



АКЦИОНЕРНАЯ ФИНАНСОВАЯ КОРПОРАЦИЯ

СИСТЕМА

Sistema PJSC Financial Results 1Q 2019

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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

KEY HIGHLIGHTS



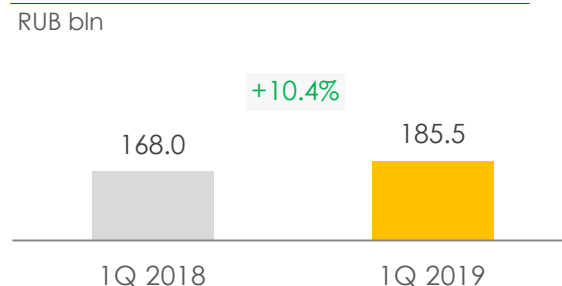
Strong results of portfolio companies

- **Significant revenue growth** in 1Q 2019 YoY of 10.4%¹ driven by public assets (MTS and Detsky Mir), Agroholding Steppe, Segezha Group and Medsi
- **Adj. OIBDA margin grew** by 4.5% YoY in 1Q 2019 due to contributions from MTS, Segezha, Detsky Mir and Medsi

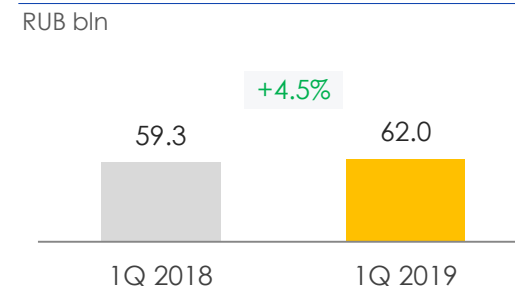
Strategic transactions in 1Q 2019 and after reporting period

- Sale of 51% of **Leader Invest** to **Etalon Group** and acquisition of 25% of Etalon Group with the aim of **establishing a residential real estate market leader**
- Acquired stakes in **leading multi-category online retailer Ozon** from MTS and minority shareholders totaling 21.9%. In addition, VC fund Sistema_VC owns a 16.3 stake in Ozon
- **Strengthening pharma business:** opening of new OBL Pharm plant; start of integration of JSC Binnopharm and OBL Pharm under the brand name **Alium; RDIF, RCIF and Middle Eastern investors** agree to join the project

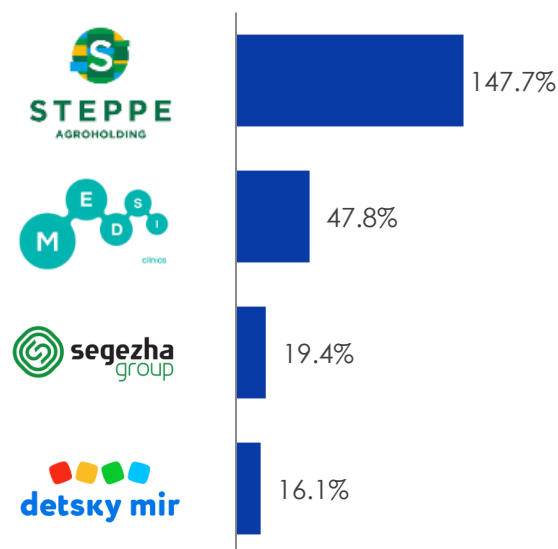
Revenue



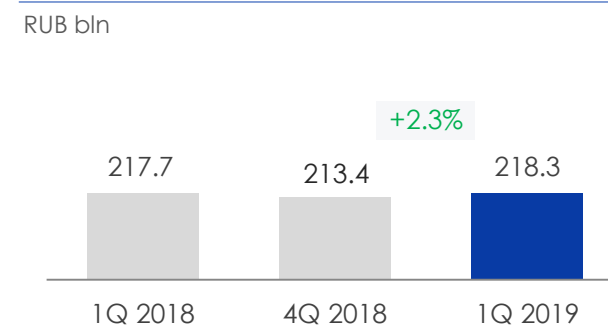
Adjusted OIBDA



Fastest growing assets in 1Q 2019 (by revenue, YOY)



Net financial liabilities at corp. centre^{2,3}



¹ Here and hereafter in this presentation financial results of Sistema and its portfolio companies are presented in accordance with IFRS 9, 15 and 16. Sistema's results and RTI's results for 1Q 2019 and 1Q 2018 are presented to reflect reclassification of RTI's microelectronics business as discontinued operations. 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. The parties agreed to combine under the new company controlling stakes in 19 microelectronics component development, production and design companies. Sistema's results for 1Q 2019 and 1Q 2018 are presented to reflect reclassification of Leader Invest as discontinued operations. In February 2019, Sistema divested 51% stake in Leader Invest to ETALON GROUP PLC.

² Source: Management accounts

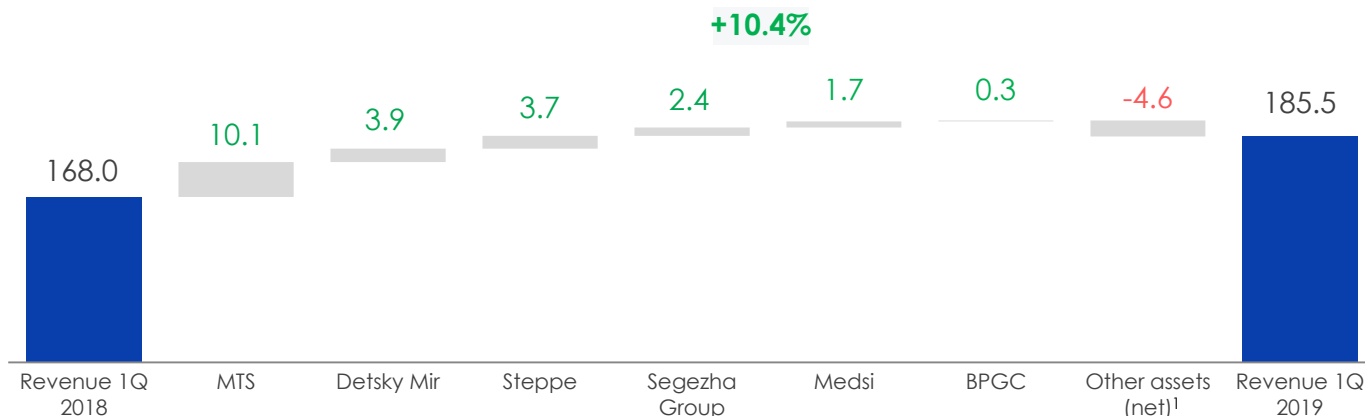
³ Total borrowings, liability to Rosimushchestvo net of interest, finance lease and liability under Settlement Agreement less cash at the Corporate Centre level

FINANCIAL REVIEW



Revenue

RUB bln



MTS: strong mobile service revenue dynamics, growth of smartphone sales in Russia, increased data traffic in Ukraine and consolidation of MTS Bank

Detsky Mir: ramp-up of stores opened in 2017-2018, increased pace of LFL sales growth in Russia and Kazakhstan, online sales growth

Steppe: strong growth in Agrotrading segment, intensive development of the Sugar & Grocery Products Trading segment and increased revenue from the Dairy and Vegetable divisions

