



JOINT-STOCK FINANCIAL CORPORATION  
**SISTEMA**

# **Sistema PJSFC Financial Results 2Q 2019**

**Andrey Dubovskov**  
President and CEO

**Vladimir Travkov**  
Vice President and CFO

August 2019

# DISCLAIMER



Certain statements in this presentation may contain assumptions or forecasts in respect to forthcoming events within Sistema PJSC or its portfolio companies. 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.



# FINANCIAL REVIEW

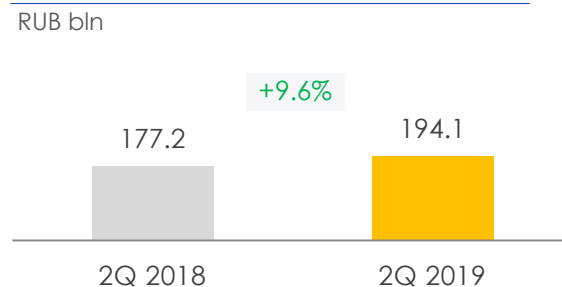
# SUSTAINED GROWTH OF PORTFOLIO COMPANIES AND DEBT REDUCTION AT THE CORPORATE CENTRE



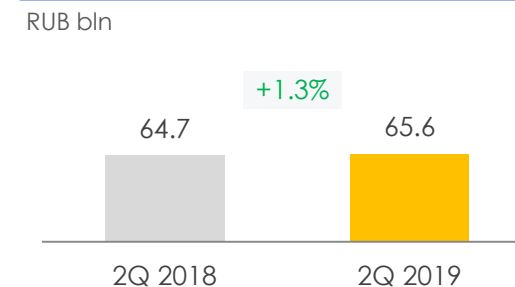
## Strong results of portfolio companies

- **Significant revenue growth** in 2Q 2019 YoY of 9.6%<sup>1</sup> primarily as a result of public assets (MTS and Detsky Mir), Agroholding Steppe, Medsi and Segezha Group.
- **Adj. OIBDA grew** by 1.3% YoY in 2Q 2019 due to contributions from Segezha, Medsi, MTS and Detsky Mir.

## Consolidated revenue



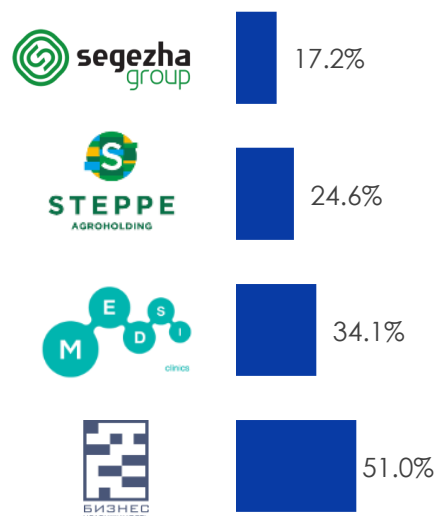
## Adjusted<sup>2</sup> OIBDA



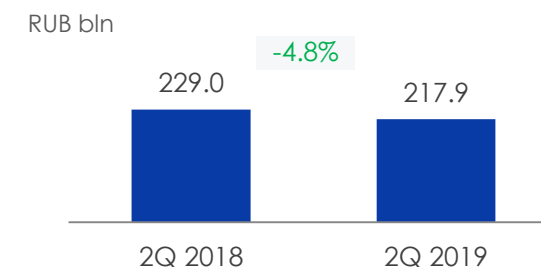
## Strategic transactions in 2Q 2019 and after reporting period

- Consolidation of 100% of **Leader Invest by Etalon Group** in order to **maximise synergies** between the two businesses and accelerate the process of **creating a market leader in residential real estate**.
- **Strengthened position in pharma sector:** acquired stakes in **Sintez**, a top-10 Russian pharma manufacturer, and **Biocom**.
- **Closed transaction for a consortium of investors** including RDIF, RCIF (a fund established by RDIF and China Investment Corporation) and leading Middle Eastern funds to invest in the share capital of **pharma holding Alium**, which is being created through the merger of OBL Pharm and Binnopharm.

## Fastest growing assets in 2Q 2019 (by revenue, YOY)



## Net financial liabilities at Corp. Centre<sup>3,4</sup>



<sup>1</sup> Here and hereafter RTI's results and Sistema's consolidated results are presented to reflect the reclassification of RTI's microelectronics business as discontinued operations. RTI's results and Sistema's consolidated results for 2Q 2018 and 6M 2018 were recalculated to reflect this reclassification. Here and hereafter Sistema's results for 2Q 2019 and 6M 2019 are presented to reflect the reclassification of Leader Invest as discontinued operations; Sistema's results for 2Q 2018 and 6M 2018 were recalculated to reflect this reclassification.

<sup>2</sup> Here and hereafter please see Appendix A of the press release on 2Q 2019 financial results

<sup>3</sup> Source: Management accounts

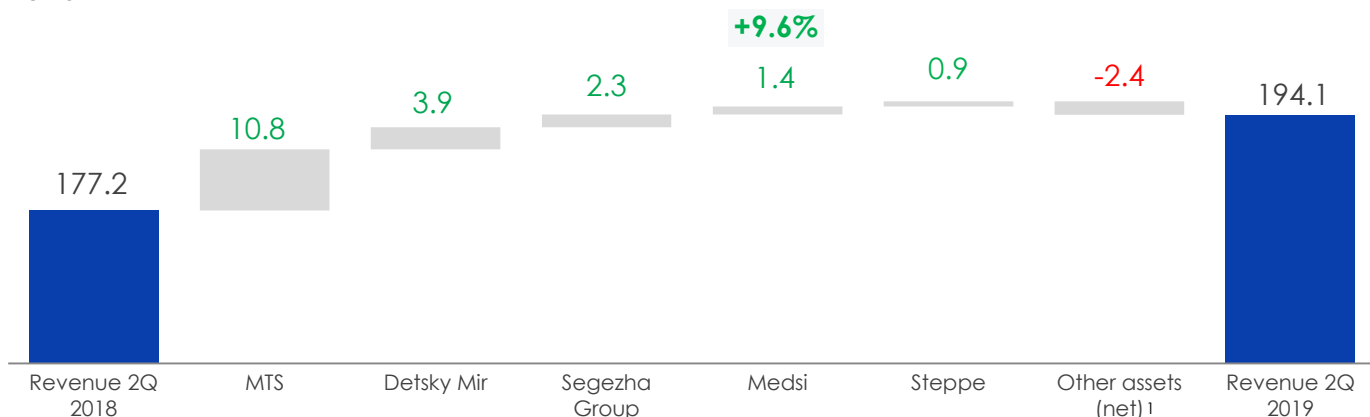
<sup>4</sup> Total borrowings, liability to Rosimushchestvo net of interest, finance lease and liability under Settlement Agreement less cash at the Corporate Centre level

# FINANCIAL REVIEW



## Revenue

RUB bln



**MTS:** strong mobile service revenue dynamics in Russia and Ukraine, growth of system integration & software sales in Russia and the impact of the consolidation of MTS Bank

**Detsky Mir:** ramp-up of stores opened in 2017-2018 to full operating capacity, strong pace of LFL sales growth in Russia and Kazakhstan and expansion of the e-commerce segment

**Segezha Group:** positive trends in the Paper and Packaging segment on the back of consistently high prices for the products Segezha produces, increased sawn timber output, lower plywood prices offset by increased production

**Steppe:** increased exports in the Agrotading segment, increased sales volumes in the Sugar & Grocery Products Trading segment and increased production in the Dairy division, OIBDA declined on the back of a negative revaluation of biological assets and a decrease in carry-over inventory

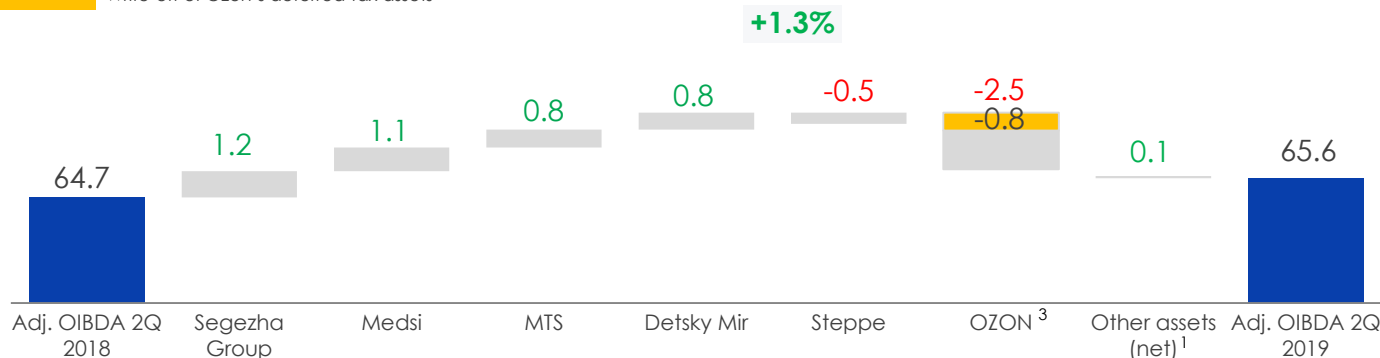
**Medsi:** significant growth in volumes of in-patient treatments under the Mandatory Health Insurance programme, revenue growth in the Voluntary Health Insurance segment and increased revenue from individual patients. Strong OIBDA growth on the back of improved capacity utilization and greater efficiency per square metre of medical space

