a minimum yield of 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 paid in 2016. Total dividend paid during the year reached RUB 10.1 bln and more than doubled vs. 2015

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



COMMITMENT TO HIGH STANDARDS OF CORPORATE GOVERNANCE

BOARD COMPOSITION

- More than 50% of Board members are independent
- Sistema's Board comprises very experienced experts

Board of Directors Committees – share of independent directors:

100% - Audit, Finance and Risk Committee

80% - IR and Dividend Policy Committee

80% - Nomination and Remuneration Committee

60% - Ethics and Internal Control Committee

18% - Strategy Committee

TRANSPARENCY AND CORP GOVERNANCE

- Sistema and its Board are open for dialogue with all the company's stakeholders
- Clear procedures in place to protect minority shareholders in any related party transaction, including approval by Audit, Finance and Risk Committee and following consideration by Board of Directors. Independent directors take active part at each stage.
- Transparent and progressive dividend policy in place
- Motivation system aimed at aligning management's and shareholders' interests. In 2016, Sistema adopted a programme for senior management to participate in the share capital of Sistema and its portfolio companies.

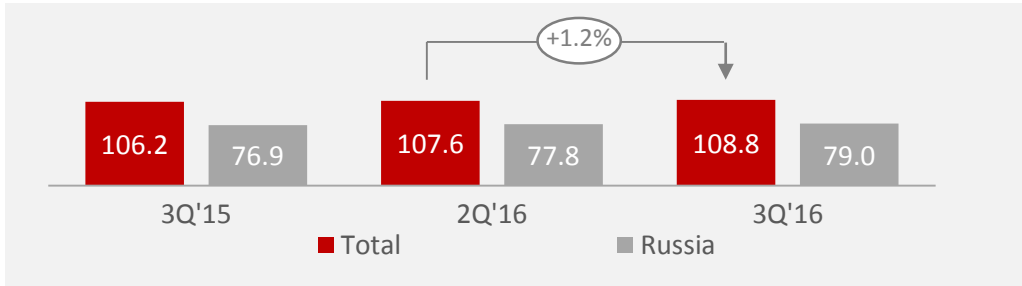


Portfolio Overview: 3Q 2016 Results

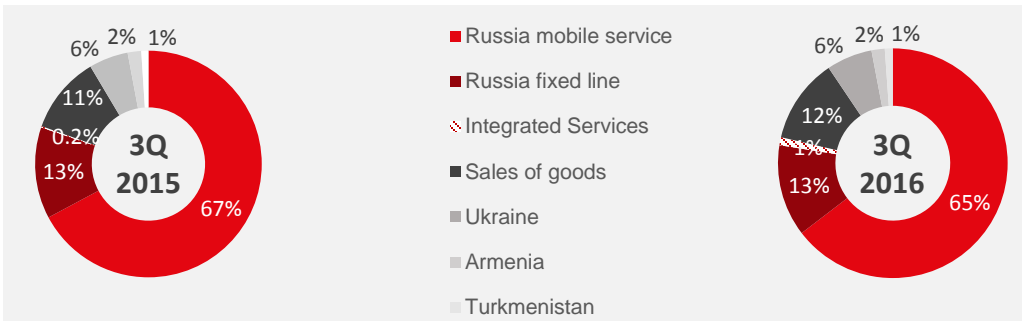
TOP TELECOM OPERATOR IN RUSSIA: RESILIENCE TO MACRO TRENDS AND FOCUS ON SHAREHOLDER RETURN