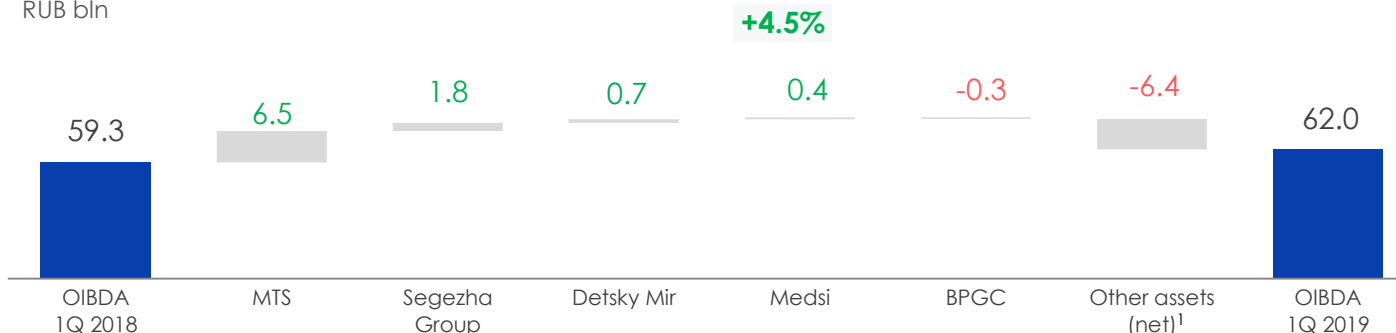
Segezha Group: Increased sales efficiency in the Paper and Packaging segment primarily due to reduced agent commissions and changes in the sales mix in favour of higher-margin paper products, higher production and sales of plywood

Meds: nearly triple-digit growth in volumes of in-patient treatments under the Mandatory Health Insurance programme, revenue growth in the Voluntary Health Insurance programme and increased revenue from individual patients

BPGC: growth in electricity transmission tariffs and lease payments for placement of fibre-optic cable on overhead distribution lines

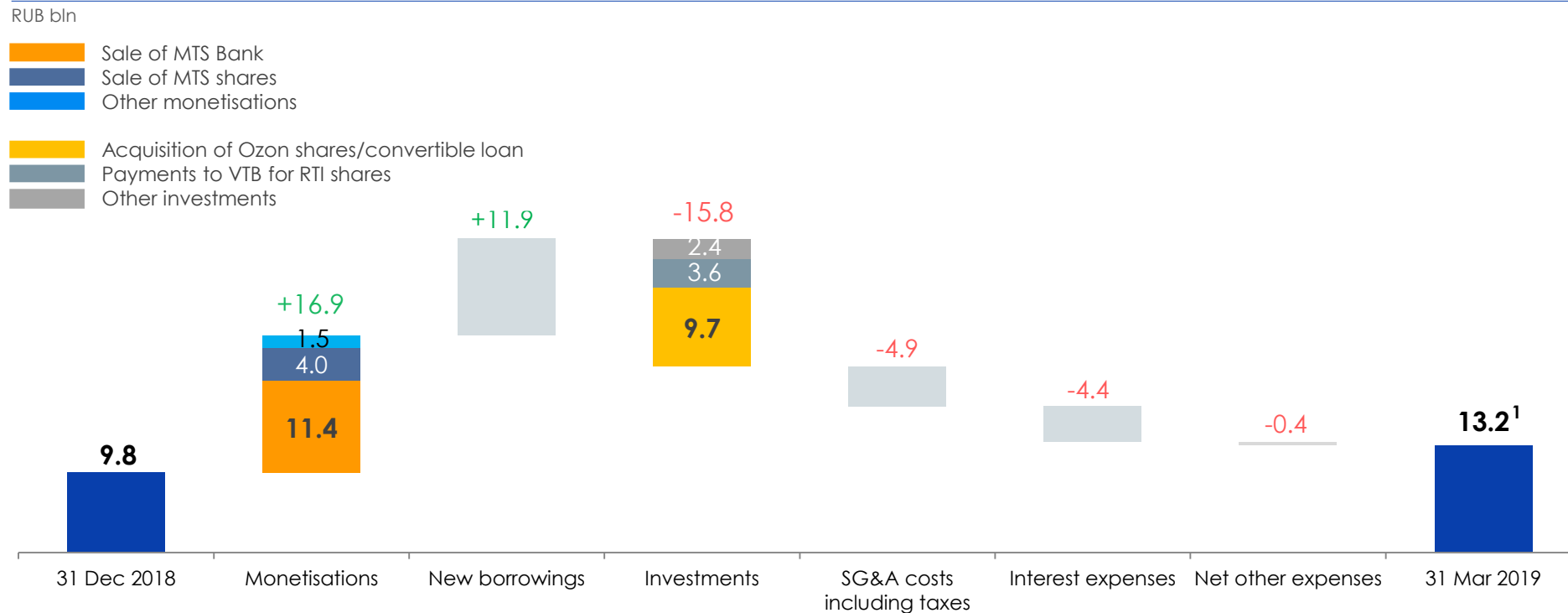
Adjusted OIBDA

RUB bln



¹Dynamics of other assets reflect the impact of intragroup transactions (divestiture of a stake in Ozon from MTS to Sistema, sale of real estate from MGTS to Business-Nedvizhimost JSC) and the consolidation of MTS Bank in the MTS financial statements starting from Q3 2018

CASH FLOWS AT THE CORPORATE CENTRE



Key monetisations in 1Q 2019 were the sale of MTS Bank (RUB 11.4 bln) and sale of MTS shares (RUB 4.0 bln) under MTS's share repurchase programme.

RUB 10 bln series 001P-09 bond placement in March 2019 for the purpose of refinancing the Eurobond.

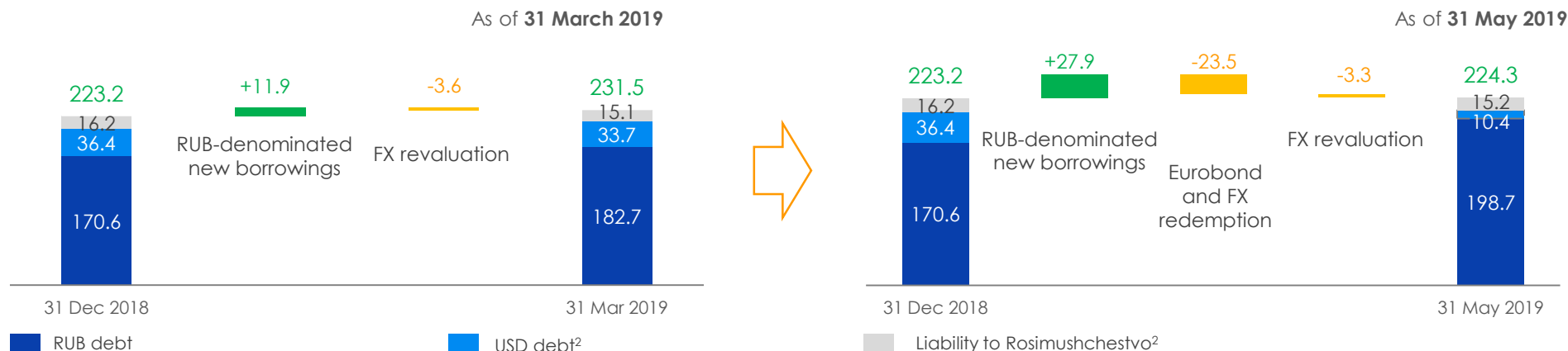
Largest investments in 1Q 2019 were the acquisition of Ozon shares (RUB 4.0 bln) from MTS and minority shareholders, convertible loan provided to Ozon in the amount of RUB 5.7 bn, settlement of payables from previous periods with VTB for the acquisition of RTI shares (RUB 3.6 bln) and other investments, including through the funds platform.

Interest expenses consisted of payments on loans (no coupon payments in 1Q 2019).