**BPGC:** increases in electricity transmission tariffs and lease payments for placement of equipment on overhead distribution lines by third parties

## Adjusted OIBDA<sup>2</sup>

RUB bln

Write-off of Ozon's deferred tax assets



<sup>1</sup>Dynamics of other assets reflect inter alia the consolidation of MTS Bank in MTS's financial results starting from Q3 2018

<sup>2</sup>Numbers may not add up due to rounding

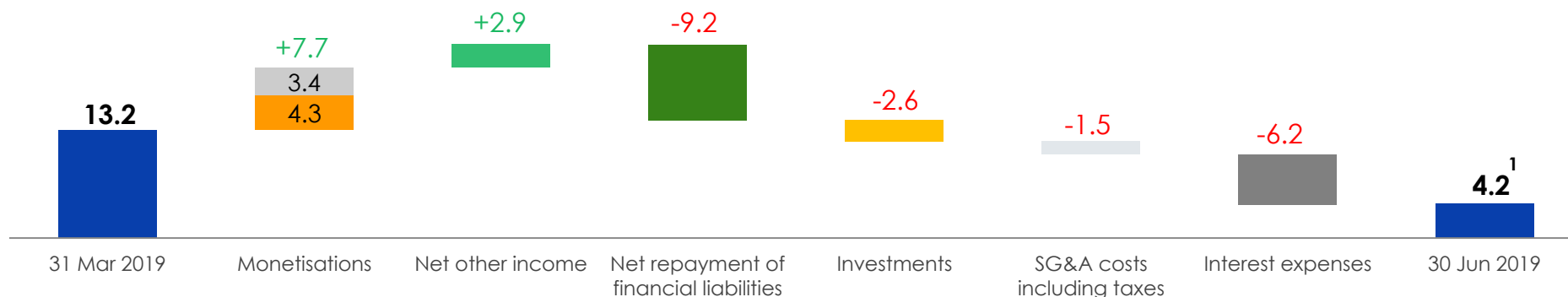
<sup>3</sup>Group OIBDA was impacted by an incremental RUB 2.5 bln equity pick-up in Ozon's net loss in 2Q 2019, including a RUB 0.8 bln impact from the write-off of Ozon's deferred tax assets

# CASH FLOWS AT THE CORPORATE CENTRE



RUB bln

■ Dividends and cash returns from assets  
■ Sale of MTS shares



Key monetisations in 2Q 2019 were dividends and cash returns from assets (RUB 4.3 billion) and the sale of MTS shares (RUB 3.4 billion) under MTS's share repurchase programme.

Net other income primarily resulted from proceeds from transactions with financial instruments related to hedging Eurobond debt as well as income from operations with securities.

Changes to total financial liabilities are due to placement the RUB 10 bln bond issue 001P-10 for the purpose of refinancing the Eurobond, redeeming the Eurobond in the amount of RUB 24.4 billion in May as well as new bank borrowing.

The largest investments in 2Q 2019 included those made via Sistema's funds platform.

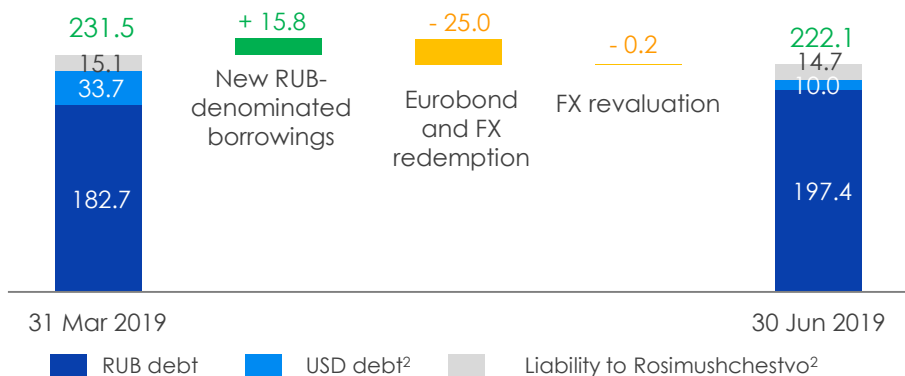
Interest expenses consisted of interest payments on loans, coupon payments on the Eurobond and coupon payments on local rouble bonds.

<sup>1</sup>Source: Management accounts. Numbers may not add up due to rounding

# CORPORATE CENTRE'S FINANCIAL LIABILITIES



## Corporate Centre's financial liabilities, RUB bln<sup>1</sup>

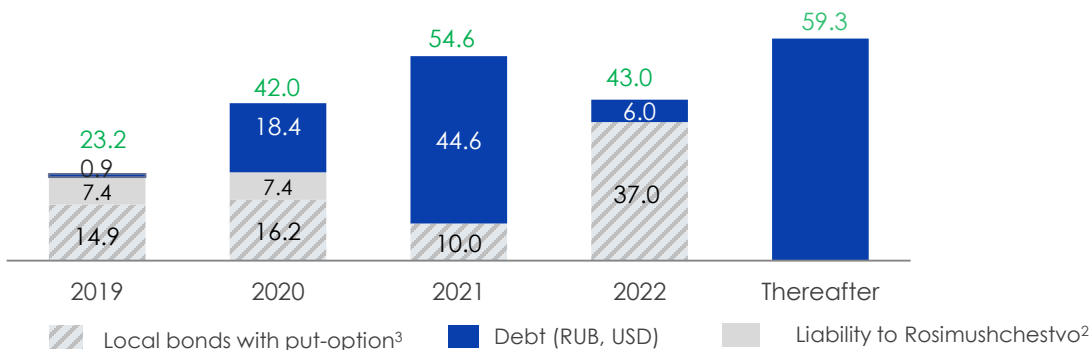


Active presence on the local capital market allowed Sistema to **extend the maturity profile** of its debt portfolio and shape a **comfortable repayment schedule**.

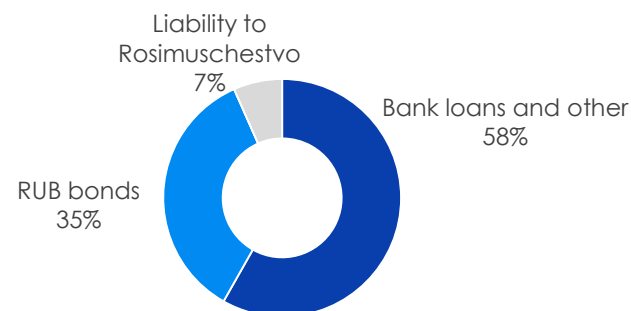
Following redemption of the Eurobond in May 2019, RUB-denominated borrowings represent **more than 90% of liabilities** at the Corporate Centre.

## Comfortable debt schedule

As of 30 June 2019



## Structure analysis<sup>1</sup>



<sup>1</sup>Here and hereinafter the Corporate Centre's financial liabilities are presented based on management accounts

<sup>2</sup>FX debt and the USD-denominated liability to Rosimushchestvo for shares of SSSL net of interest are presented at the RUB/USD exchange rate as of 30 June 2019, respectively. USD-denominated debt includes financial leases

