Sistema’s Real Estate Assets
Creation of Value

Moscow, March 2017
SISTEMA: LEVERAGING OPPORTUNITIES FOR VALUE CREATION IN REAL ESTATE

**STRATEGY**
- Investment and industry expertise
- Selection of projects with the highest NPVs and rates of return
- Building the best management teams
- Customer base of portfolio companies: over 150m people
- An extensive network of business partners

**PORTFOLIO OF PROJECTS**
- Former automated telephone stations (ATS) of MGTS
- Non-core assets of Sistema's other portfolio companies
- Selective investments in unique projects (ZIL YUG)
  - Land plots and cottages in Moscow and the Moscow region

**MONETISATION**

**REAL ESTATE DEVELOPMENT**
- Focus on the Moscow market
- Offer in the Comfort, Comfort+ and Business classes

**RENTAL BUSINESS**
- Leasing commercial real estate
- Leasing countryside real estate

**SOLOCITING CO-INVESTORS**
- Sale of properties
- Soliciting equity co-investors
- Establishing investment structures and funds
REAL ESTATE ASSETS: DIVERSIFIED BUSINESS WITH A FOCUS ON THE MOSCOW REGION

**Real Estate Development**
- Leading residential developer by pipeline in Moscow
- Portfolio of ≈3m sq m of total gross area
- Focus on Comfort and Business segments
- Unique locations of the projects

**Rental assets**

**Commercial real estate**
- ≈472,000 sq m of real estate in Moscow (former ATS buildings, etc.)
- Focus on the mid price segment (B/B- classes)

**Residential properties**
- ≈20 hectares of land with cottages in Serebryany Bor
- Land holdings and cottages in the Moscow region
PROPERTY DEVELOPMENT
# FACTORS OF INVESTMENT APPEAL OF LEADER INVEST

<table>
<thead>
<tr>
<th>Factor</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Fundamentally attractive market of housing in Moscow</td>
</tr>
<tr>
<td>2</td>
<td>Unique project portfolio</td>
</tr>
<tr>
<td>3</td>
<td>Stable cash flow and financial flexibility</td>
</tr>
<tr>
<td>4</td>
<td>Experienced management and high corporate governance standards</td>
</tr>
</tbody>
</table>

1. High demand due to low level of housing per capita in Moscow and steady growth of the city's population. Faster growth of the primary market: over 35% growth of sales in 2016
2. Prices have stabilised and demonstrate resilience to crises in the segment of mass-market housing
3. Additional source of growth: higher mortgages penetration and decreasing interest rates
4. 42 standalone development projects with a total area of 520,000 sq m in established residential areas. Short construction cycle and high returns on investment
5. Large flagship projects in unique locations (Nagatino i-Land, ZIL YUG, 120 Lobachevskogo St.) ensure a pipeline
6. Up to 85% of residential space is sold prior to building completion
7. High financial flexibility: construction costs are to a large extent financed by proceeds from apartment sales
8. Experienced management team
9. High corporate governance standards introduced by Sistema
MOSCOW: A FUNDAMENTALLY ATTRACTIVE MARKET (1/2)

- Migration inflow to Moscow supports the high demand for residential properties
- Housing per capita in Russia and in Moscow is much lower than in the West, which drives further growth of demand
- Extremely low mortgage penetration in Russia. The falling interest rates will further increase the demand for mortgage loans

**Population of Moscow**

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>10.5 Thsd</td>
</tr>
<tr>
<td>2011</td>
<td>11.5 Thsd</td>
</tr>
<tr>
<td>2012</td>
<td>11.6 Thsd</td>
</tr>
<tr>
<td>2013</td>
<td>11.9 Thsd</td>
</tr>
<tr>
<td>2014</td>
<td>12.1 Thsd</td>
</tr>
<tr>
<td>2015</td>
<td>12.1 Thsd</td>
</tr>
<tr>
<td>2016</td>
<td>12.3 Thsd</td>
</tr>
</tbody>
</table>

**Mortgage per capita**

<table>
<thead>
<tr>
<th>Country</th>
<th>Mortgage per capita (Thsd USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>30.3</td>
</tr>
<tr>
<td>US</td>
<td>29.5</td>
</tr>
<tr>
<td>France</td>
<td>18.5</td>
</tr>
<tr>
<td>Germany</td>
<td>18.4</td>
</tr>
<tr>
<td>Poland</td>
<td>4.2</td>
</tr>
<tr>
<td>Turkey</td>
<td>0.6</td>
</tr>
<tr>
<td>Russia</td>
<td>0.2</td>
</tr>
</tbody>
</table>

**Number of rooms per capita**

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of rooms per capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>2.4</td>
</tr>
<tr>
<td>Ireland</td>
<td>2.1</td>
</tr>
<tr>
<td>Germany</td>
<td>1.8</td>
</tr>
<tr>
<td>Slovenia</td>
<td>1.5</td>
</tr>
<tr>
<td>Russia</td>
<td>0.9</td>
</tr>
</tbody>
</table>

Source: CBRE
The primary market of Moscow's housing is highly resistant to economic recessions

- Despite a 3.7% GDP contraction in 2015 and more than 50% increase in supply, prices in the Comfort segment remained stable

The demand for residential properties grows fast in both primary and secondary markets

One of the key trends of 2016 was a faster sales growth in new houses (off-plan sales and most mortgage loans)