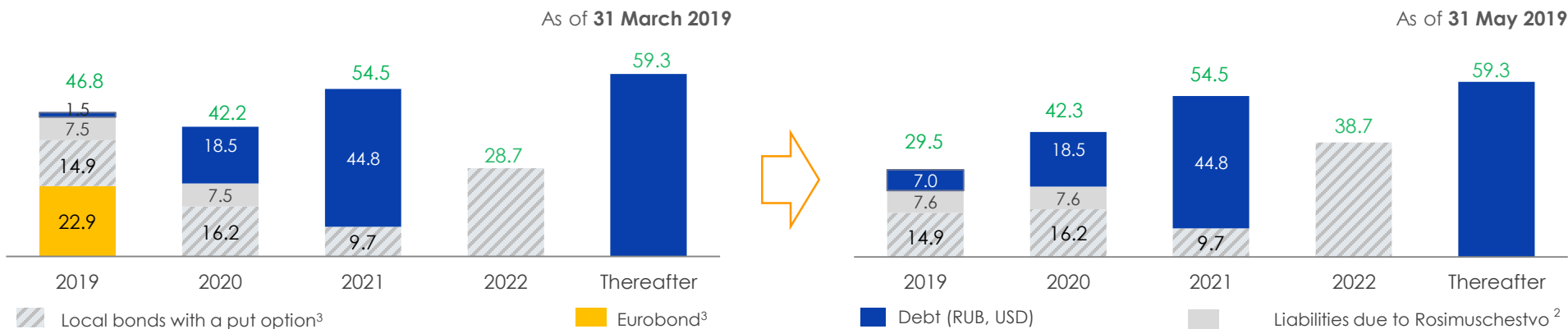
CORPORATE CENTRE'S FINANCIAL LIABILITIES



Corporate Centre's financial liabilities, RUB bln¹



Maturity profile optimisation



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

²FX 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 31 March 2019 and 31 May 2019 respectively. FX debt includes financial leases

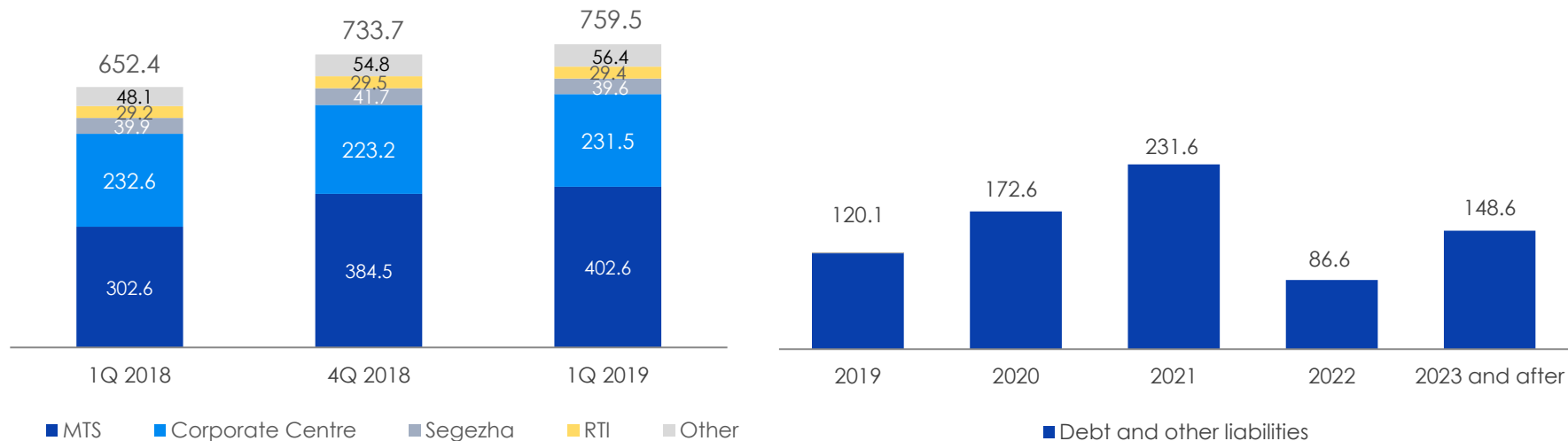
³Eurobonds with maturity in May 2019. RUB bonds 001P-08 contain put options expiring September 2019; 001P-04 and 001P-05 expiring 2020; 001P-07 expiring 2021, 001P-01, 001P-06, 001P-09, 001P-10 (placed in April 2019) expiring 2022

CONSOLIDATED FINANCIAL LIABILITIES



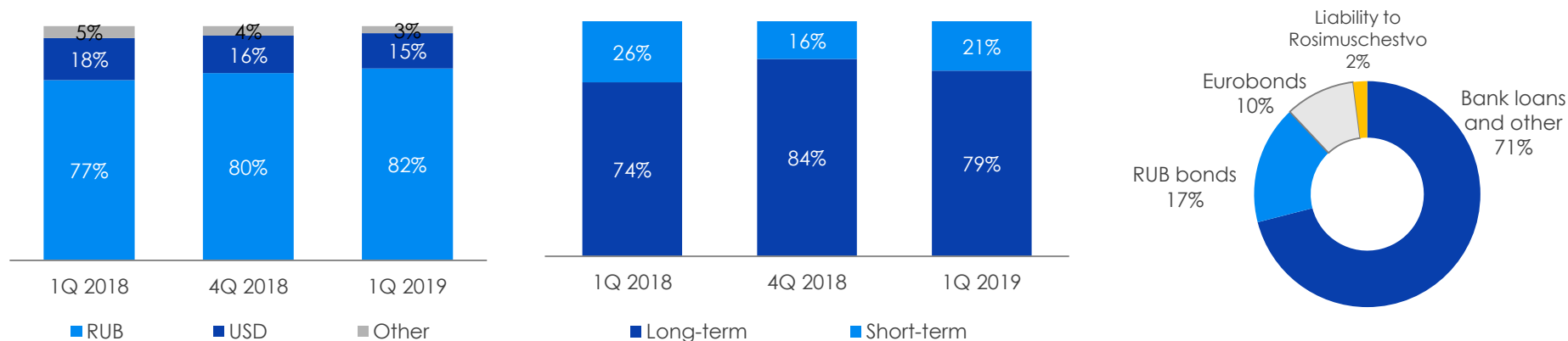
Consolidated financial liabilities¹: composition by borrower and maturity profile