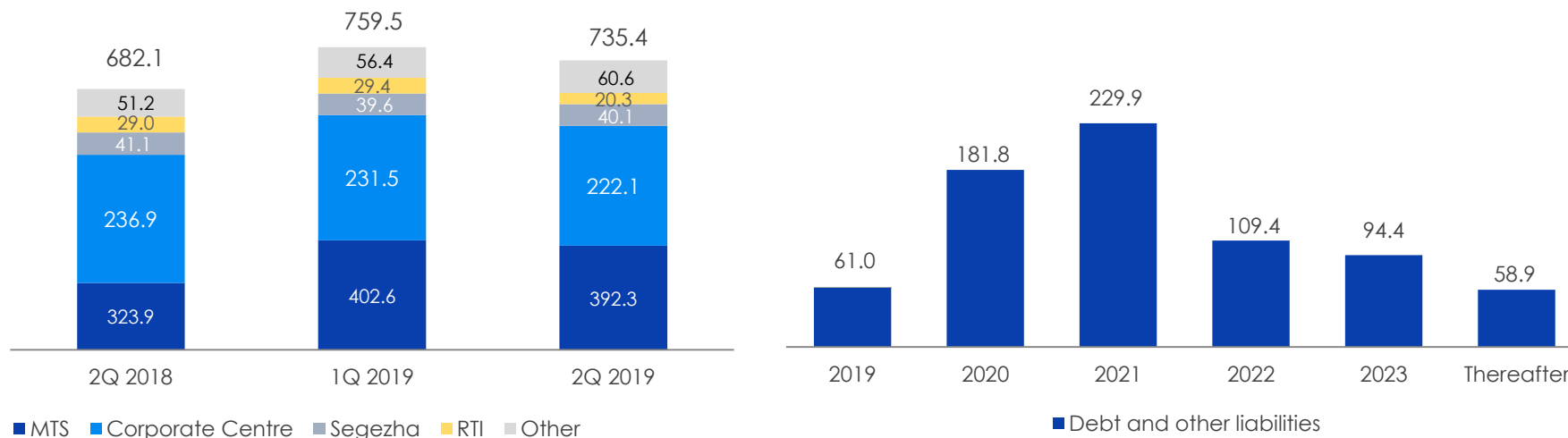
RUB bonds 001P-08 and 001P-02 have put options expiring 2019; 001P-04 and 001P-05 expiring 2020; 001P-07 expiring 2021, 001P-01, 001P-06, 001P-09, 001P-10 expiring 2022.

# CONSOLIDATED FINANCIAL LIABILITIES



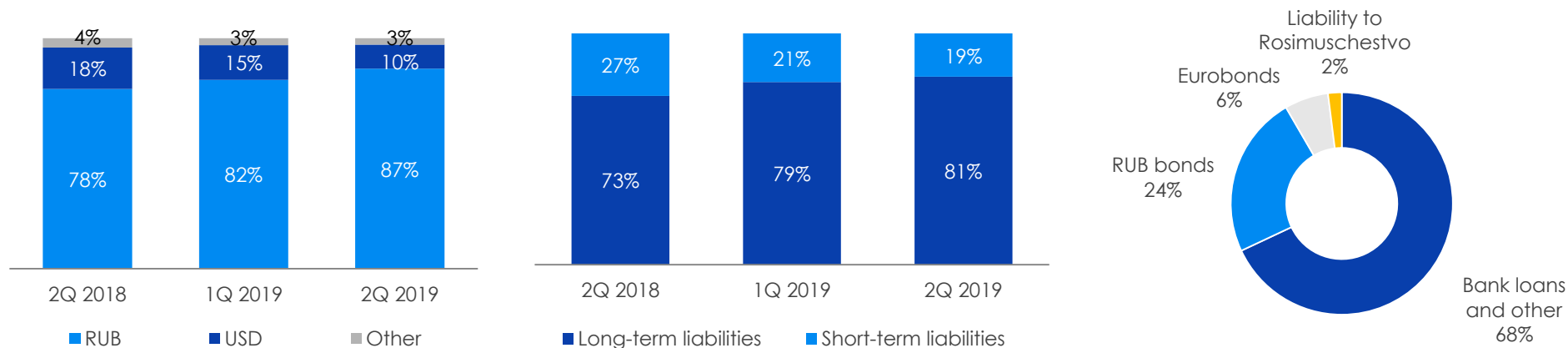
## Consolidated financial liabilities<sup>1</sup>: composition by borrower and maturity profile

RUB bln



## Structure analysis<sup>2</sup>

RUB bln



<sup>1</sup> Including financial liabilities at the Corporate Centre, financial leases and total borrowings at portfolio companies in accordance with IFRS. Management accounts data is presented as of 30 June 2019

<sup>2</sup> Source: Management accounts

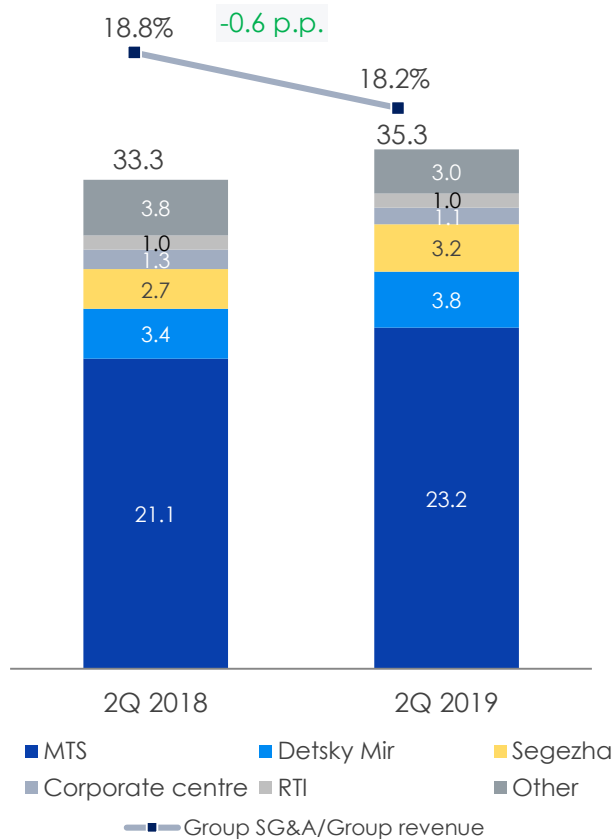


# SG&A EXPENSES



## Group SG&A expenses

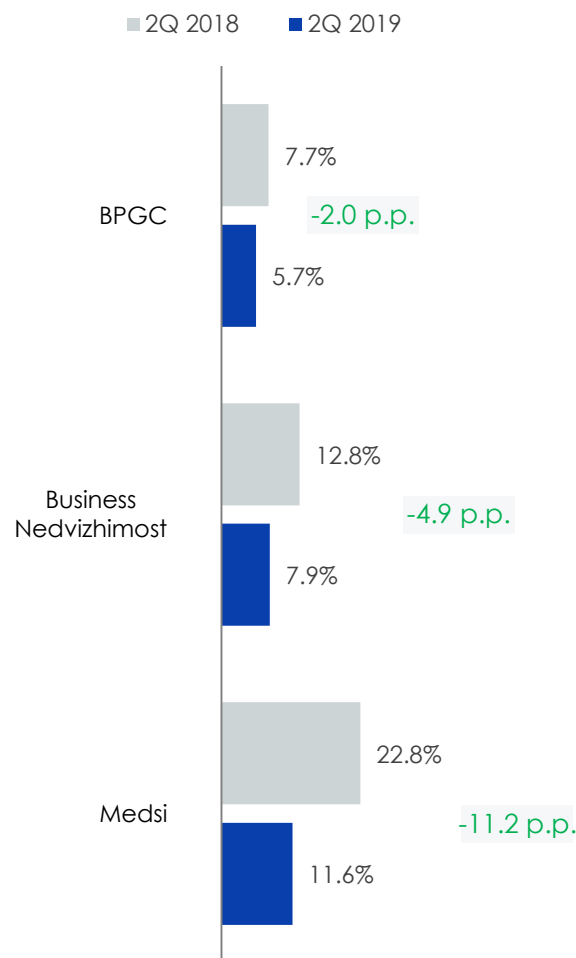
IFRS, RUB bln



In 2Q 2019, the SG&A/revenue ratio decreased by **0.6 p.p.** year-on-year to **18.2%**.

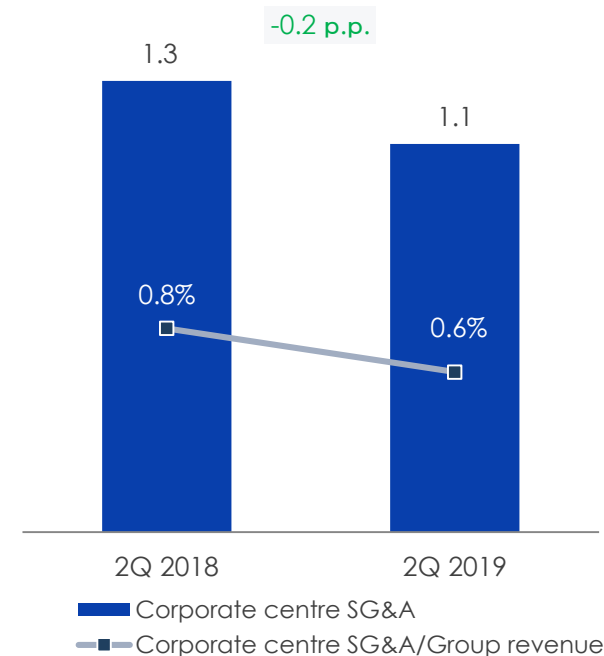
## SG&A expenses of portfolio companies

Decrease in SG&A/revenue



## Corporate centre SG&A expenses<sup>1</sup>

RUB bln



**SG&A declined by 14.0% in 2Q 2019** as a result of optimisation of employee compensation expenses and reduction of administrative expenses at the Corporate Centre.

