



JOINT-STOCK FINANCIAL CORPORATION
SISTEMA

Acquisition of Kronshtadt Group

September 2015





TRANSACTION STRUCTURE

KEY TERMS

- ✓ Acquisition of Kronshtadt Group and all of its assets (including JSC Kronshtadt, JSC TAB and JSC Kronshtadt Technologies) from Industrial Investors Group and its partners for a consideration of RUB 4.8 bln

RATIONALE

- ✓ Acquisition of a business that is complementary to Sistema Group and has strong growth potential. Significant synergies with RTI across key business lines.
- ✓ Entry into new market segments: commercial UAV systems, integrated simulators and training units, airborne control and navigation equipment
- ✓ Development of simulation and modeling of real technical operations, an attractive segment in the long term

ACQUIRED TECHNOLOGIES



Unique technological competencies - design and manufacturing of commercial UAV systems, design and production of aerial vehicles from composite materials, state-of-the-art technologies for on-board equipment, design and assembly of ground-based control stations



Development and manufacturing of simulators and training equipment, including simulators for oil and gas production, training of plane and ship crews, etc.



Development and manufacturing of sophisticated on-board and ground-based radio electronic equipment (aerial and marine navigation, navigational equipment systems, etc.)



Development and production of intelligent automated control systems and support for decision-making with the use of a unique geographic information platform

*Based on management accounts
 ** Bloomberg data as of September 2015

KEY INDICATORS*

Projected 2015 revenue: RUB 5 bn
 Projected OIBDA margin: 11%

ASSETS VALUATION

Peers	Country	Multiple EV/EBITDA**
Acquisition of Kronshtadt Group	Russia	x8
Elbit Systems	Israel	X9.54
Embraer	Brasil	X10.53
Aselsan	Turkey	X14.45
Bharat Electronics	India	X17.4
ST Engineering	Singapore	X13.16
Boeing	USA	X9.49

STRATEGIC VISION

Kronshtadt Group’s strategic goal is to develop unique technologies by investing in innovative companies with strong intellectual and engineering potential as well as capacity for the manufacturing of high-tech products and world-class solutions across key industries



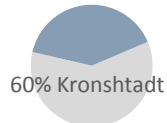
About KRONSHTADT GROUP

BACKGROUND

- ✓ Prior to the transaction, Kronshtadt Group's assets belonged to Transas Group
- ✓ The company was founded in 1990 and is based in St. Petersburg
- ✓ Transas has demonstrated high growth rates. The company's name is a famous international brand, an acronym of TRANsport and SAFety Systems

MARKET POSITION

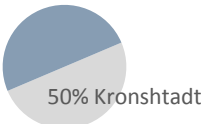
Position in the Russian market – RUB 0.8 bln



Market for maritime simulators and ship-based systems

- ✓ Kronshtadt Group has sold and installed 5,500 maritime training systems, which accounts for 45% of the global market
- ✓ Sistema will obtain the Russian part of the market for maritime simulators and ship-based systems where Kronshtadt is already an undisputed leader with a 60% market share

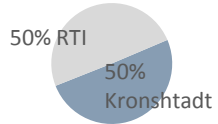
Position in the Russian market – RUB 2.7 bln



Market for flight simulators

- ✓ Kronshtadt consistently accounts for 50% of the Russian market for flight simulators
- ✓ Over the next 20 years major airlines will need ca. 460,000 new pilots, their training will cost around US\$ 15 bln*
- ✓ At present Kronshtadt is manufacturing 2 simulators and has signed MoUs for production of 10 more simulators

Market 2014-2020 – RUB 320 bln



State demand for the technologies developed by Kronshtadt Group

- ✓ Kronshtadt Group's technologies could secure up to 50% of the state's demand for technologies in certain segments
- ✓ RTI also covers 50% of the state's demand in the same technological segments