RUB bln



Structure analysis²

RUB bln



¹Including 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 31 March 2019

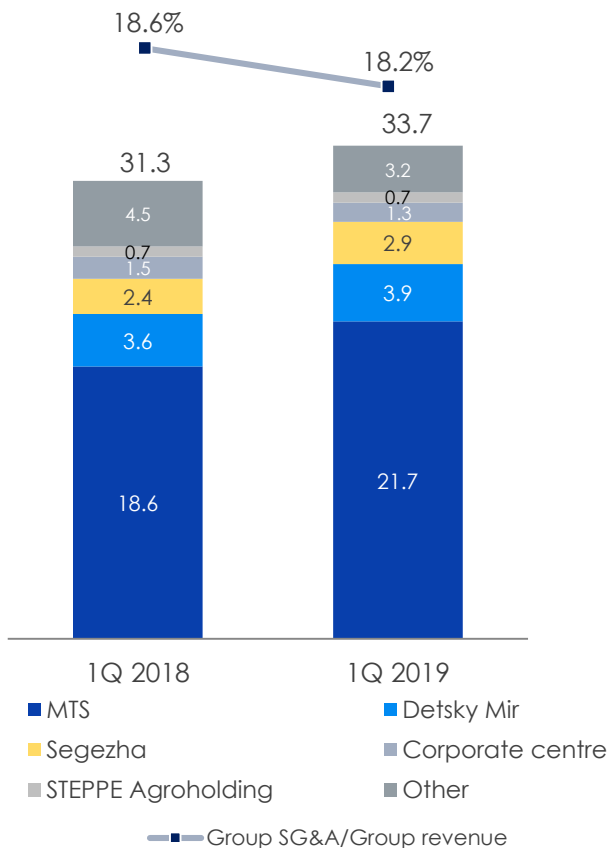
²Source: management accounts

SG&A EXPENSES



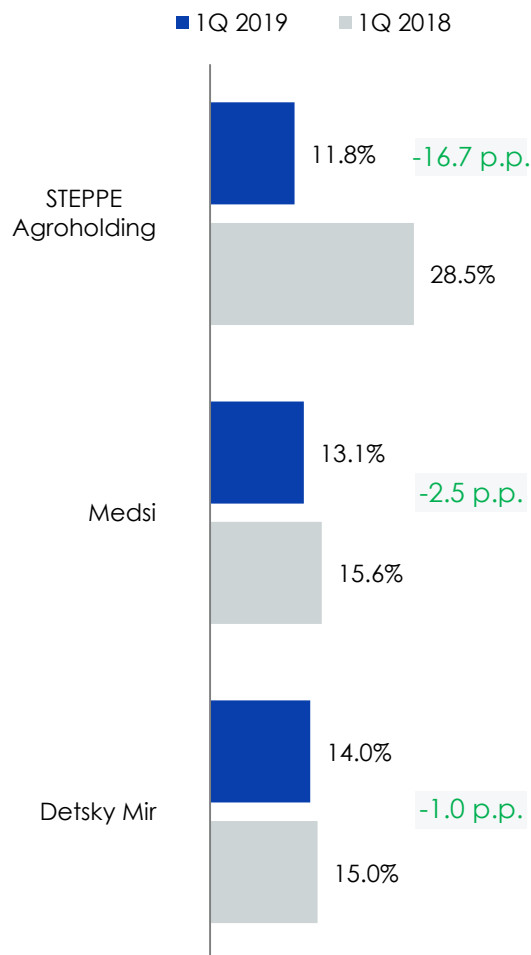
Group SG&A expenses

IFRS, RUB bln



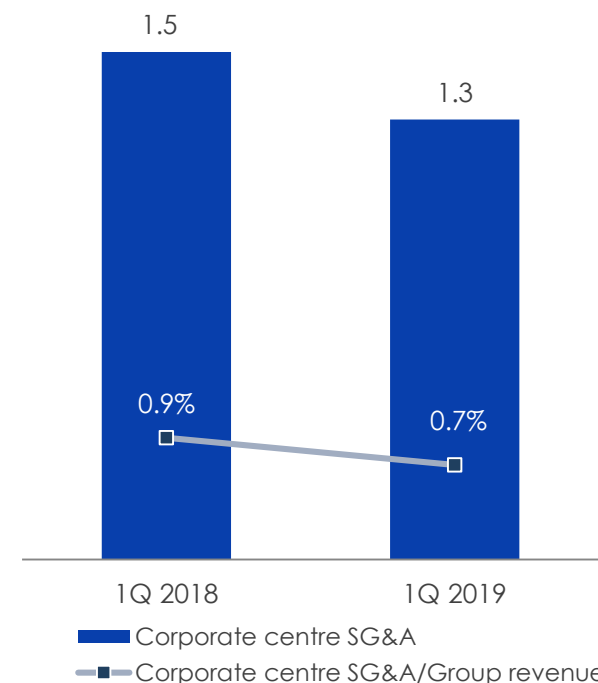
In 1Q 2019, the SG&A/revenue ratio decreased year-on year by **0.4 p.p.** to **18.2%**.

Decrease in SG&A/revenue



Corporate centre SG&A expenses¹

RUB bln



SG&A declined by 15.5% in 1Q 2019 as a result of a decline in compensation payments, a reduction in administrative expenses and headcount optimisation

The SG&A/consolidated revenue ratio at the Corporate Centre declined to 0.7% in 1Q 2019 from 0.9% in 1Q 2018.

¹Source: Management accounts



KEY PORTFOLIO ASSETS

MTS: STRONG GROWTH OF THE BUSINESS AND MAINTAINING HIGH DIVIDEND PAYOUT



RUB bln	1Q 2019	1Q 2018	YoY
Revenue	118.0	107.9	9.4%
OIBDA	58.6	52.1	12.4%
OIBDA margin	49.6%	48.3%	1.3 p.p.
Adj. net profit ¹	7.1	7.7	(8.2%)
Net debt ²	336.2	245.6	36.9%
Capex	16.6	18.0	(7.9%)

Revenue

grew in 1Q 2019 due to robust performance of Russian operations, which were the result of positive trends in revenue from mobile services and an increase in retail smartphone sales. The outstanding performance of the company's Ukrainian operations due to continued increases in data usage and the consolidation of MTS Bank also supported revenue growth.

OIBDA

in 1Q 2019 **grew** primarily due to continued growth of the mobile services segment. OIBDA was also affected by one-off gains from the sale of Ozon shares to Sistema³ and the sale of MGTS real estate assets to JSC Business Nedvizhimost.

Adj. net profit

declined mainly due to an increase in interest expenses.

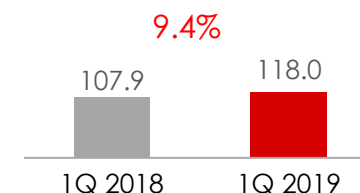
Outlook for 2019 MTS forecasts revenue growth of **slightly above 3%** and targets maintaining **OIBDA at the same level as 2018**.

Dividend policy Under the new dividend policy for 2019-2021, MTS will seek to pay **at least RUB 28.0** per ordinary share per calendar year, distributed in two semi-annual payments. In April 2019, the Board of Directors of MTS recommended that the Annual General Meeting of shareholders scheduled for 27 June 2019 approve final dividends for FY 2018 in the amount of **RUB 19.98** per share (RUB 39.96 per ADR).

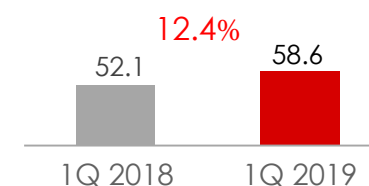
Digital strategy MTS **acquired cloud provider** IT-Grad, allowing the company to **expand its cloud business** and increase the efficiency of its #CloudMTS provider.

MTS **expanded its gaming ecosystem** with the launch of interactive media platform WASD.TV, which will serve as a base for various eSport services, from professional cybersport to multimedia content.

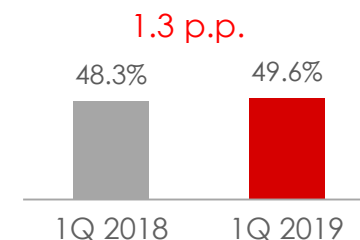
REVENUE, RUB bln



OIBDA, RUB bln



OIBDA MARGIN



¹ Here and hereafter net profit is presented in Sistema's share

² Here and hereafter net debt includes financial leasing

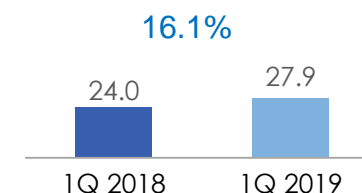
³ In MTS financial statements under IFRS, this gain is reflected below the operating profit