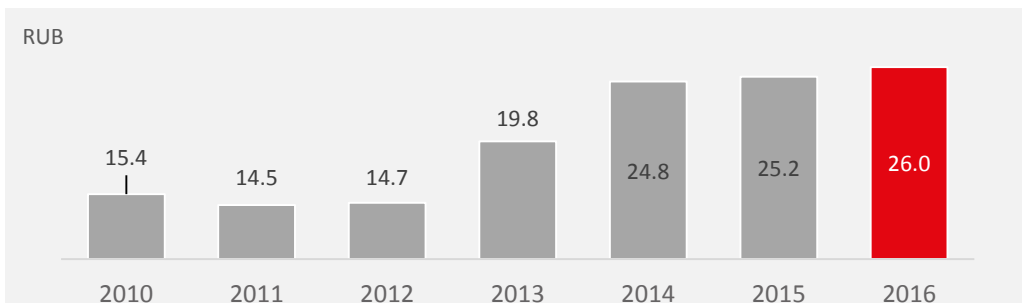
SUBSCRIBER BASE



REVENUE BREAKDOWN



DIVIDEND PER SHARE



RUB bln	3Q'16	3Q'15	YoY	2Q'16	QoQ
Revenue	112.2	113.7	-1.3%	106.1	5.8%
OIBDA	45.8	47.1	-2.8%	40.3	13.4%
OIBDA margin	40.8%	41.4%	-0.6 p.p.	38.0%	2.8 p.p.
Profit*	6.5	7.7	-15.3%	4.8	34.6%
Net debt	240.4	319.9	-24.9%	258.3	-6.9%
CAPEX	18.2	19.4	-6.5%	21.3	-14.9%

> Resilience to macroeconomic and competitive pressures and continued focus on delivering robust shareholder returns

> Moderate revenue decline YoY due to weaker roaming usage as a result of fewer Russians traveling abroad. Lower revenue contributions from Ukraine and other subsidiaries outside Russia due to depreciation of local currencies against the RUB also put pressure on revenue

> MTS continues to outperform its peers on the OIBDA level. OIBDA decreased YoY mainly as a result of weaker roaming usage and the impact of continued expansion of the retail network

> MTS's market share remained stable, with MTS maintaining its position as the leading player in the industry. The subscriber base grew by 2.8% over the 12 months.

> In 2016, MTS paid out a record dividend per share of RUB 26

> In October, MTS announced a buyback of its shares of up to RUB 10 bln, including via a tender offer with a proposed return of c. RUB 4,935 mln to minority shareholders at a price determined by a modified Dutch auction. Upon completion of the tender offer, Sistema will sell MTS shares proportionally to its effective stake in MTS at the same price for a total consideration of up to RUB 5,065 mln

*Hereinafter profit is presented in Sistema's share

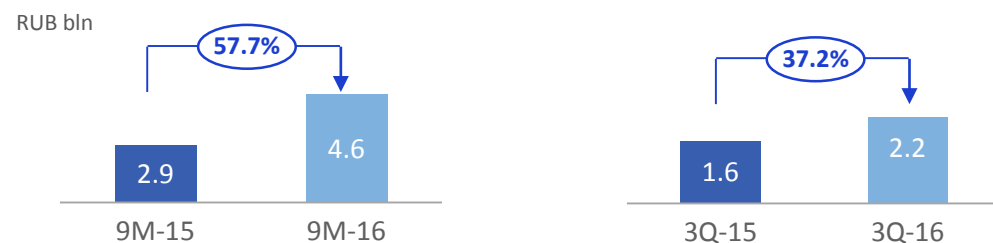
TOP CHILDREN'S GOODS RETAILER IN RUSSIA AND CIS: CONTINUED EXPANSION AND EFFICIENCY GROWTH