**Corp Centre SG&A/Group revenue ratio** declined to 0.6% in 2Q 2019 from 0.8% in 2Q 2018.

<sup>1</sup>Source: Management accounts



## KEY PORTFOLIO ASSETS

# MTS: STRONG REVENUE GROWTH ACROSS ALL MARKETS AND DIGITAL ECOSYSTEM DEVELOPMENT



RUB bln	2Q 2019	2Q 2018	YoY	6M 2019	6M 2018	YoY
Revenue	125.1	114.3	9.4%	243.2	222.3	9.4%
OIBDA	54.2	53.4	1.5%	112.7	105.5	6.9%
OIBDA margin	43.3%	46.7%	(3.4) p.p.	46.4%	47.4%	(1.1) p.p.
Adj. net profit <sup>1</sup>	6.4	7.1	(11.0%)	13.4	14.9	(9.6%)
Net debt <sup>2</sup>	341.0	236.5	44.2%	341.0	236.5	44.2%
Capex	22.7	21.7	4.5%	39.3	39.8	(1.1%)

**Revenue** grew in 2Q 2019 driven primarily by growth in mobile services revenue in Russia and Ukraine, as well as increased system integration and software sales and the consolidation of MTS Bank.

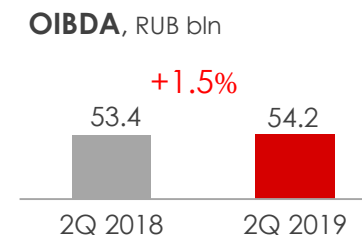
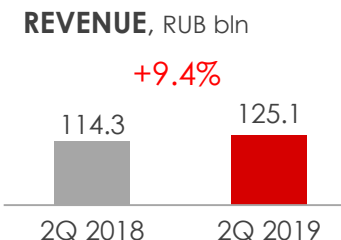
**OIBDA** rose in 2Q 2019 largely due to the robust results across MTS Group in all geographical segments, among which the greatest contribution was made by Russia and Ukraine. The OIBDA margin decreased by 3.4 p.p. year-on-year as a result of the consolidation of MTS Bank, retail sales growth, increased personnel expenses as a result of salary indexation in July 2018, as well as VAT increases that took effect in January 2019.

**Adj. net profit** decreased primarily as a result of higher interest rates and other expenses. This was partially mitigated by FX income.

**Outlook for 2019** MTS forecasts revenue growth of **4-6%** and **low single-digit OIBDA** growth.

**High dividend payout** The Annual General Meeting of shareholders on 27 June 2019 approved dividends for FY 2018 in the amount of **RUB 19.98** per share (RUB 39.96 per ADR). In July 2019, the Board of Directors of MTS recommended shareholders to approve dividends for 6M 2019 in the amount of **RUB 8.68** per share (RUB 17.36 per ADR).

**Digital strategy** MTS continues to develop its ecosystem of digital products in fintech, cloud services, systems integration, Internet of Things, artificial intelligence, Big Data, as well as television and entertainment. With the aim of enhancing its **focus on digital services development**, in July 2019 a revised management structure was approved. Among the new roles introduced are: Vice President for Financial Services, Vice President for Cloud and Digital Solutions, and Vice President for TV Services (MTS Media).



<sup>1</sup>Here and hereafter net profit is presented in Sistema's share.

<sup>2</sup>Here and hereafter net debt includes financial leasing.

# DETSKY MIR: SUSTAINED REVENUE AND OIBDA GROWTH, E-COMMERCE EXPANSION



RUB bln	2Q 2019	2Q 2018	YoY	6M 2019	6M 2018	YoY
Revenue	28.0	24.1	16.3%	55.9	48.1	16.2%
Adj. OIBDA	5.8	5.0	15.2%	9.9	8.5	16.9%
Adj. OIBDA margin	20.5%	20.7%	(0.2) p.p.	17.7%	17.6%	0.1 p.p.
Adj. net profit	1.1	0.5	137.1%	1.1	0.7	73.1%
SG&A/revenue	13.4%	14.2%	(0.8) p.p.	13.7%	14.6%	(0.9) p.p.
Net debt	26.1	18.9	37.9%	26.1	18.9	37.9%
Like-for-like growth <sup>1</sup>	6.7%	6.7%	0.0 p.p.	6.9%	6.2%	0.6 p.p.
Traffic growth	8.5%	9.4%	(1.1) p.p.	8.3%	9.3%	(1.0) p.p.
Average ticket growth	(1.7%)	(2.5%)	0.8 p.p.	(1.3%)	(2.9%)	1.6 p.p.
Capex	0.8	0.4	93.1%	1.6	0.7	128.3%

## Revenue

grew by **16.3%** year-on-year as a result of the ramp-up of stores opened in 2017-2018 to full operating capacity, continued strong pace of LFL sales growth in Russia and Kazakhstan as well as increased contributions from online sales. E-commerce revenue **rose by 70.8%** year-on-year, and its share of total revenue **increased to 9.7%**. In-store pickup accounted for **88%** of online orders. Detsky Mir plans to implement a number of projects in the second half of 2019 to **strengthen the online store**, including the launch of a **new mobile app** and the expansion and **promotion of express delivery** service (last mile delivery).

## Adj. OIBDA

**increased by 15.2%** year-on-year due to robust revenue performance, optimisation of purchasing costs, effective management of the product assortment and increased operational efficiency.

## Retail chain expansion

**17 new Detsky Mir stores were opened**, including 3 in the Moscow region and 1 in Belarus. The company now plans to **open no fewer than 90 stores this year**, up from a previously announced plan to open at least 70 stores in 2019.

## Net debt

increased to RUB 26.1 billion as a result of capex related to the construction of the Bekasovo-2 distribution centre and investments in working capital

## Dividends

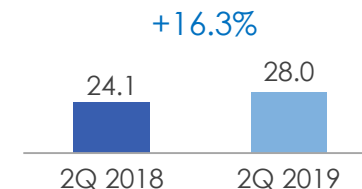
On 16 May 2019, the AGM approved a final dividend for FY 2018 totaling **RUB 3.3 bln** (RUB 4.45 per share).

<sup>1</sup> Like-for-like (LFL) growth in RUB terms. LFL growth includes only Detsky Mir stores in Russia and Kazakhstan that have been operational for at least 12 full calendar months

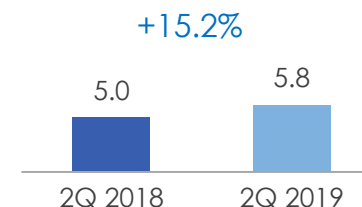
<sup>2</sup> This segment consists of online orders via www.detmir.ru, including with in-store pickup at Detsky Mir stores.

<sup>3</sup> The number of Detsky Mir stores including ELC, ABC and Zoozavr as of end of respective periods.

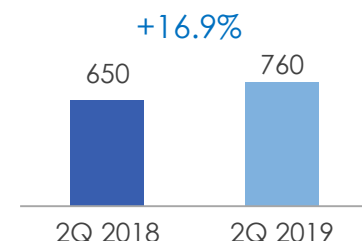
## REVENUE, RUB bln



## ADJUSTED OIBDA, RUB bln



## NUMBER OF STORES<sup>3</sup>

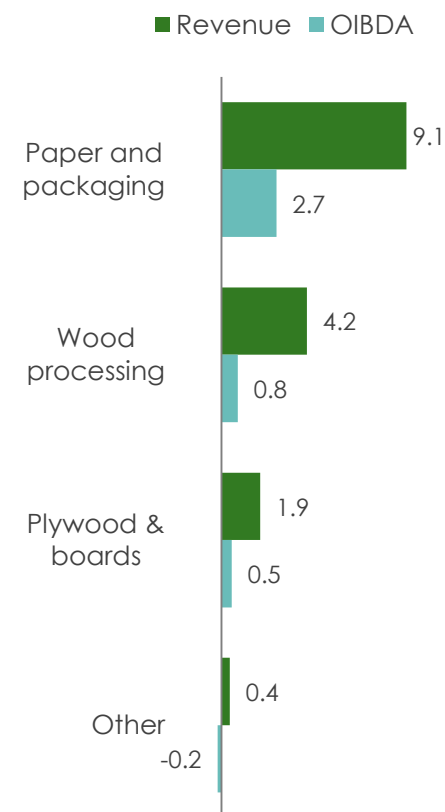


# SEGEZHA GROUP: STRONG REVENUE AND OIBDA GROWTH WHILE MAINTAINING FOCUS ON OPERATING EFFICIENCY



RUB bln	2Q 2019	2Q 2018	YoY	6M 2019	6M 2018	YoY
Revenue	15.5	13.2	17.2%	30.0	25.4	18.3%
Adj. OIBDA	3.8	2.6	44.8%	7.8	4.8	61.9%
Adj. OIBDA margin	24.4%	19.7%	4.6 p.p.	25.8%	18.9%	7.0 p.p.
Adj. net profit/(loss)	1.3	(0.8)	n/a	4.1	(1.3)	n/a
Net debt	37.9	38.3	(0.9%)	37.9	38.3	(0.9%)
Capex	1.3	1.6	(21.7%)	2.7	3.0	(11.2%)
FX-denominated rev.	70.0%	69.7%	0.3 p.p.	71.3%	69.1%	2.2 p.p.
Own consumption	71.1%	53.9%	17.2 p.p.	70.1%	54.1%	16.0 p.p.
Total forestry, thsd cu m	936.4	771.2	21.4%	2,555.6	2,157.1	18.5%