DETSKY MIR: CONTINUING TO CONSOLIDATE THE MARKET

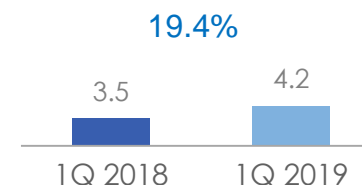


RUB bln	1Q 2019	1Q 2018	YoY
Revenue	27.9	24.0	16.1%
Adj. OIBDA	4.2	3.5	19.4%
Adj. OIBDA margin	14.9%	14.5%	0.4 p.p.
Adj. net profit	0.01	0.2	-94.5%
SG&A/revenue	14.0%	15.0%	(1.0 p.p.)
Net debt	23.1	16.3	41.8%
Like-for-like growth ¹	6.6%	5.1%	1.5 p.p.
Traffic growth	7.5%	8.8%	(1.3 p.p.)
Average ticket growth	(0.9%)	(3.4%)	2.5 p.p.
Capex	0.9	0.3	171.4%

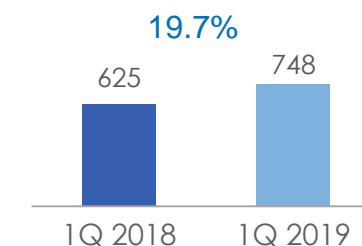
REVENUE, RUB bln



ADJUSTED OIBDA, RUB bln



NUMBER OF STORES³



Revenue grew by 16.1% year-on-year as a result of the ramp-up of stores opened in 2017-2018 to full operating capacity, accelerated growth of LFL sales in Russia and Kazakhstan as well as an increase in online sales, which rose by 74.1% year-on-year and accounted for **9.3%** of total revenue.

Adj. OIBDA increased by 19.4% year-on-year due to robust revenue performance, optimisation of purchasing costs, effective management of the product assortment and increased operational efficiency.

Adj. OIBDA margin increased by 0.4 p.p. to 14.9% primarily due to a decrease in marketing and staff costs as a result of an increase in labour efficiency.

Retail chain expansion 6 new stores were opened in 1Q 2019. Detsky Mir entered the Belarusian market under the Detmir brand with 3 stores and total selling space of 3,000 sq. m. Over the course of 2019, the company plans to open **at least 80 new stores**, including 10 stores in Belarus and at least 8 stores in Kazakhstan where it currently operates 30 stores.

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

¹ The segment includes online orders on the site www.detmir.ru including orders for collection at Detsky Mir stores

² Like-for-like (LFL) growth in RUB terms. LFL growth includes only DM stores in Russia that have been operational for at least 12 full calendar months

³ The number of Detsky Mir Group stores, including ELC, ABC and Zoozavr stores

SEGEZHA GROUP: RECORD MARGINS



RUB bln	1Q 2019	1Q 2018	YoY
Revenue	14.5	12.1	19.4%
OIBDA	4.0	2.2	82.5%
OIBDA margin	27.4%	17.9%	9.5 p.p.
Net profit/(loss)	2.7	(0.5)	n/a
Net debt	37.6	36.3	3.6%
Capex	1.4	1.4	0.7%
FX-denominated rev.	72.5%	68.1%	4.4 p.p.
Own consumption	69.1%	56.3%	12.8 p.p.
Total forestry, thsd cu m	1 619.3	1 386.0	+16.8%

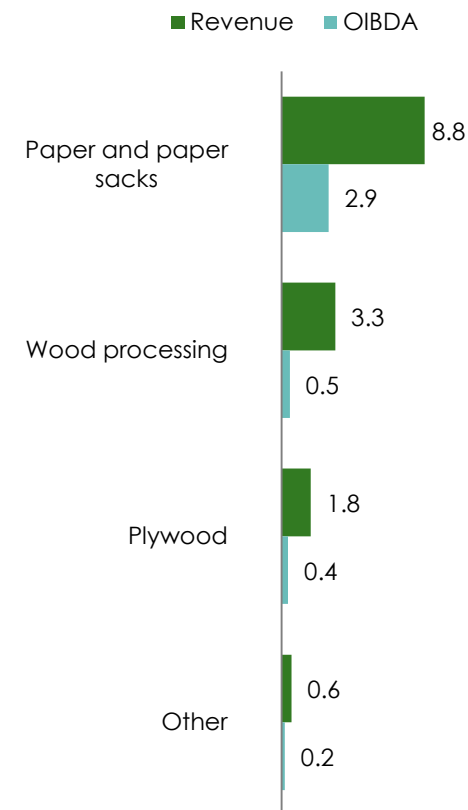
Revenue increased by 19.4% year-on-year to RUB 14.5 bn in 1Q 2019, due in significant measure to increased sales efficiency in the Paper & Packaging segment, which accounted for 60% of total revenue. Higher revenue from the sale of paper was the result of improved sales efficiency in Paper & Packaging. Another factor that made a positive contribution to revenue was growth of plywood sales following the **launch of new production capacity** in the Kirov region in July 2018.

OIBDA increased in 1Q 2019 primarily as a result of changes in the sales structure in favour of higher-margin types of paper, as well as increased sales efficiency including due to reduced commissions for agents and the transition to the open book arrangement. Combined, these factors allowed Segezha to post an **all-time record OIBDA margin**.

Net profit in 1Q 2019 was **RUB 2.7 bln** vs. a loss of RUB 0.5 bln in 1Q 2018. A positive FX effect had a major impact on adjusted net profit.

Key highlights In May 2019 an agreement was signed for equipment to build a new plant **producing cross-laminated timber (CLT)** with annual capacity of 35,000 cu m per year at the Sokol Wood Processing Plant. CLT is an advanced construction material that is more environmentally friendly and reduces construction times compared to alternative materials. Construction of the CLT plant will support an **increase in margins** across the portfolio by introducing a next-generation product.

REVENUE and OIBDA by segment
1Q 2018, RUB bln



SEGEZHA GROUP: ROBUST GROWTH IN OUTPUT AND SALES OF PAPER AND PLYWOOD



Sales and production

Sack paper

Paper output totalled 100,9¹ tonnes, up 14% versus 1Q 2018. The production increase was mainly the result of reductions to the time taken for equipment repairs at Segezha PPM (Pulp and Paper Mill) in 1Q 2019. In 1Q 2019 Segezha's sack paper sales increased by 18.0% to 65,000 tonnes due to increased volumes shipped under existing contracts and expansion of the client base.

Paper sacks

In 1Q 2019 Segezha Group sold 280 mn paper sacks, in line with 1Q 2018 sales. Paper sack output increased by 3.7% year-on-year as a result of more working days compared to 1Q 2018. A portion of shipments made in 1Q 2019 will be reflected in sales results for 2Q 2019.

Plywood

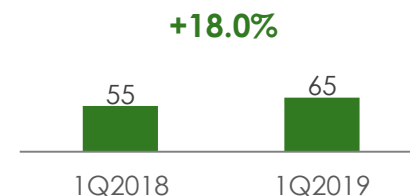
In 1Q 2019 Segezha Group sold 37,000 cu m of birch plywood, up 61% year-on-year. The increase in output was achieved thanks to commissioning of a new plywood plant in the Kirov region in July 2018. Higher production volumes drove growth in shipments to existing clients as well as expansion of the client portfolio.

Timber

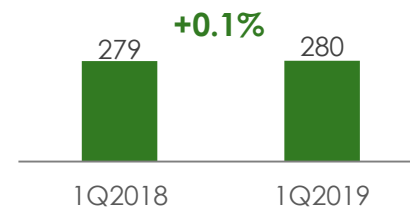
In 1Q 2019 Segezha Group facilities increased timber production by 4.0% year-on-year to 216,000 cu m, primarily due to improved production efficiency at the Onezhsky and Lesosibirsk plants. Sales volumes in 1Q 2019 were in line with volumes in 1Q 2018.