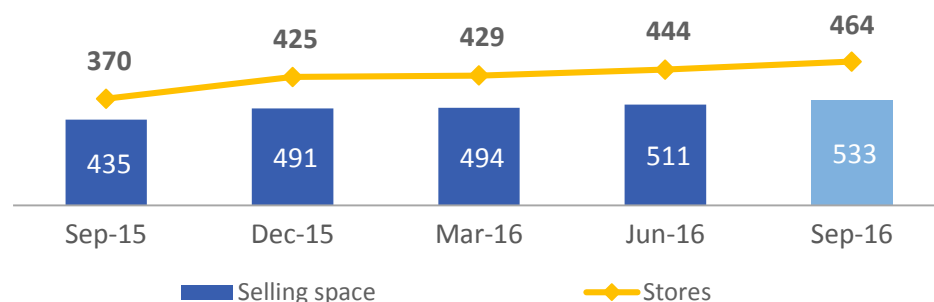
REVENUE



OIBDA



SELLING SPACE (THSD M²) AND NUMBER OF STORES



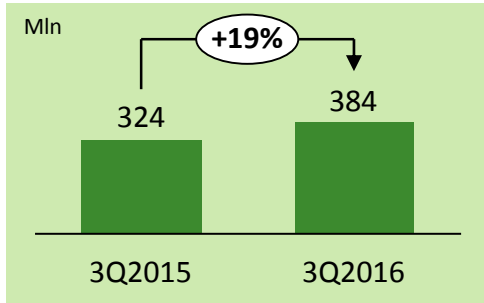
RUB bln	3Q'16	3Q'15	YoY	2Q'16	QoQ
Revenue	20.5	15.2	34.6%	17.3	18.3%
OIBDA	2.2	1.6	37.2%	1.6	38.8%
OIBDA margin	10.9%	10.7%	0.2 p.p.	9.3%	1.6 p.p.
Profit	0.8	0.3	161.1%	0.4	91.3%
Net debt	12.5	16.5	-24.0%	13.0	-3.4%
SGA/revenue	22.7%	24.7%	-2.0 p.p.	23.7%	-1.0 p.p.
Like-for-like growth	12.2%	10.5%	1.7 p.p.	13.0%	-0.8p.p.
Traffic growth	3.1%	2.2%	1.1 p.p.	2.4%	0.7p.p.
Average check growth	8.9%	7.6%	1.3 p.p.	10.3%	-1.4p.p.
CAPEX	0.4	2.7	-86.1%	0.3	19.6%

- > Revenues grew YoY due to robust growth in like-for-like sales (+12.2%) and stores opened in 2014-2015 reaching traffic maturity. Like-for-like growth in the number of tickets (3.1%) was the strongest since 2Q 2015
- > Implementation of strategy focused on increasing market share in Russia continued with 21 new stores opened in 3Q 2016
- > E-commerce segment continued rapid expansion with YoY sales growth of 2.8 times for the first 9M 2016, in particular driven by synergies between Detsky Mir's online store and retail chain
- > OIBDA increased by 37.2% YoY driven by revenue trends and improved operational efficiency
- > SG&A as a percentage of revenues continued to decline thanks to optimisation of key expense lines including salaries and rental costs
- > Sistema continues to consider options for further monetisation of Detsky Mir, including a private placement or an IPO, potentially as early as the first half of 2017