Revenue and OIBDA by segment in 2Q 2019, RUB bln



## Revenue

The key drivers of revenue **growth** were positive dynamics in the sale of paper & packaging, against a backdrop of higher prices in 2Q 2019 for most Segezha Group products in that segment. A decline in sawn timber prices was offset by increased production volumes thanks to increased efficiency. Despite a decline in global plywood prices, Segezha's revenue from plywood rose year-on-year thanks to **new production capacity** coming online in the Kirov region in July 2018.

## OIBDA

**increased** in 2Q 2019 on the back of higher revenue, changes in the sales structure for paper sacks in favour of higher-margin segments, as well as reductions in expenditures on oil and electricity used in paper production at the Segezha PPM, in part as a result of commissioning of a new hybrid-fuel boiler. The **OIBDA margin growth** on a year-on-year basis in 2Q 2019 was related to improvements in efficiency of the business alongside continuing strong prices in the paper & packaging markets.

## Net profit

in 2Q 2019 was **RUB 1.3 bln** vs. a loss of RUB 0.8 bln in 2Q 2018. Net profit was impacted by an increase in operating profit and the lack of the FX-revaluation effect that contributed to the net loss in 2Q 2018.

## Business expansion

Construction began on a new plant **producing cross-laminated timber** (CLT) with annual capacity of 35,000 cu m per year at the Sokol Wood Processing Plant. Construction of the CLT plant will support an increase in margins across the portfolio by introducing a next-generation product. Total investment in the new facility will be RUB 1.5 billion. The plant is expected to begin production in late 2020-early 2021.

# SEGEZHA GROUP: INCREASED PRODUCTION AND SALES OF PAPER, PLYWOOD AND SAWN TIMBER



## Trends across key segments

### Sack paper

Paper output in 2Q 2019 totalled 101.0<sup>1</sup> tonnes, up 20.4% versus 2Q 2018. The increase in production was mainly the result of reductions to the time taken for equipment repairs. In 2Q 2019 Segezha's sack paper sales increased by 21.9% to 58,100 tonnes on the back of increased volumes shipped to existing customers and expansion of the client base in Europe, Asia and Latin America.

### Paper sacks

In 2Q 2019 Segezha Group sold 366.5 mln paper sacks. 2Q 2018 paper sack production volumes were in line with 2Q 2018 production.

### Plywood

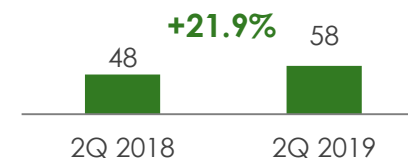
In 2Q 2019 Segezha Group sold 44,900 cu m of birch plywood, up 64.0% year-on-year. The increase in output was achieved thanks to commissioning of a new plywood plant in the Kirov region in July 2018. Higher production volumes drove growth in shipments to existing clients as well as expansion of the client portfolio in the US, Canada, Asia and Northern Europe. Industrial clients accounted for a higher share of sales, in part as a result of new products such as film faced plywood.

### Sawn timber

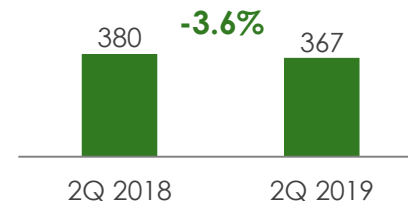
Sawn timber output increased year-on-year by 20.4% to 245,300 cu m in 2Q 2019, primarily due to increased production efficiency at the Lesosibirsk facility. Sales volumes in 2Q 2019 increased on the back of higher production volumes.

## Sales

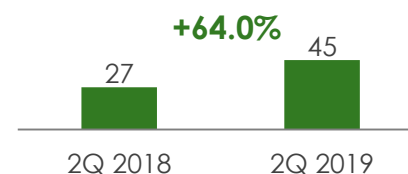
PAPER<sup>1</sup>, thsd tonnes



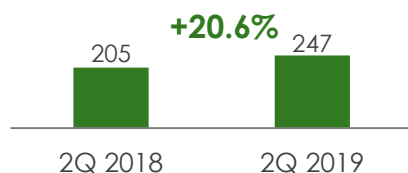
PAPER SACKS<sup>2</sup>, mln



PLYWOOD, thsd cu m



SAWN TIMBER, thsd cu m



<sup>1</sup> 44% of paper output was delivered to the company's own conversion facilities for producing paper packaging

<sup>2</sup> Including 16 mln consumer paper bags

# STEPPE: REVENUE GROWTH DRIVEN BY EXPANSION OF AGROTRADING AND SUGAR & GROCERY PRODUCT TRADING



RUB bln <sup>1</sup>	2Q 2019	2Q 2018	YoY	6M 2019	6M 2018	YoY
Revenue	4.7	3.8	24.6%	11.0	6.3	74.1%
OIBDA	1.6	2.1	(23.6%)	2.4	2.8	(12.8%)
OIBDA margin	34.2%	55.7%	(21.5) p.p.	22.2%	44.2%	(22.1) p.p.
Net profit	0.6	1.5	(56.4%)	0.8	1.4	(46.2%)
Net debt	21.1	13.7	53.9%	21.1	13.7	53.9%
Capex	0.6	0.4	42.1%	0.7	0.6	13.8%

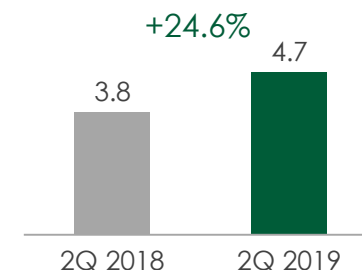
Agroholding Steppe's performance reflects the seasonal nature of the agricultural business, in which the majority of revenue and OIBDA are concentrated in the second half of the calendar year.

**Revenue** rose in 2Q 2019 due to **increased** export volumes in the Agrotrading segment, sales growth in the Sugar and Grocery Product Trading segment, as well as the gradual ramp-up of production volumes in the Dairy segment.

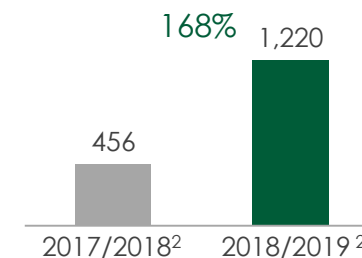
**OIBDA** **decreased** in 2Q 2019 due to the revaluation of biological assets, lower inventories carried over from the previous year's harvest and a higher share of sales in the second half of 2019.

**Capex** **amounted to RUB 0.6 billion** in 2Q 2019, while key areas of investment were upgrades to Steppe's fleet of farm machinery, buyout of land shares and increasing the proportion of owned land in Steppe's overall landbank, as well as the construction of new dairy farms.

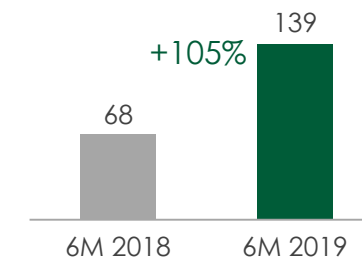
REVENUE, RUB bln



EXPORTS, thsd tonnes



SUGAR & GROCERY PRODUCT TRADING, thsd tonnes



<sup>1</sup> RZ Agro is recognized as a joint venture in Agroholding Steppe's IFRS financial statements. Revenue and OIBDA of RZ Agro in the second quarter of 2019 amounted to RUB 0.5 billion and RUB 0.1 billion, respectively, while net loss amounted to RUB 10 million according to management accounts.

<sup>2</sup> Results are presented for 2H 2017 – 1H 2018 and 2H 2018 – 1H 2019 respectively.