Sales

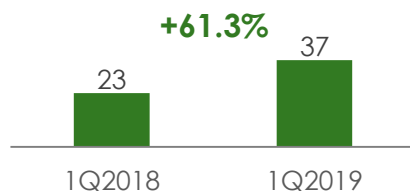
PAPER¹, thsd tonnes



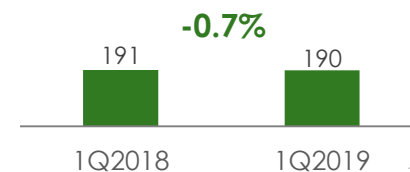
PAPER SACKS², mln



PLYWOOD, thsd cu m



SAWN TIMBER, thsd cu m



¹ 37% of paper output was delivered to the company's own conversion facilities for producing paper packaging

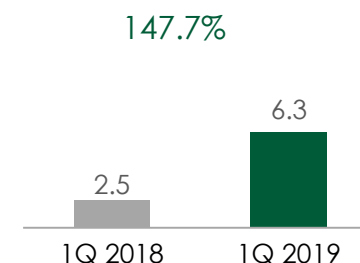
² Including 16 mln consumer paper bags

AGROHOLDING STEPPE: RAPID GROWTH OF FINANCIAL RESULTS AND ADDING SCALE TO THE BUSINESS

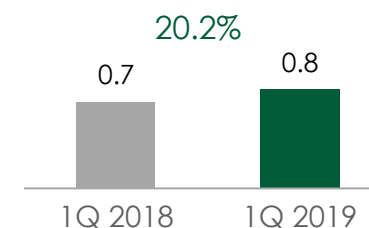


RUB bln ¹	1Q 2019	1Q 2018	YoY
Revenue	6.3	2.5	147.7%
OIBDA	0.8	0.7	20.2%
OIBDA margin	13.2%	27.2%	(14.0 p.p.)
Net profit/(loss)	0.1	(0.1)	n/a
Net debt	18.7	12.5	49.6%
Capex	0.2	0.2	(32.6%)

REVENUE, RUB bln



OIBDA, RUB bln



Revenue

in 1Q 2019 **increased by 147.7%** year-on-year to RUB 6.3 bln. This significant revenue increase was driven primarily by positive dynamics in the Agrotrading segment, the start of aggressive growth of the Sugar & Grocery Product Trading segment and increased revenue from the Dairy and Vegetable divisions.

OIBDA

in 1Q 2019 **increased by 20.2% year-on-year** to RUB 0.8 bln mainly as a result of growth in the Agrotrading and Sugar & Grocery Product Trading segments as well as increased production volumes in the Dairy segment.

Capex

in 1Q 2019 **amounted to RUB 0.2 bln** with the funds used for acquisition of new farm machinery and construction of dairy farms in the Krasnodar and Rostov regions.

¹ The result of RZ Argo is consolidated in the reporting under the IFRS of Steppe Agroholding according to the principle of a joint venture. Revenue, OIBDA and net profit of RZ Agro in 1Q 2019 amounted to RUB 1 bn, RUB 0.45 bn and RUB 0.28 bn respectively.

AGROHOLDING STEPPE: EXPANSION OF THE LAND BANK, GROWING EXPORTS AND IMPROVING OPERATING PERFORMANCE



Field crops

Land bank
412,000 hectares

Agrotrading

Crop exports
174,000 tonnes

Dairy

Dairy herd
≈ 4,856 cows

Vegetable production

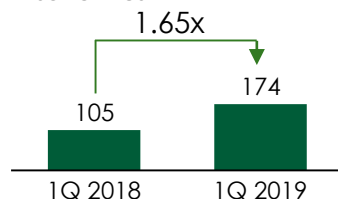
Greenhouse area
144 hectares

Fruit production

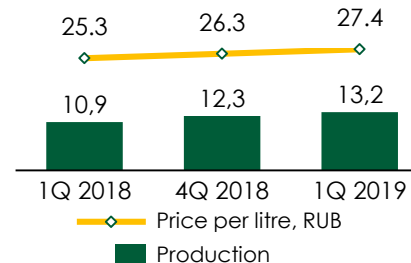
Intensive fruit growing facilities
780 hectares

Fruit storage facility capacity
21,000 tonnes

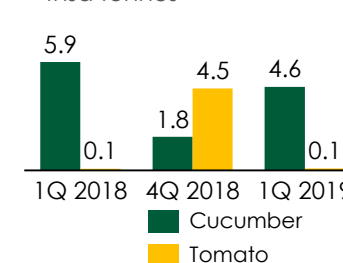
EXPORTS
thsd tonnes



MILK PRODUCTION
thsd tonnes



VEGETABLE HARVEST
thsd tonnes



Field crops

The average export price for wheat in 1Q 2019 increased 28% year-on-year as sales efficiency improved and global grain prices rose.

Steppe's land bank increased to 412,000 hectares as of the end of 1Q 2019 following acquisition of a new agricultural asset in the Stavropol region.

Agrotrading

Steppe exported 174,000 tonnes of agricultural products in 1Q 2019, up 65% versus the same period in 2018.

Dairy

The Dairy segment delivered stable growth of operational results: the gross milk yield in 1Q 2019 was more than 13,000 tonnes (+20.4% year-on-year), while productivity per cow increased by 9.5% year-on-year. As of the end of the reporting period, the herd consisted of 4,856 cows.

Vegetable production

The gross vegetable harvest in 1Q 2019 was 4,700 tonnes, a year-on-year decline as a result of changes to the production programme and shift in the timetable for vegetable harvesting.

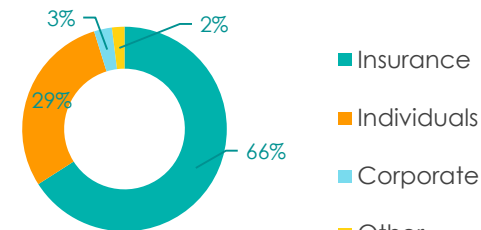
MEDSI: CONTINUING STRONG DYNAMICS OF FINANCIAL RESULTS



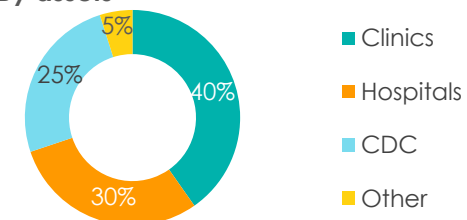
RUB bln	1Q 2019	1Q 2018	YoY
Revenue	5.2	3.5	47.8%
Adj. OIBDA ¹	0.9	0.5	90.5%
Adj. OIBDA margin ¹	17.0%	13.2%	3.8 p.p.
Adj. net profit/(loss) ¹	0.2	(0.1)	n/a
Net debt	0.9	1.0	(14.6%)
Capex	0.6	0.6	(3.4%)
Patient visits, mln	2.3	2.0	15.0%
Services provided, mln	4.1	3.3	23.2%
Average ticket, thsd RUB	2.3	1.8	28.5%

Revenue, 1Q 2019

By clients



By assets



Revenue

grew in 1Q 2019 due to a **nearly three-fold increase in in-patient treatments** under the Mandatory Health Insurance programme (MHI), revenue growth of 33.1% to RUB 2.1 bn in the Voluntary Health Insurance segment (VHI), and a 23.1% increase in revenue from individual patients to RUB 1.5 bn.