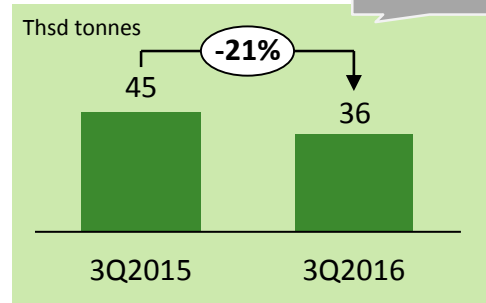
LEADING PULP AND PAPER HOLDING SEGEZHA GROUP: CONTINUED INVESTMENTS INTO GROWTH



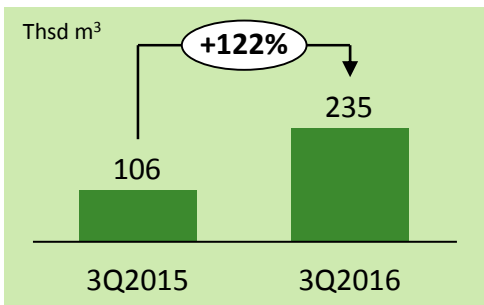
PAPER SACKS



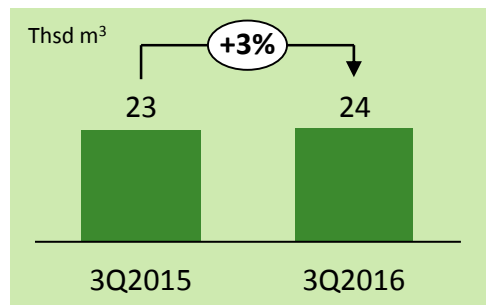
SACK PAPER*



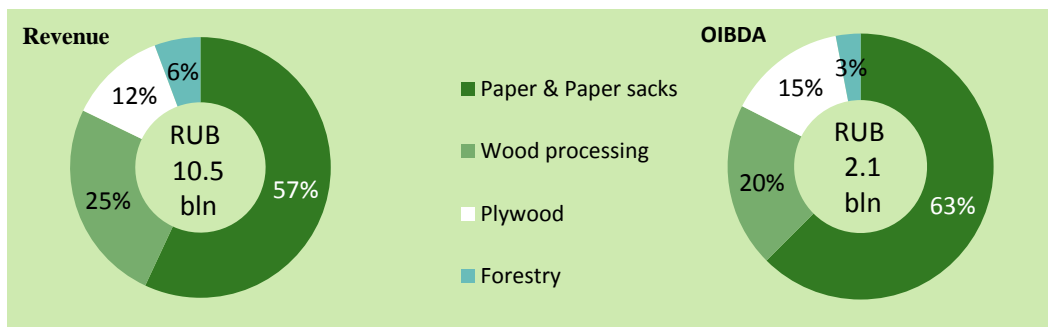
SAWN TIMBER



PLYWOOD



REVENUE AND OIBDA BY BUSINESS SEGMENTS



*Includes shipment of paper and paper board

RUB bln	3Q'16	3Q'15	YoY	2Q'16	QoQ
Revenue	10.5	8.8	18.9%	10.0	4.4%
OIBDA	2.2	1.7	29.7%	2.2	-1.8%
OIBDA margin	20.8%	18.8%	1.7 p.p.	22.2%	-1.4 p.p.
Profit	0.2	0.6	-58.7%	0.5	-53.4%
Net debt	15.9	-0.2	n/a	14.8	7.1%
CAPEX	3.1	0.9	255.3%	2.0	55.5%
Share of FX-denom. revenues	69%	69%	-1 p.p.	70%	-2 p.p.
Own forestry consumption	61%	64%	-3 p.p.	60%	1 p.p.
Total forestry, '000 m³	916.5	731.4	25%	730.9	25%

- > Increase in revenue YoY driven by stronger sales of paper sacks and doubling of sawn timber production following the consolidation of Lesosibirsk Wood-Processing Plant No.1 in 1Q 2016
- > Sack paper shipments decreased as a result of the planned shutdown for modernisation of pulping equipment at Segezha Pulp & Paper Mill aimed at increasing production by 28% to 1,150 tonnes of pulp a day. The plant began operating at full capacity in 4Q 2016
- > Main factors behind OIBDA margin increase YoY are the increase in share of sales of high-margin products within the paper sack and sawn timber product lines, as well as optimisation of production costs
- > Major capital investments in 3Q 2016 related to modernisation of Segezha Pulp & Paper Mill, construction of a new plywood plant in Kirov and modernisation of forestry equipment
- > In 4Q 2016, Segezha Group signed a five-year EUR 383.6 mln syndicated loan facility to finance investment programmes and for general corporate purposes

DIVERSIFIED AGRICULTURAL HOLDING: STRONG RESULTS AMID HIGH SEASON



Field crops	Milk production	Vegetables production	Apple orchards
<ul style="list-style-type: none"> Land bank: 'Steppe': 313k ha* - Incl. RZ Agro: 100k ha Modern equipment and agrotechnology 	<ul style="list-style-type: none"> 4 dairy farms ≈8,800 head of livestock (≈3,638 forage-fed cows) 	<ul style="list-style-type: none"> Greenhouses with total area of 144 ha Infrastructure: bio-laboratory, agro-chemical laboratory, boiler-house, etc. 	<ul style="list-style-type: none"> Land bank: 1,771 ha Orchards: 780 ha Fruit storage capacity of 21 thsd tonnes

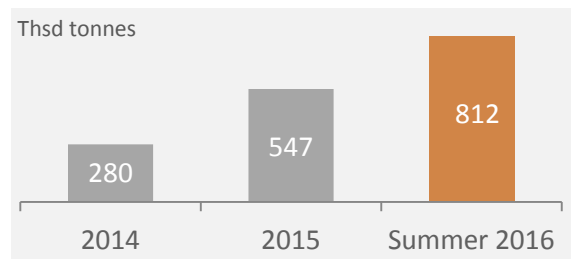
Agroholding Steppe***

RZ Agro***

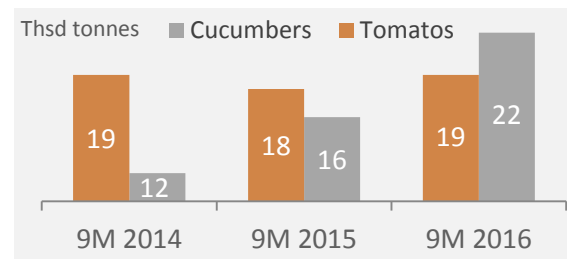
RUB bln	3Q'16	9M'16	9M'15*	YoY	9M'16	9M'15	YoY
Revenue	3.5	6.3	4.8	31,3%	2.5	1.3	91.5%
OIBDA	1.0	1.7	1.0	69,3%	1.2	0.9	24.5%
OIBDA margin	29.8%	26.9%	20.9%	6.0 p.p.	47.1%	72.4%	-25.3p.p.
Profit	0.6	0.2	0.2	25.1%	0.9	0.8	21.3%
Net debt	1.5	1.5	n/a	n/a	0.6	-0.1	n/a
CAPEX	0.2	0.5	0.6	-11.3%	0.2	0.1	93.1%