ASSETS

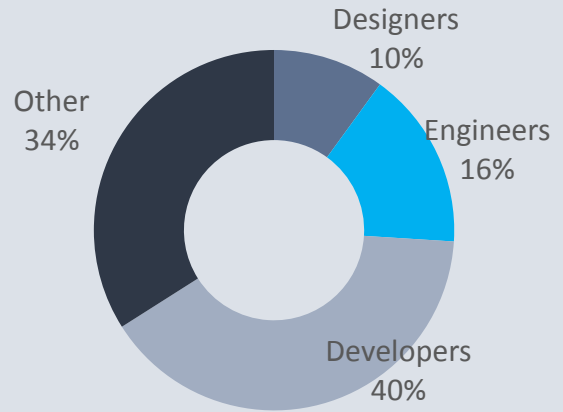
MANUFACTURING

- ✓ Research labs and production facilities in St. Petersburg
- ✓ 1,200 m² of production facilities in the Netherlands
- ✓ Production complex in Switzerland

KEY COMPETENCIES

- ✓ Systems for creating virtual environments
- ✓ Visualisation systems
- ✓ UAV technologies
- ✓ Geo-information systems

HEADCOUNT: 1,200 employees



The company's value is driven by strong engineering teams, technologies and the brand, which will ensure a stable flow of orders and future growth

*Forecast by Boeing and Airbus



AVIATION SEGMENT: JSC TAV

TAV is a leader in development and production of high-tech products and comprehensive solutions for the aviation industry.

WHERE AVIATION SIMULATORS ARE INSTALLED



TAV develops and manufactures:

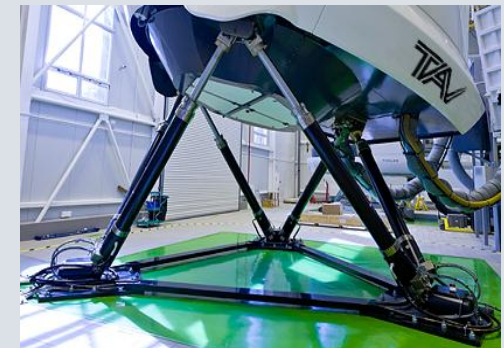
- ✓ On-board equipment and integrated aviation complexes
- ✓ A full range of training equipment, including level D full flight simulators (FFS), flight training devices (FTD), and automated training systems
- ✓ Aerial navigation databases
- ✓ Lighting equipment, including searchlights for helicopters
- ✓ TAV is a world-renowned expert in the production of pilot training devices and on-board equipment for Russian and foreign planes and helicopters. The company holds strong positions in these market segments not only in Russia, but also in other countries that are employ Russian aircraft, in particular the Mi and Ka helicopters

FACTS & FIGURES

45% of the Russian market for early ground proximity warning systems

50% of the Russian market for helicopter searchlights

>500 integrated on-board ABRIS systems operating under SNS GLONASS/GPS





AUTOMATED CONTROL SYSTEMS

Development and production of intelligent automated control systems and support for decision-making with the use of a unique geographic information system

- ✓ A strong cartographic base for display of geospatial information in various scales and projections on an unlimited area with seamless interfacing of marine and land maps
- ✓ System for intelligent plotting and dynamic environment imaging
- ✓ 2D and 3D real-time environment visualization system
- ✓ Advanced system of computation modules ensuring prompt execution of complex calculations and modeling



Flexibility and module-based design of the software platform make it possible to create solutions for the broadest range of customers:



Municipal administrations



Control and security systems for large commercial enterprises



Research/exploration of natural areas (including the Arctic)



Monitoring emergencies





NEXT STEPS

SHORT-TERM PLAN

- ✓ Spin off non-core assets and execute monetisation plan (disposal of real estate and other assets based on a long-term development strategy)
- ✓ Audit the technologies and competencies required to form target business structure and a plan to enhance operating efficiency

LONG-TERM PLAN

- ✓ Strengthen the expertise and competencies available at Sistema's high-tech holding
- ✓ Unlock synergies with acquired assets – both economic and intellectual
- ✓ Develop breakthrough technologies that have the potential to supply 100% of the state's demand in certain industry segments

Kronshtadt Group will strengthen Sistema's position in the Russian hi-tech market and drive import substitution of technologies across a range of industries