



JOINT-STOCK FINANCIAL CORPORATION
SISTEMA

SISTEMA PJSFC

Acquisition of assets of Regional Hotel Chain

November 2016



DISCLAIMER

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ACQUISITION OF RHC: ATTRACTIVE PRICE FOR AN ASSET IN A MARKET WITH A FURTHER GROWTH POTENTIAL

TRANSACTION SUMMARY

Sistema Hotel Management LLC is acquiring 100% stakes in 9 Regional Hotel Chain (RHC) hotels with a total of 1,376 rooms from VIYM for RUB 2.6 bn

DEAL RATIONALE



- **Market potential:** Growth of domestic tourism as well as foreign tourism inflows as a result of RUB depreciation and Russia hosting the World Cup in 2018
- **Asset quality:** high quality portfolio of rooms, attractive locations, positive operating cash flow. All hotels are new (and four were opened in 2014 - 2015): the network has the potential to increase profitability and does not require significant capex
- **Attractive valuation:** Opportunity to acquire high-quality, fully functioning hotel assets at a price well below the cost of construction
- **Synergy with Sistema assets:** RHC will be the basis for integration, optimisation and monetisation of Sistema's hospitality assets, and a large new player can operate more effectively thanks to economies of scale



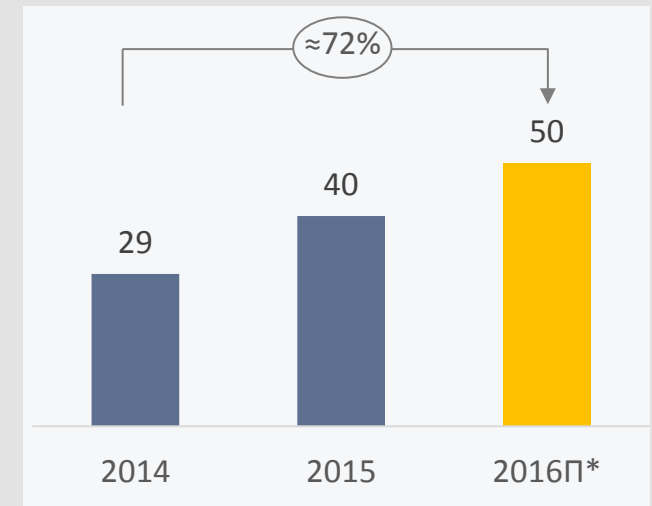
¹ Projected consolidated revenue of the acquired assets based on management accounts

² Based on cost per room of RUB 7 mln in the regions and RUB 9 mln in Moscow

KEY FIGURES, RUB BN

| | |
|--|------|
| Equity | 2.6 |
| Total debt | 4.0 |
| Total revenue (2016F) ¹ | 1.4 |
| EV based on cost approach ² | 10.0 |

RUSSIAN DOMESTIC TOURISM, MN OF TOURISTS



* Forecast based on Rosturizm estimates



RHC: NEW HOTELS OPERATING UNDER INTERNATIONAL BRANDS WITH STRONG GEGRAPHIC COVERAGE



- Premium network of new hotels
- Excellent geographic reach and advantageous locations within the cities where they are based
- All hotels operate under international brands

ACQUIRED HOTELS

| Hotel | Number of rooms | thsd m ² | Launched |
|---|-----------------|---------------------|------------|
| Park Inn Kazan | 151 | 8.1 | Oct 2010 |
| Park Inn Astrakhan | 132 | 10.9 | June 2011 |
| Park Inn Izhevsk | 161 | 11.9 | July 2011* |
| Park Inn Yaroslavl | 167 | 10.9 | Dec 2013 |
| Park Inn Sochi | 153 | 9.8 | Feb 2014 |
| Holiday Inn Express Voronezh | 145 | 6.3 | Dec 2014 |
| Park Inn Volgograd | 149 | 10.4 | Apr 2015 |
| Park Inn Novosibirsk | 150 | 10.1 | June 2015 |
| Courtyard by Marriott Paveletskaya Moscow | 171 | 8.2 | June 2012* |
| Total | 1,379 | 86.7 | - |