*Data for 9M 2015 are based on management accounts

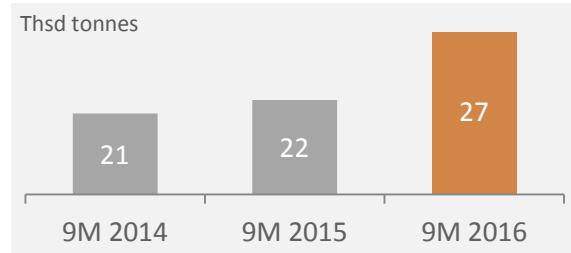
GRAIN PRODUCTION**



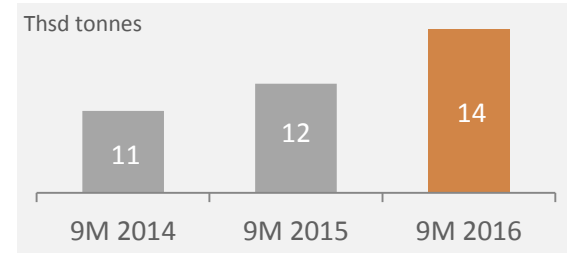
VEGETABLES



MILK PRODUCTION



APPLES



- > Wheat and vegetable production were the main drivers of Steppe's revenue and OIBDA growth during 9M 2016.
- > Yield, revenue and OIBDA of wheat production grew thanks to land bank expansion (approximately 120,000 ha of land were acquired in 2015 – 1H 2016), implementation of modern technologies and Steppe's standards on new assets and reduced harvest timeframe.
- > Temporary reduction in wheat market prices due to a strong harvest was offset by a conservative sales policy
- > Growth in production and revenue of vegetables segment was driven mainly by higher yields (to 32 kg per m² for 9M 2016 from 29 kg per m² for 9M 2015).
- > Milk production grew due to a 12% increase in the dairy cow headcount YoY and increase in productivity.
- > In the fruit production segment, new apple orchards were established over an area of 150 ha, with the first harvest expected in 2018.

* Including the acquisition of agro companies with a land bank of 66k hectares in November 2016

**Including operating data of Agroholding Steppe and RZ Agro.

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

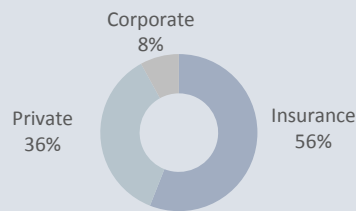


HEALTHCARE (MEDSI) AND PHARMACEUTICALS (BINNOPHARM)

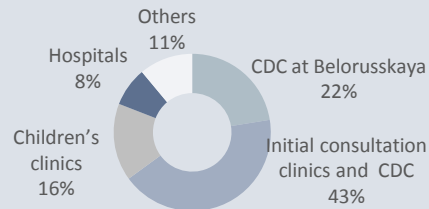
Medsi

RUB bln	3Q'16	3Q'15	YoY	2Q'16	QoQ
Revenue	2.2	2.0	14.7%	2.3	-2.6%
OIBDA	0.4	0.2	174.9%	0.1	3.2x
OIBDA margin	18.6%	7.8%	10.8 p.p.	5.6%	13.0 p.p.
Profit/Loss	0.1	0.1	-33.6	-0.2	n/a
Net debt	-1.1	-0.2	n/a	-0.6	n/a
Patient visits, '000	1 716	1 755	-2.2%	1 843	-6.9%
Services provided, '000	2 647	2 684	-1.4%	2 942	-10.0%

Revenue by clients



Revenue by assets

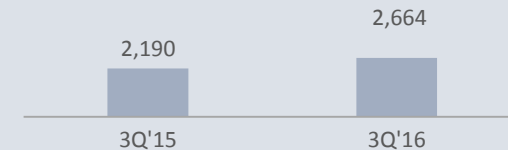


- > Robust revenue growth YoY was driven principally by an increase in the average check of 17.2%. The QoQ revenue decline was the result of seasonality affecting demand for medical services
- > Medsi's OIBDA and OIBDA margin increased YoY due to a 9.5% reduction in SG&A versus 3Q 2015, as well as one-time income from a counterparty paying off accounts receivables and fines.
- > Revenues at Medsi's largest facility, the Clinical Diagnostic Centre (CDC) at Belorusskaya, rose by 10.3% YoY.
- > The CDC opened at Krasnaya Presnya in late 2015 continues to successfully ramp up capacity utilisation and patient visit numbers (+39% QoQ). The facility is expected to become positive at the OIBDA level in 2017.