Adj. OIBDA

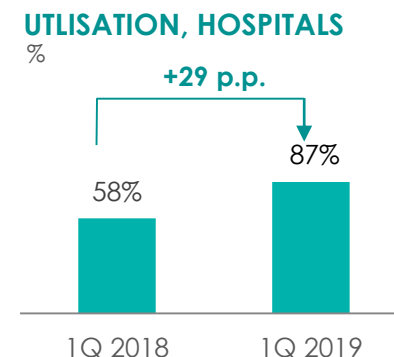
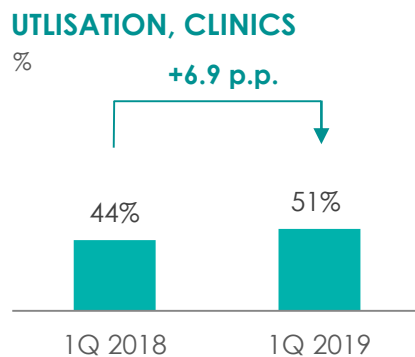
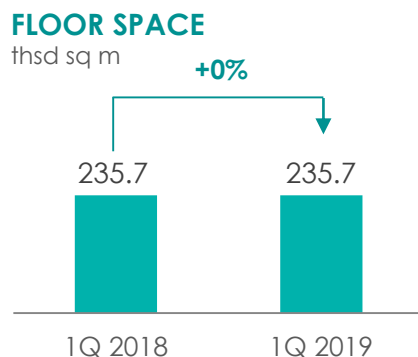
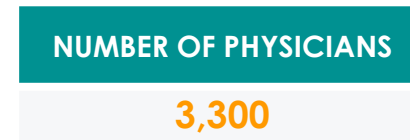
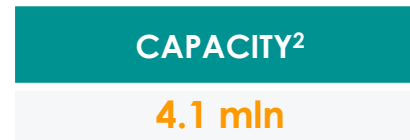
grew in 1Q 2019 due to the continued ramp-up of facilities and increase in revenue per sq m of medical space. The **adjusted OIBDA margin grew** in 1Q 2019 thanks to growth in capacity utilisation, an increase in efficiency per sq m and growth of volumes at previously opened clinics.

Adj. net profit

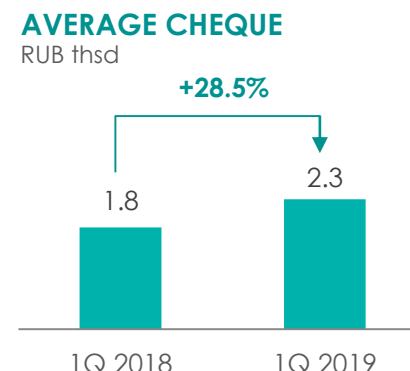
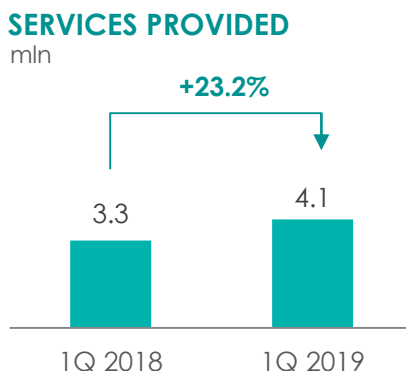
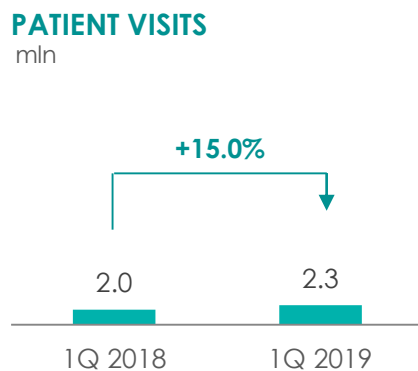
increased in 1Q 2019 on the back of positive OIBDA dynamics.

¹Adjusted OIBDA, adjusted OIBDA margin and adjusted net profit have been adjusted for charges related to the LTI program

MEDSI: SIGNIFICANT IMPROVEMENT IN UTILISATION OF IN-PATIENT FACILITIES



The significant **ramp-up of in-patient utilisation** was due to growth of services provided to patients across all channels, with MHI acting as the main driver.



The **average cheque grew by 28.5% to approximately RUB 2,300** primarily due to the increased proportion of complex procedures in the in-patient segment and the diagnostic segment, and also due to the effect of higher prices in line with market trends.

¹ Metrics in the tables here and hereafter are presented as of 31 March 2019

² Metrics are for 1Q 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

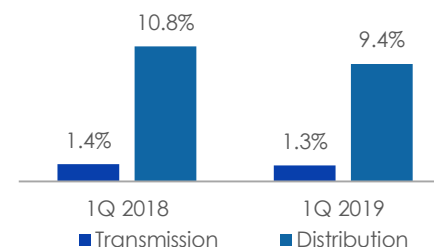
POWER GRIDS (BPGC) AND HIGH-TECH (RTI)



BPGC

RUB bln	1Q 2019	1Q 2018	YoY
Revenue	5.3	5.0	6.4%
OIBDA	1.4	1.7	(17.8%)
OIBDA margin	26.7%	34.6%	(7.9 p.p.)
Net profit	0.6	0.9	(34.1%)
Capex	0.7	0.6	16.1%
New connections	3 345	4 061	(17.6%)
Connected power, mVt	57	69	(17.4%)

LOSSES ON GRIDS



In 1Q 2019 **revenue** grew due to indexation of tariffs for electricity transmission services that came into effect from 1 July 2018 and an increase in lease payments for deployment of fibre-optic cables on electricity pylons.

OIBDA decreased in 1Q 2019 due to the impact of one-off factors in 2018 (in 1Q 2018 BPGC received payments from PJSC Bashinformsvyaz). The **OIBDA margin** decreased in 1Q 2019 as a result of higher costs for services provided by PJSC Federal Grid Company of Unified Energy System due to an increase in paid-for capacity, as well as the impact of the 1Q 2018 one-offs.

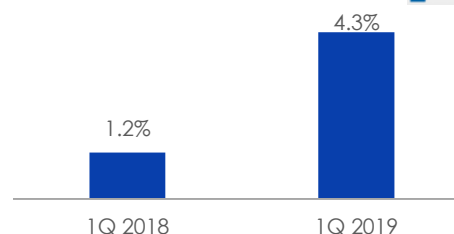
The decrease in **net profit** in 1Q 2019 was primarily due to the decrease in OIBDA.

During the reporting period, 11 distribution and transformer sub-stations were reconstructed, 3 km of cable was laid, and 4,000 smart meters installed under the Smart Grid project.

RTI*

RUB bln	1Q 2019	1Q 2018	YoY
Revenue	3.8	4.6	(17.2%)
Adj. OIBDA	0.2	0.1	186.5%
Adj. OIBDA margin	4.3%	1.2%	(3.1 p.p.)
Adj. net loss	(1.2)	(1.3)	n/a
Net debt	29.2	28.6	2.1%

OIBDA MARGIN GROWTH



In 1Q 2019 RTI's **revenue** decreased by 17.2% year-on-year due to changes to the timetable of agreements and execution of new state procurement contracts by a number of RTI Group companies. Most of RTI's revenue typically falls in the second half of the year.

The year-on-year increase in **adjusted OIBDA** was a result of creation in 1Q 2018 of provisions for inventory.

The increase in RTI's **net debt** was the result of a decrease in unrestricted cash. Funds totalling RUB 8.7 bn earmarked for work under state contracts are held on RTI's accounts but not factored into net debt calculations.

*Results of RTI for 1Q 2019 are presented to reflect the reclassification of RTI's microelectronics assets as available for sale. Results for 1Q 2018 are restated to reflect the results of this reclassification. In February 2019 RTI Microelectronics, which is part of RTI Group, together with Rostec state corporation and JSC Roselektronika concluded a legally binding agreement envisaging the creation of a combined company in the field of microelectronics components. The parties will contribute to the combined company in total controlling stakes in 19 enterprises in the areas of development, production and design centres of microelectronics components.