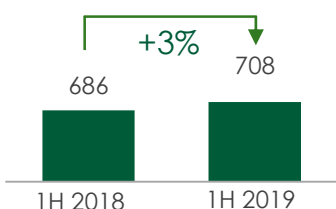
# STEPPE: GROWTH OF THE GROSS HARVEST, RISE IN EXPORTS AND STRONG PERFORMANCE OF DAIRY SEGMENT



## Field crops

Land bank  
412 thsd hectares

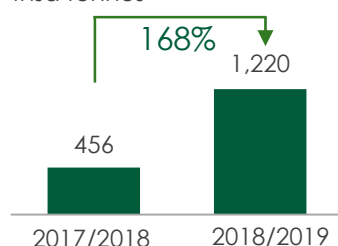
WHEAT HARVEST<sup>1</sup>  
thsd tonnes



## Agrotrading

Crop exports  
1,220 thsd tonnes

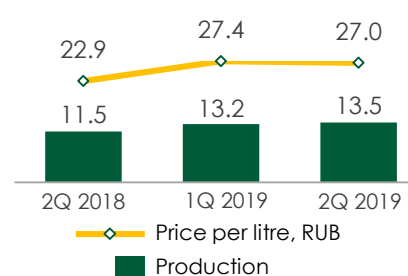
EXPORTS<sup>2</sup>  
thsd tonnes



## Dairy

Dairy herd  
≈ 5,044 cows

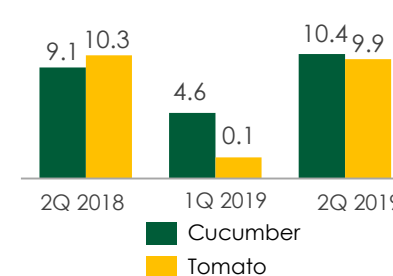
MILK PRODUCTION  
thsd tonnes



## Vegetable production

Greenhouse area  
144 hectares

VEGETABLE HARVEST  
thsd tonnes



## Field crops

The gross wheat harvest at Agroholding Steppe **grew by 3%** in the first half of 2019, despite challenging agroclimatic conditions, while grain quality levels remained high. Crop rotation schedules supported an increase in higher-margin crops, the harvest of which is planned for the second half of 2019.

Steppe's average grain export price during the 2018/2019 season **grew by 15%** compared to the 2017/2018 season.

## Agrotrading

As a result of aggressive development in the Agrotrading segment, export volumes during the 2018/2019 season amounted to 1,220 thsd tonnes (2.7x year-on-year), an increase of 168% year-on-year, which enabled Steppe to become Russia's **seventh largest grain exporter** as of the end of the grain season.

## Dairy

The Dairy segment **demonstrated continued growth** across its operational metrics: average milk yield in 2Q 2019 amounted to 13,500 tonnes (+17.6% year-on-year), while productivity per lactating cow rose 6.1% year-on-year and the herd consisted of over 5,000 lactating cows at the end of the reporting period.

## Vegetable production

The Vegetable segment has shown **positive dynamics**: gross vegetable harvest in 2Q 2019 grew to 20.4 thsd tonnes (+5.0% year-on-year).

## Sugar and grocery product trading

Sales volumes in the Sugar & Grocery Products Trading segment **demonstrated exceptional growth** during the first six months of 2019 and amounted to 138,000 tonnes (2x year-on year).

<sup>1</sup> Including Agroholding Steppe and RZ Agro

<sup>2</sup> Results are presented for 2H 2017 – 1H 2018 and 2H 2018 – 1H 2019 respectively.



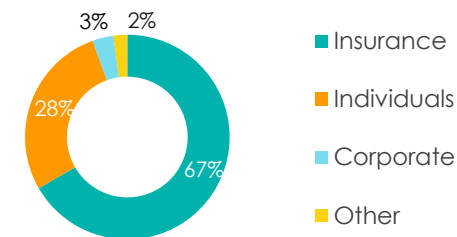
# MEDSI: RAPID GROWTH OF FINANCIAL METRICS



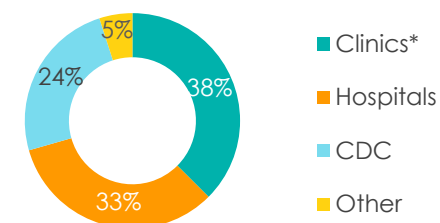
RUB bln	2Q 2019	2Q 2018	YoY	2Q 2019	2Q 2018	YoY
Revenue	5.5	4.1	34.1%	10.7	7.6	40.4%
Adj. OIBDA <sup>1</sup>	1.6	0.6	186.5%	2.5	1.0	143.5%
Adj. OIBDA margin <sup>1</sup>	29.7%	13.9%	15.8 p.p.	23.6%	13.6%	10.0 p.p.
Adj. net profit/(loss) <sup>1</sup>	0.9	(0.0)	n/a	1.1	(0.1)	n/a
Net debt	1.4	1.4	(4.0%)	1.4	1.4	(4.0%)
Capex	1.2	0.6	90.3%	1.8	1.2	42.7%
Patient visits, thsd	2,377	2,096	13.4%	4,685	4,102	14.2%
Services provided, thsd	4,349	3,573	21.7%	8,566	6,739	27.1%
Average ticket, thsd RUB	2.3	2.0	18.2%	2.3	1.9	22.9%

## Revenue, 2Q 2019

### By clients



### By assets



\*Primary care clinics

## Revenue

grew in 2Q 2019 year-on-year due to a **significant increase in in-patient treatments** under the Mandatory Health Insurance programme (MHI), year-on-year revenue growth of 30% to RUB 2.2 billion in the Voluntary Health Insurance segment (VHI), and a year-on-year increase in revenue from individual patients of 21% to RUB 1.5 billion.

## Adjusted OIBDA

increased in 2Q 2019 year-on-year due to the **continued ramp-up of in-patient facilities**, an increase in revenue per sq m of medical space and the reversal of provisions from 2018 and 1Q 2019 totaling RUB 0.3 billion as a result of changes in methodology of provisioning related to accounts receivable. The **adjusted OIBDA margin** grew in 2Q 2019 thanks to growth in capacity utilisation, an increase in efficiency per sq m and growth of treatment volumes at previously opened clinics as well as the one-off reversal of provisions.

## Adjusted net profit

was RUB 0.93 billion in 2Q 2019 versus an adjusted net loss in 2Q 2018 primarily on the back of OIBDA dynamics.

## Key highlights

Medsi is continuing construction of a new Multifunctional Centre on Michurinsky Prospect with more than 34,000 sq m of space, with a planned opening in 2020. The facility will house 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.

The company is expanding its network of clinics to three districts outside central Moscow.

<sup>1</sup> Adjusted OIBDA, the adjusted OIBDA margin and adjusted net profit are adjusted for accruals related to the LTI programme.

# MEDSI: RECORD HIGH CAPACITY UTILISATION OF IN-PATIENT FACILITIES



## NUMBER OF FACILITIES<sup>1</sup>

42

## NUMBER OF PATIENT VISITS<sup>2</sup>

2.4 mln

## CAPACITY<sup>2</sup>

5.2 mln

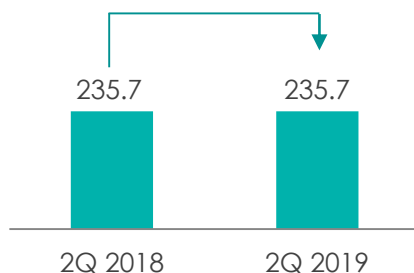
## NUMBER OF PHYSICIANS

3.3 thsd

### FLOOR SPACE

thsd sq m

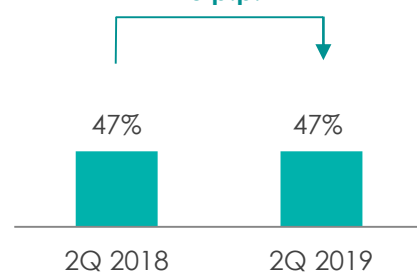
+0%



### UTILISATION, CLINICS

%

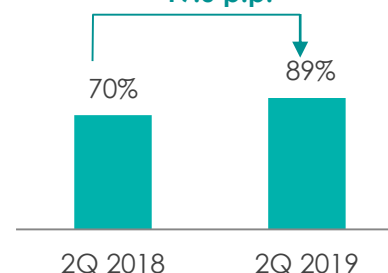
0 p.p.



### UTILISATION, HOSPITALS

%

+19.0 p.p.

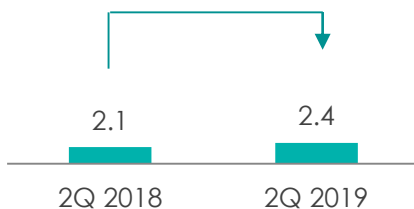


The **significant growth in capacity utilisation of in-patient treatment facilities** is a result of increased treatment volumes across all channels, with MHI acting as the main driver.