Binnopharm

RUB bln	3Q'16	3Q'15	YoY	2Q'16	QoQ
Revenue	0.3	0.3	-3.9%	0.5	-41.6%
OIBDA	0.01	-0.07	n/a	0.08	-86.3%
OIBDA margin	3.7%	n/a	n/a	15.8%	-12.1 p.p.
Loss	-0.07	-0.09	n/a	-0.03	n/a
Net debt	1,1	1,1	-2,6%	0.9	11.2%

Production of finished pharmaceutical products, '000



- > Binnopharm continued to successfully execute on its strategy to grow the share of its own products in total sales. In line with this strategy, the share of lower-margin distribution sales in 3Q 2016 declined to 11%, compared to 61% in the same period in 2015.
- > The YoY decline in revenues was due to the reduction in distribution sales in the state segment, which was offset by growth of commercial sales of the company's own products, as well as improved operating results.
- > Binnopharm's OIBDA grew to RUB 0.01 bln, versus a loss in 3Q 2015.
- > The decrease in revenue and OIBDA QoQ was due to no supplies of Regevak B being delivered during the quarter (vaccine shipments were made in 2Q 2016 in line with the contract with the National Immunobiological Company). Additional pressure on OIBDA resulted from higher spending on building out Binnopharm's commercial operations.

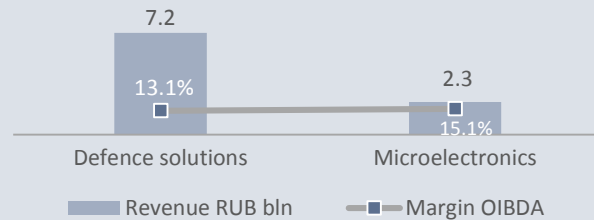


HIGH-TECH (RTI) AND OILFIELD SERVICES (TARGIN)

RTI **RTI**

RUB bln	3Q'16	3Q'15	YoY	2Q'16	QoQ
Revenue without ICT business unit (NVision)*	10.3	14.5	-29.9%	11.4	-9.8%
Revenue	10.3	17.8	-42.2%	11.4	-10.0%
OIBDA	1.1	2.9	-61.0%	0.9	30.4%
OIBDA margin	10.9%	16.1%	-5.2 p.p.	7.5%	3.4 p.p.
Loss	-0.6	-0.7	n/a	-0.6	n/a
Net debt	33.4	27.9	19.8%	29.3	13.9%
Share of debt related to state defence contracts**	35%	41%	- 6 p.p.	32%	3 p.p.

Results by key business segments



- > Revenues declined YoY mainly due to the disposal of ICT BU, as well as lower revenue in Defence Solutions BU due to customers delaying several key projects under long-term contracts. Microelectronics BU revenue also declined due to orders from large clients being placed later in the year.
- > OIBDA and OIBDA margin decreased YoY as the result of the disposal of the ICT BU. OIBDA increased QoQ thanks to impairment loss recognition for accounts receivable and supply stock in the Microelectronics BU in 2Q 2016.
- > Net debt increased YoY principally due to increased borrowing as part of RTI's fulfilment of the state defence order.
- > In October 2016, RTI's Board of Directors (BoD) approved a decision to separate the duties of CEO and Chief Designer. Igor Bevzyuk was named CEO. Sergei Boyev continues to hold the position of Chief Designer and was elected Chairman of the BoD of RTI.

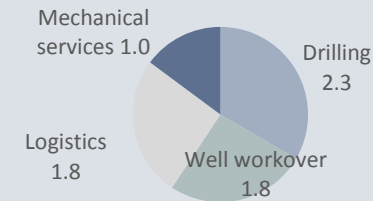
*Information and Communications Technologies BU disposed in 2H 2015.