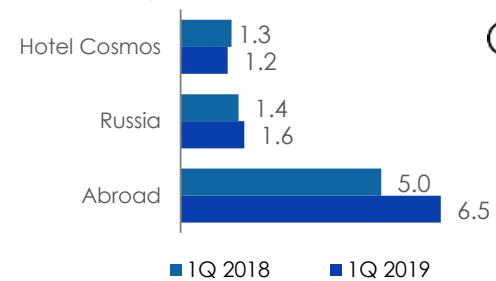
HOSPITALITY (COSMOS GROUP) AND RENTAL ASSETS (BUSINESS NEDVIZHIMOST)



HOSPITALITY ASSETS

RUB bln	1Q 2019	1Q 2018	YoY
Revenue	1.1	1.0	12.8%
OIBDA	0	0.1	(91.0%)
OIBDA margin	0.7%	8.2%	(7.5 p.p.)
Net loss ¹	(0.6)	(0.3)	n/a
Net debt ¹	4.2	4.5	(7.4%)
Room capacity	4.049	4.049	0.0%

REVPAR², RUB thsd



Revenue growth from hospitality assets in 1Q 2019 year-on-year was driven by Cosmos Group's more effective promotion of Russian hotels in the network and active sales in the segment of hotels outside Russia, as well as by significant growth year-on-year of occupancy rates at the Holiday Inn Express at Paveletskaya, which is in an active growth phase and increasing its market share. Revenue from hotels outside Russia accounted for 16.0% of the total in 1Q 2019, up 2.8 p.p. due primarily to the depreciation of the rouble.

The **Average Daily Rate (ADR)** across the portfolio declined by 0.1% in 1Q 2019 to RUB 2,830. The **average occupancy rate** in 1Q 2019 increased by 3.6 p.p. year-on-year. The leader in terms of growth was the Holiday Inn Express Paveletskaya, where the average occupancy rate rose by 20 p.p. year-on-year.

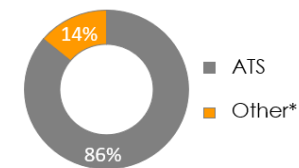
¹ Based on consolidated reporting combining management and operating companies

² Revenue per Available Room Per Day

BUSINESS NEDVIZHIMOST JSC AND ITS SUBSIDIARY MOSDACHTREST JSC

RUB bln	1Q 2019	1Q 2018	YoY
Revenue	0.7	0.9	(13.7%)
OIBDA	0.1	0.2	(51.9%)
OIBDA margin	15.3%	27.5%	(12.2 p.p.)
Net loss/profit	(0)	0	n/a
Net debt/(cash position)	0.6	(0.8)	n/a

PORTFOLIO OF ASSETS UNDER OWNERSHIP



*Residential properties in central Moscow, warehouses



In 1Q 2019 **revenue** from Sistema's rental assets decreased by 13.7% year-on-year to RUB 739 mn due to a decrease in sales of land plots in the Moscow region (1.57 ha vs 2.24 ha in 1Q 2018) and a decrease in revenue from commercial property leases. During 2018 68.6 thsd sq m of commercial real-estate was sold, which significantly affected revenue in 1Q 2019 due to a decrease in leased space.

OIBDA decreased in 1Q 2019 by 51.9% year-on-year to RUB 113 mn following revenue dynamics and changes in the revenue mix. **The OIBDA margin** decreased from 27.5% to 15.3% in 1Q 2019 due to changes in the revenue structure, as sales of real estate command higher margins than the rentals business. The net loss in 1Q 2019 was due to higher interest payments.

In 2019, as part of the Group's strategy to increase the value of non-core assets owned by its portfolio companies, Business Nedvizhimost acquired buildings of 54 telephone exchanges from PJSC MGTS with payments to be made in instalments over 10 years and interest to be assessed at an annual rate of 9%. Excluding VAT and interest on the deferred payments, the transaction totalled RUB 5.9 bn.

PHARMACEUTICALS (OBL PHARM, BINNOPHARM)

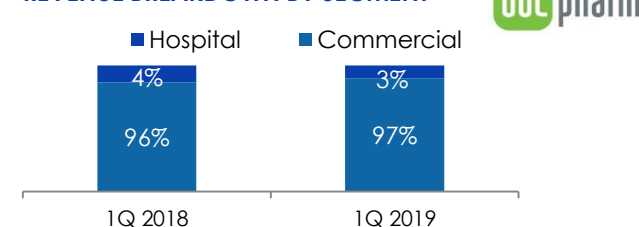
alium



OBL PHARM¹

RUB bln	1Q 2019	1Q 2018	YoY
Revenue	1.6	1.1	42.9%
OIBDA	0.3	0.2	55.1%
OIBDA margin	16.0%	14.7%	1.3 p.p.
Net profit ²	0.1	0.1	10.6%
Net debt	5.0	1.8	178.5%

REVENUE BREAKDOWN BY SEGMENT



In December 2018, Sistema, alongside VTB Bank and the management of OBL Pharm, acquired a leading pharmaceuticals company, OBL Pharm. The investment totalled RUB 15.5 bn. Binnopharm and OBL Pharm have complementary business models, assets (four pharmaceuticals facilities in Moscow and the Moscow region) and product portfolio (around 200 products). The strategic goal of the transaction is to build the combined company, operating under the Alium brand, into a top-five Russian pharmaceuticals producer in the commercial segment. In April 2019, a consortium of investors including the Russia Direct Investment Fund (RDIF), Russia-China Investment Fund and leading Middle Eastern funds, agreed to join this project. Overall, the consortium will invest a total of RUB 4 bn to acquire a stake in OBL Pharm.

Revenue at OBL Pharm grew by 42.9% year-on-year in the first quarter 2019 on the back of increased sales in the commercial segment, notably for key products Venarus, Maxilac and Neobutin that received additional marketing support in the quarter. **OIBDA** grew by 55.1% due to higher revenues, increased gross sales margins and the effect from the expanded scale of the business. **Net profit** grew slower than revenue growth as a result of the company discontinuing interest capitalization on loans at the beginning of 2019 and increased depreciation expenses following the opening of a new manufacturing plant in 2019.

OBL Pharm's **net debt** increased due to project financing secured for the purpose of the construction of the new plant and a loan taken in December 2018 for OBL Pharm's shares buy-out

¹ Sistema owns a 13% stake in OBL Pharm, OBL Pharm's financial results are not consolidated in Sistema's financial reports

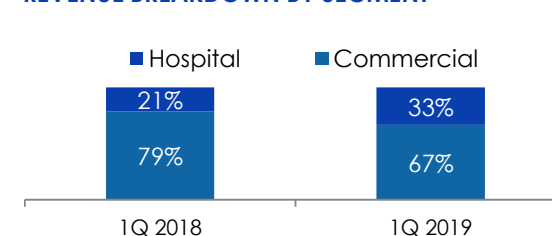
² Net profit, 100%

BINNOPHARM



RUB bln	1Q 2019	1Q 2018	YoY
Revenue	0.3	0.4	(21.6%)
OIBDA	0.1	0.1	(56.9%)
OIBDA margin	15.6%	28.4%	(12.8 p.p.)
Net (loss)/profit	(0.05)	0.00	n/a
Net debt	1.8	1.9	(3.5%)

REVENUE BREAKDOWN BY SEGMENT



Revenue in 1Q 2019 declined year-on-year after Binnopharm ceased commercial distribution of some low-margin third-party products, and as a result of a decrease in sales of anti-virals due to lower seasonal demand year-on-year, as well as the deferral of a number of major state tenders for infusion solutions to 2Q 2019. **OIBDA** decreased year-on-year in 1Q on the back of the revenue decline. The decrease in the **OIBDA margin** was due to changes in the sales structure in 1Q 2019 as a result of the deferral of sales of some high-margin products (infusion antibiotics and dialysis solutions) to 2Q 2019.



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