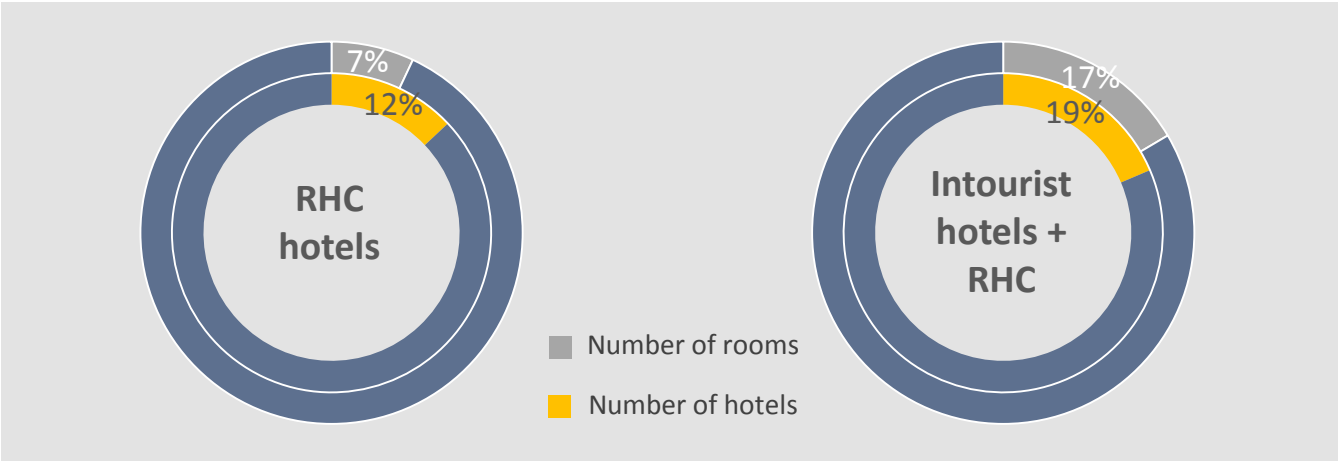


* Date of becoming part of RHC

SISTEMA'S HOSPITALITY BUSINESS TO OCCUPY A LEADING POSITION IN THE RUSSIAN MARKET



SHARE OF RUSSIAN HOTEL MARKET*



* In the segment of hotel chains with quality rooms pools

- RHC is a unique asset in Russia in terms of combining scale of the room portfolio with product quality. The acquisition gives Intourist the opportunity to seize a leading position on the Russian market
- Sistema is expanding its portfolio of hotel rooms by more than 60% and significantly strengthening its positions in key regional cities without taking on the risks associated with development and construction in the regions
- The location of RHC's hotels is fully complementary with Sistema's existing assets

INTOURIST AND RHC HOTELS

| Hotel | Number of rooms |
|---|-----------------|
| Cosmos, Moscow | 1,670 |
| Onego Palace, Onega | 103 |
| Altai Resort, Republic of Altai | 78 |
| Savoy Hotel, Karlovy Vary, Czech Republic | 115 |
| Principe Hotel, Italy | 28 |
| Leopard Lodge, Namibia | 9 |
| Kolomenskoe, Moscow | 259 |
| Izumrudny Les, Moscow Region | 22 |
| Intourist total | 2,284 |
| RHC hotels | 1,379 |
| Total | 3,663 |



RESULTS OF THE TRANSACTION: SISTEMA'S STRATEGY IN THE HOSPITALITY SECTOR AND NEXT STEPS

- Quality and standardisation of the RHC properties will be the basis for the integration and optimisation of existing Intourist assets under the unified management system
- Unification of the ownership structure and management is planned for 2017, as is combining all hotels into a single centre in preparation for financial reporting on the basis of RHC
- As a larger player, take advantage of economies of scale to optimise expenses and grow market share
- Monetisation of the asset is planned for the 3-5 year horizon through either a partial or complete exit



HOTEL ASSETS STRATEGY

Existing Intourist assets

- Target segment (3-4 stars)
- Increasing efficiency by creating a standard product based on integration with RHC assets
- Selective new hotel construction
- Attract co-investor and undergo renovations (Cosmos)

RHC assets

- Increase profitability through increased market share growth in the regions where the assets are located
- Integration with Intourist assets with unified management system
- Increased efficiency thanks to economies of scale



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