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

Targin **TARGIN**

RUB bln	3Q'16	3Q'15	YoY	2Q'16	QoQ
Revenue	6.9	6.4	7.8%	6.6	4.4%
OIBDA	1.1	1.1	0.0%	0.8	43.4%
OIBDA margin	16.0%	17.4%	-1.4 p.p.	11.6%	4.4 p.p.
Profit/loss	0.4	0.5	-24.9%	-0.01	n/a
Net debt	4.0	3.1	26.8%	4.7	-15.4%
CAPEX	0.8	0.4	93.6%	0.9	-7.6%

Revenue, RUB bln



- > Revenues increased YoY driven by its expanded client base and 5% increase in volumes in the well workover segment, as well as 1% increase in transportation services volumes.
- > OIBDA increased QoQ thanks to improved margins in the well workover segment. OIBDA margin decreased YoY due to expenses incurred in the roll-out of new services – directional drilling, drill bit completion, well completion and downhole work – as well as amendments to the drilling programme in 3Q 2016.
- > Targin is carrying out an investment programme aimed at expanding its product portfolio, developing new technologies and modernising its equipment. In 3Q 2016 Targin continued to borrow to fund key investment projects.
- > As of 30 September 2016, Targin's net debt/LTM OIBDA ratio stood at 1.1x.

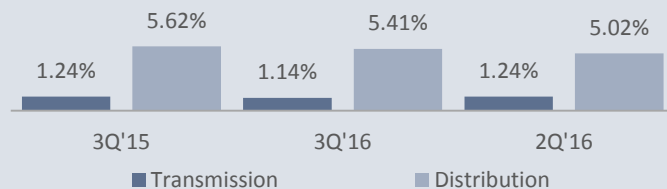


ELECTRIC POWER GRIDS (BPGC), FINANCIAL SERVICES (MTS BANK)

BPGC

RUB bln	3Q'16	3Q'15	YoY	2Q'16	QoQ
Revenue	3.9	3.4	15.4%	3.5	12.4%
OIBDA	1.4	1.2	12.3%	1.1	24.6%
OIBDA margin	36.0%	36.3%	-0.3 p.p.	31.9%	4.1 p.p.
Profit	0.7	0.5	26.0%	0.5	37.1%
CAPEX	0.8	0.7	12.6%	1.4	-39.2%
New connections, '000	6 115	6 343	-3.6%	5 525	10.7%
Connected power, MVt	95.8	124	-22.7%	85.1	12.6%

Losses on distribution and transmission grids

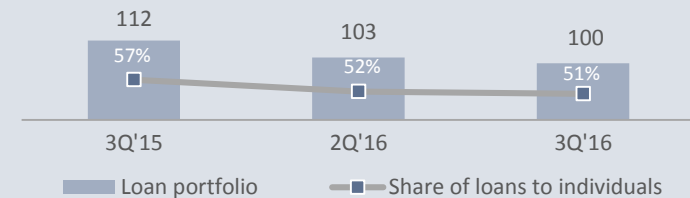


- > BPGC's revenues and OIBDA grew YoY and QoQ, mainly due to indexation of electricity transmission tariffs that came into force on 1 July 2015.
- > OIBDA margin was nearly flat YoY, despite increased payments for electricity losses caused by an increase in wholesale prices. BPGC's SG&A decreased by 17.6% YoY and by 3.1% QoQ.
- > BPGC continues to invest into development and modernisation of network assets in Bashkortostan, including the development of Smart Grid project in Ufa, Bashkortostan's largest city. BPGC continues the construction of major substations (Irek, Zubovo, Gvardeyskaya), with plans to launch them in 4Q 2016. As part of the Smart Grid project, equipment has been installed in 51 transformer modules in Ufa since the start of the year.

MTS Bank

RUB bln	3Q'16	3Q'15	YoY	2Q'16	QoQ
Revenue	5.0	6.4	-22.0%	5.1	-1.2%
Loss	0.7	-3.3	n/a	-0.8	n/a
Interest income	4.0	5.4	-25.4%	3.9	2.4%
Commission income	0.9	0.9	5.0%	0.8	8.9%
Net assets	24.7	30.0	-17.5%	22.9	7.6%
Capital Adequacy Ratio (N1)	18.4%	14.8%	3.6 p.p.	19.1%	-0.7 p.p.