### PATIENT VISITS

mln

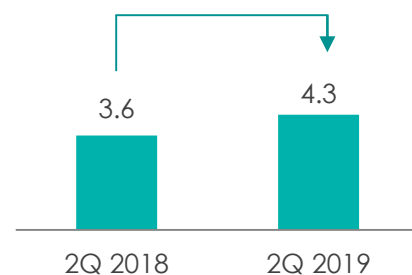
+13.4%



### SERVICES PROVIDED

mln

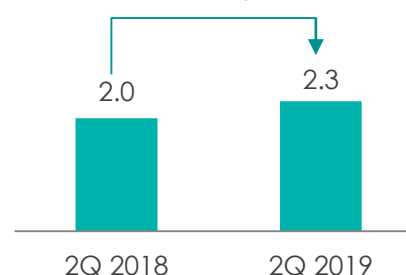
+21.7%



### AVERAGE CHEQUE

thsd RUB

+18.2%



The **average cheque in 2Q 2019 grew by 18.2% to RUB 2.3 thsd** due to the increased proportion of complex procedures in the in-patient and diagnostic segments, and also due to the effect of an increase in prices in line with market trends.

<sup>1</sup> Metrics in the tables here and hereafter are presented as of 30 June 2019

<sup>2</sup> Metrics are for 2Q 2019, where capacity is calculated as the number of possible out-patient visits by patients at Medsi facilities, and visits as the actual number of patient visits for the period

# INVESTMENTS IN AGGRESSIVE GROWTH AND TO CAPTURE MARKET SHARE IN E-COMMERCE



## Key achievements in 1H 2019

**Growth of order frequency:** the number of customers who placed more than 15 orders per year increased by 30%

**Number of orders grew nearly 2X:** the average number of orders in a 24 hour period in 1H 2019 was 62,100, vs. 34,000 in 1H 2018

**Growth of GMV: +78%** over 1H 2018

## Ozon's transformation: development of logistics infrastructure, introduction of marketplace and launch of innovative services

In 1H 2019 warehouse space **increased 80%**; in total Ozon operates **8 fulfillment centres** with a combined area of over 160,000 sq m:

- Launch of the first line of **Russia's largest fulfillment centre, which is located in the Moscow region**. The total size of the facility will be **122,000 sq m**, and by 2020 it will be able to process **more than 150,000 orders per day**
- The floor space of the logistics hub in Tver increased **by 40% to 70,000 sq m**
- Pre-construction work began on a **20,000 sq m fulfillment centre** in the Republic of Tatarstan.

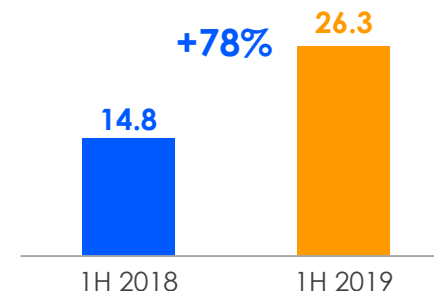
In late 2018 Ozon rolled out a pilot of its marketplace, which has already attracted more than **3,000 active sellers**, with an additional **10,000+** in the process of training or setting up their storefronts. The marketplace already accounts for apx. one third of products offered on the site.

Services were launched that are entirely **new to the Russian e-commerce market**:

- **Financial services ecosystem:** P2B-platform Ozon.Invest for financing of suppliers, consumer loans, and the banking product Ozon.Card (a card with cash back). Lending products encourage clients to increase their spend by 5-8x.
- **Ozon Premium** subscription – subscribers place orders 3-4 times more frequently than non-subscribers

## Ozon – key highlights

Ozon.ru GMV (excl. VAT), RUB bln

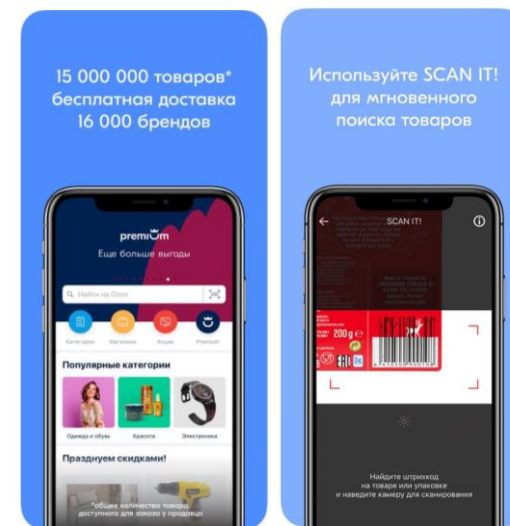


**Top-5**

player in Russian e-commerce market

**#1**

brand recognition in e-commerce

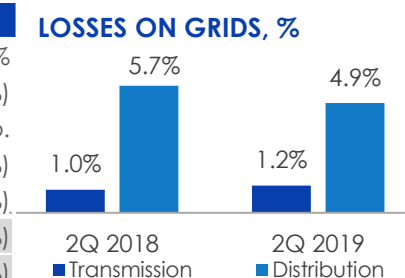


# POWER GRIDS (BPGC) AND HIGH-TECH (RTI)



## BPGC

RUB bln	Q2 2019	Q2 2018	YoY	6M 2019	6M 2018	YoY	LOSSES ON GRIDS, %	
Revenue	4.6	4.3	6.9%	9.9	9.3	6.6%	1.0%	5.7%
OIBDA	1.3	1.3	5.9%	2.8	3.0	(7.8%)		
OIBDA margin	29.1%	29.4%	(0.3) p.p.	27.8%	32.2%	(4.4) p.p.		
Net profit	0.5	0.5	(1.7%)	1.1	1.4	(22.2%)	1.2%	4.9%
Capex	0.9	1.0	(10.9%)	1.6	1.6	(1.1%)		
New connections	3,592	4,093	(12.2%)	6,937	8,154	(14.9%)		
Connected power, mVt	67.8	82.5	(17.9%)	124.8	151.5	(17.6%)		



In 2Q 2019 **REVENUE grew** due to higher tariffs for electricity and an increase in lease payments for deployment of communications equipment on electricity pylons by third-parties.

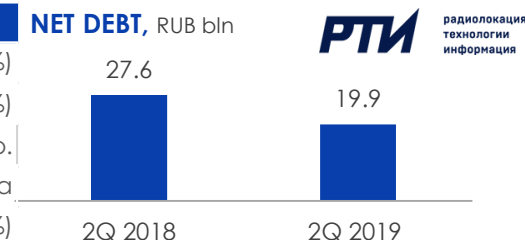
**OIBDA increased** year-on-year in 2Q 2019 due to higher revenue and a decline in electricity losses on the distribution grid. The **OIBDA margin** decreased insignificantly as a result of other operating expenses (creation of reserves to cover unresolved disputes).

In the reporting period BPGC actively continued to carry out its key project, Comprehensive Modernisation of the City of Ufa Distribution Grid: 27 distribution substations and six transformer substations were reconstructed and 3.77 kilometres of cable lines were laid. As of the end of the second quarter, the programme was 82% complete.

In May 2019, BPGC's AGM approved a final dividend for 2018 of RUB 1.36 billion.

## RTI<sup>1</sup>

RUB bln	Q2 2019	Q2 2018	YoY	6M 2019	6M 2018	YoY	NET DEBT, RUB bln
Revenue	4.6	4.6	1.0%	8.5	9.2	(8.1%)	27.6
Adj. OIBDA	0.1	0.2	(62.6%)	0.2	0.3	(11.5%)	
Adj. OIBDA margin	1.8%	4.8%	(3.0) p.p.	2.9%	3.0%	(0.1) p.p.	
Adj. net profit/ (loss)	2.7	(0.9)	n/a	1.5	(2.2)	n/a	
Net debt	19.9	27.6	(28.0%)	19.9	27.6	(28.0%)	19.9



**REVENUE** in 2Q 2019 remained stable year-on-year. At the same time, the majority of the business's revenue is traditionally concentrated in the second half of the calendar year. **Adjusted OIBDA** in 2Q 2019 decreased year-on-year due to uneven allocation of expenses throughout the year related to work carried out under one specific contract.

**Adj. net profit** in 2Q 2019 compared to an adj. net loss in 2Q 2018 was due to the divestiture of assets in 2Q 2019. The decrease in **NET DEBT** was due to the transfer of a portion of RTI's debt to Element LLC along with the respective microelectronics assets, as well as the payment of outstanding loans by RTI in the amount of RUB 1 bln. Funds totalling RUB 7.4 bln earmarked for work under state contracts are held on RTI's accounts but not factored into net debt calculations.

<sup>1</sup>RTI's financial results for 2Q 2019 and 6M 2019 are presented to reflect reclassification of RTI's microelectronics business as discontinued operations, and financial results for 2Q 2018 and 6M 2018 have been revised to reflect the results of this reclassification. In February 2019, RTI Microelectronics, an RTI Group company, signed a legally binding agreement with State Corporation Rostec and JSC Roselectronica to create a combined microelectronics components company called Element LLC. In July 2019, Element LLC was created the parties contributed their controlling stakes in 19 microelectronics component development, production and design companies.