Loan portfolio before provisions*



- > MTS Bank returned to profitability at the bottom-line level in 3Q 2016, driven by a reduction in provision charges and further improvement of asset quality.
- > Interest income grew by 2.4% QoQ against a backdrop of conservative lending growth in the retail and corporate segments. In line with the bank's strategy to increase the share of revenue derived from risk-free transaction products, commission income increased by 8.9% QoQ.
- > MTS Bank's revenues and interest income declined YoY due to reduction in the size of the balance sheet and a decrease in interest rates on the Russian market
- > In 4Q 2016, MTS Bank plans to increase its capital by RUB 10.5 bln through an additional share issue in favour of Sistema and MTS. The share issue aims to optimise the bank's capital structure and support further development of its business.

*For MTS Bank on a standalone basis

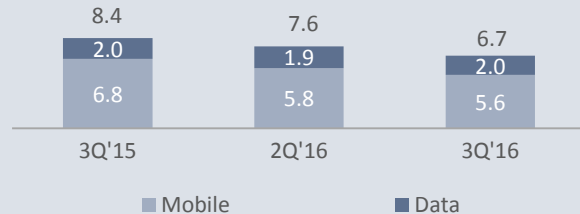


INDIAN TELECOM OPERATOR, HOSPITALITY (“INTOURIST”)

SSTL

RUB bln	3Q'16	3Q'15	YoY	2Q'16	QoQ
Revenue	3.0	3.7	-18.9%	3.4	-13.1%
OIBDA	-0.3	-0.5	n/a	-0.4	n/a
Loss	-0.8	-2.1	n/a	-1.5	n/a
Net debt	1.8	31.7	-94.2%	13.2	-86.0%

Subscriber base, mln

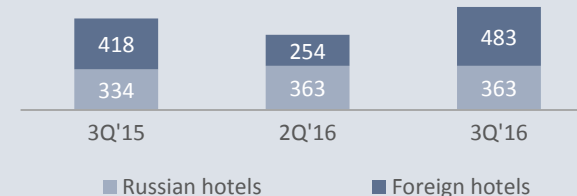


- > Decline in revenues reflects lower customer acquisitions and strong competition in the Indian voice and data markets.
- > Sistema continues to work towards a potential merger of SSTL’s telecom business with the business of Reliance Communications (RCom), one of India’s leading telecom operators. Completion of the transaction is conditional upon a number of approvals being obtained. As of end-November 2016, the transaction was approved by the Securities and Exchange Board of India (SEBI), the Competition Commission of India, India’s tax authorities, the shareholders and creditors of RCom and SSTL, as well as by the Rajasthan and Bombay High Courts. In November 2016, Sistema Group and RCom submitted documents for the final approval of the transaction by the Department of Telecommunications (DoT) of India. DoT’s decision on the matter is expected in the fourth quarter of 2016.
- > In 3Q 2016, Sistema Group completed repayment of SSTL’s debt guaranteed by Sistema.

Intourist

RUB bln	3Q'16	3Q'15	YoY	2Q'16	QoQ
Revenue	0.9	0.8	11.6%	0.6	41.4%
OIBDA	0.3	0.3	13.6%	0.1	4.1x
OIBDA margin	38.3%	37.6%	0.7 p.p.	13.1%	25.2p.p.
Profit/Loss	0.1	0.1	126.6%	-0.03	n/a
Net debt	1.0	1.2	-12.6%	1.2	-16.3%
Number of hotel rooms	2 370	2501	-5.2%	2 370	0%

Revenue by geography, RUB mln



- > Intourist’s revenues increased YoY thanks to higher sales at hotels outside Russia (i.e., Italy, the Czech Republic and Namibia).
- > OIBDA and OIBDA margin grew YoY as a result of improved profitability of the Cosmos Hotel on the back of higher occupancy rates in September 2016 and optimisation of direct costs. Intourist’s SGA/revenue ratio decreased YoY to 17.3%, compared with 18.2% in 3Q 2015.
- > As of 30 September 2016, Intourist Group managed 7 hotels across Russia, Italy, the Czech Republic and Namibia with a total of 2,370 rooms.
- > In November 2016 Sistema acquired 9 Regional Hotel Chain (RHC) hotels across Russia for RUB 2.6 bln. Upon completion of this transaction, the number of hotel rooms operated by Sistema will increase by more than 60% to 3,749. This chain of new quality hotels will serve as a solid basis for the integration and restructuring of Sistema’s hotel assets.



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