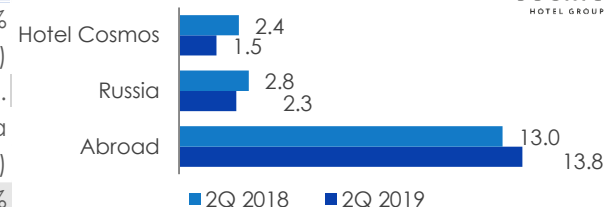
# HOSPITALITY (COSMOS HOTEL GROUP) AND RENTAL ASSETS



## HOSPITALITY ASSETS

RUB bln	2Q 2019	2Q 2018	YoY	6M 2019	6M 2018	YoY
Revenue	1.4	1.5	(4.4%)	2.5	2.5	2.3%
OIBDA	0.3	0.6	(37.6%)	0.4	0.6	(44.3%)
OIBDA margin	24.3%	37.2%	(12.9) p.p.	14.0%	25.8%	(11.8) p.p.
Net (loss) / profit <sup>1</sup>	(0.3)	0.1	n/a	(0.9)	(0.3)	n/a
Net debt <sup>1</sup>	4.0	4.2	(4.5%)	4.0	4.2	(4.5%)
Room capacity	4,130	4,049	2.0%	4,130	4,049	2.0%

## REVPAR<sup>2</sup>, RUB thsd



COSMOS  
HOTEL GROUP

The year-on-year decline in **REVENUE** and **OIBDA** in 2Q 2019 were driven by the high base effect of ADR<sup>3</sup> in 2Q 2018 on the back of the World Cup. The share of revenue accounted for by hotels outside Russia increased by 7.5 p.p. to 22% in 2Q 2019 on the back of growth of operating results.

ADR<sup>3</sup> across the hotel portfolio in 2Q 2019 declined to RUB 3.7 thsd versus RUB 6.9 thsd a year earlier. The **average occupancy rate** in 2Q 2019 increased by 1.8 p.p. year-on-year to 69.9%. The leader in terms of growth was the Cosmos Hotel, where the average occupancy rate rose by 6.4 p.p. year-on-year to 79.5%.

In May 2019 a new 60-room hotel was opened at the Altai Resort complex.

<sup>1</sup> Based on consolidating reporting combining management and operating companies

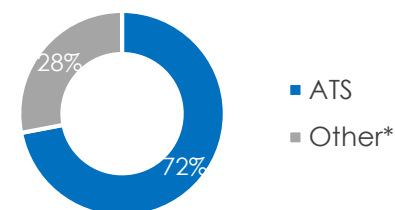
<sup>2</sup> Revenue per Available Room Per Day

<sup>3</sup> Average daily rate

## BUSINESS NEDVIZHIMOST AND ITS SUBSIDIARY MOSDACHTREST

RUB bln	2Q 2019	2Q 2018	YoY	6M 2019	6M 2018	YoY
Revenue	1.7	1.2	51.0%	2.5	2.0	23.4%
OIBDA	1.6	0.6	164.2%	1.7	0.8	104.3%
OIBDA margin	93.4%	53.4%	40.0 p.p.	70.1%	42.3%	27.8 p.p.
Net profit	1.1	0.3	234.1%	1.1	0.4	186.9%
Net debt/(cash position)	(0.3)	(0.9)	n/a	(0.3)	(0.9)	n/a

## PORTFOLIO OF ASSETS UNDER OWNERSHIP



\*Including warehouses, cottages in Moscow and the Moscow region, other commercial buildings



Rental asset **REVENUE** in 2Q 2019 grew, driven by a year-on-year increase in the sale of commercial real estate and growth in the portfolio of rental assets following Business Nedvizhimost's acquisition of 54 telephone exchanges from PJSC MGTS. In 2Q 2019 the company sold 23.7 thsd sq m of commercial real estate and 1.8 hectares of land, compared to 4,030 sq m of commercial real estate and 1.8 hectares of land sold in 2Q 2018.

**OIBDA and OIBDA margin** increased significantly on the back of higher revenue, a greater share of higher-margin sales of commercial real estate in total revenue and the effect from the sale of non-core assets.

**Net profit** growth was driven by OIBDA performance and the effect of the sale of non-core assets.

In 2Q 2019 Business Nedvizhimost signed an agreement with a self-storage operator to renovate telephone exchange buildings to be used for individual storage.

# PHARMACEUTICALS (ALIUM: OBL PHARM, BINNOPHARM)

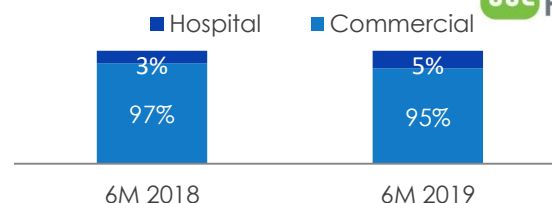
alium



## OBL PHARM<sup>1</sup>

RUB bln	Q2 2019	Q2 2018	YoY	6M 2019	6M 2018	YoY
Revenue	1.7	1.8	(5.9%)	3.2	2.9	10.4%
OIBDA	0.4	0.8	(45.1%)	0.7	1.0	(27.9%)
OIBDA margin	25.4%	43.6%	(18.1) p.p.	22.2%	34.0%	(11.8) p.p.
Net profit <sup>2</sup>	0.2	0.6	(68.1%)	0.3	0.7	(56.7%)
Net debt	5.2	3.0	73.1%	5.2	3.0	73.1%

### REVENUE BREAKDOWN BY SEGMENT



**REVENUE** in 2Q 2019 declined year-on-year due to changes in the timing of sales between reporting periods. In 1H 2019 revenue rose by 10.4%.

The decline in **OIBDA** in 2Q 2019 was due to costs associated with the commissioning of the new production site and advertising expenses, which were higher compared to 2Q 2018 when advertising costs were cut. The new advertising campaign on sales is expected to have a positive impact on sales in 2H 2019. OIBDA performance was also affected by the one-off positive impact in 2Q 2018 from the recovery of a RUB 0.1 bln provision.

The decline in **Net profit** was driven by OIBDA performance, as well as higher amortisation due to the launch of a new production site in February 2019 and the decision to no longer capitalise loan interest from the beginning of 2019. Growth in **Net Debt** was due to new project financing for the construction of a new factory, as well as a new loan in December 2018 taken for OBL Pharm's shares buy-out.

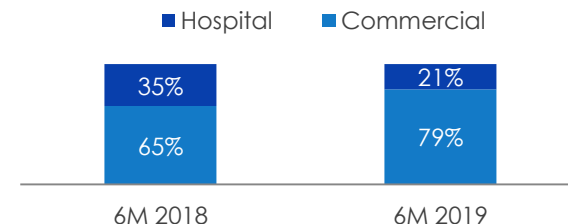
<sup>1</sup> Sistema's stake in OBL Pharm is 13%; OBL Pharm's results are not consolidated in Sistema's financial statements

<sup>2</sup> Net profit, 100%

## BINNOPHARM

RUB bln	Q2 2019	Q2 2018	YoY	6M 2019	6M 2018	YoY
Revenue	0.7	0.3	116.2%	1.0	0.7	39.7%
OIBDA	0.2	0.1	281.2%	0.3	0.2	49.2%
OIBDA margin	28.6%	16.2%	12.4 p.p.	24.5%	23.0%	1.5 p.p.
Net profit / (loss)	0.0	(0.0)	n/a	(0.0)	(0.0)	n/a
Net debt	1.7	1.8	(7.4%)	1.7	1.8	(7.4%)

### REVENUE BREAKDOWN BY SEGMENT



The year-on-year rise in **REVENUE** in 2Q 2019 was due to higher sales of medications in the commercial segment.

**OIBDA** increased year-on-year due to higher revenue.

In July 2019 a consortium of investors that include the Russian Direct Investment Fund (RDIF), the Russia-China Investment Fund (RCIF, which was established by RDIF and the China Investment Corporation), as well as leading Middle Eastern investment funds, announced the acquisition of 28% of the shares in pharmaceuticals holding Alium. Alium brings together the assets of OBL Pharm and JSC Binnopharm. Following the merger of these assets, Alium will become a top-10 pharmaceuticals company in Russia's commercial segment. The holding's well-diversified product portfolio will include around 200 items. The merged company's production capacities include four pharmaceuticals production sites in Moscow and the Moscow region.



JOINT-STOCK FINANCIAL CORPORATION  
**SISTEMA**

## **External Relations Department**

Tel. +7 (495) 730 66 00

[www.sistema.com](http://www.sistema.com)