**Prices in the primary housing market of Moscow, Comfort Class**

<table>
<thead>
<tr>
<th>Year</th>
<th>Thsd RUB per sq m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>127</td>
</tr>
<tr>
<td>2013</td>
<td>131</td>
</tr>
<tr>
<td>2014</td>
<td>145</td>
</tr>
<tr>
<td>2015</td>
<td>146</td>
</tr>
<tr>
<td>2016</td>
<td>152</td>
</tr>
</tbody>
</table>

Average annual growth rate, %

- Off-plan sales: 23%
- Mortgage: 11%
- Sale and purchase: 2%

Source: Rosstat, CBRE, Metrium
LEADER INVEST: LEADING DEVELOPER IN THE MOSCOW MARKET

- One of Moscow's biggest residential developers by pipeline
- A diversified project portfolio of ≈3m sq m*
- Focus on segments with the highest demand (Comfort and Business classes) and good locations
- A team with a strong track record in real estate

Portfolio area

- 3m sq m*
- Revenue in 2016: RUB 8.8bn

Number of projects

- 45
- Net debt / OIBDA: <1
- Average construction period: 2 years
- Target IRR of projects: >25%

Revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (RUB bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>0.7</td>
</tr>
<tr>
<td>2015</td>
<td>1.0</td>
</tr>
<tr>
<td>2016</td>
<td>8.8</td>
</tr>
</tbody>
</table>

OIBDA

<table>
<thead>
<tr>
<th>Year</th>
<th>OIBDA (RUB bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>-0.1</td>
</tr>
<tr>
<td>2015</td>
<td>-0.6</td>
</tr>
<tr>
<td>2016</td>
<td>3.1</td>
</tr>
</tbody>
</table>

Cash proceeds from sales and lease

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash proceeds (RUB bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1.3</td>
</tr>
<tr>
<td>2015</td>
<td>7.3</td>
</tr>
<tr>
<td>2016</td>
<td>7.2</td>
</tr>
<tr>
<td>2017F</td>
<td>&gt;17</td>
</tr>
</tbody>
</table>

*Including 100% of ZIL-YUG's area
In 2017, Leader Invest will be among the top-3 developers in the "old" Moscow housing market (within the Moscow Ring Road) by square metres for sale.

Source: company data
Leader Invest won in the "Breakthrough category of the international award "Records of the Real Estate Market"

The residence in Vsevolozhsky a finalist of the Urban Awards

The apartment building in Usiyevich Street was a finalist of the award of the Moscow Architecture Council in 2016

The apartment building in Kuskovo was a finalist of the award of the Moscow Architecture Council in 2016

The apartment building in Sretenka a winner of the RREF Awards

The apartment building in Nagatinskaya a winner of the Urban Awards

The apartment building in the Olympic Village named among Top 5 housing projects in 2016 (ranking by Urbanus)
STRATEGIC FOCUS

Long-term strategic goal

Leadership in the Moscow market

Strategic objectives

Focus on residential properties in Comfort+ and Business classes

Technology leadership in implementation of large projects

Building a strong and recognisable brand in property development

Using best global practices for implementation of large projects

Using latest advertising and promotion techniques

Creating a comfortable modern environment in new neighbourhoods

Market position in Moscow

#1

Portfolio’s value growth

>15% p.a.

2017-2019

Target IRR of projects

>25%
### PRODUCTS

#### Products in 2016

<table>
<thead>
<tr>
<th>Comfort</th>
<th>Business</th>
<th>Premium / Deluxe</th>
</tr>
</thead>
<tbody>
<tr>
<td>TARGET AUDIENCE'S INCOME RUB 100,000-160,000/month</td>
<td>TARGET AUDIENCE'S INCOME RUB 170,000-250,000/month</td>
<td>TARGET AUDIENCE'S INCOME RUB 300,000+/month</td>
</tr>
<tr>
<td>AVERAGE SALE PRICE IN 2016 RUB 202,000 per sq m</td>
<td>AVERAGE SALE PRICE IN 2016 RUB 285,000 per sq m</td>
<td>AVERAGE SALE PRICE IN 2016 RUB 522,000 per sq m</td>
</tr>
<tr>
<td>UNIQUE OFFER: Modern housing at affordable prices</td>
<td>UNIQUE OFFER: Unique interior design of common areas</td>
<td>UNIQUE OFFER: Unique architectural solutions</td>
</tr>
</tbody>
</table>

**UNIQUE OFFER:**

- Infill construction projects:
  - **Comfort and Business:** TARGET AUDIENCE'S INCOME RUB 100,000-500,000/month
  - **Compex development:** UNIQUE OFFER: A completely new living environment

#### New products from 2017

- Leader Invest's product portfolio is significantly expanding because of complex development projects.
- Projects all over Moscow
- The project portfolio is diversified by classes, segments and types of properties

**Portfolio structure**

**By class**

- Comfort: 53%
- Business: 44%
- Premium/Elite: 3%

**The most popular segments**

**By type**

- Large projects: 82%
- Infill construction: 18%

**By segment**

- Housing: 81%
- Commercial properties: 19%
### Key Project Parameters

<table>
<thead>
<tr>
<th></th>
<th>Infill development</th>
<th>Nagatino I-Land</th>
<th>120 Lobachevskogo</th>
<th>ZIL YUG</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total area</strong></td>
<td>520,000 sq m</td>
<td>472,000 sq m</td>
<td>268,000 sq m</td>
<td>1,689,000 sq m</td>
</tr>
<tr>
<td><strong>Saleable floorspace of apartments</strong></td>
<td>248,000 sq m</td>
<td>223,000 sq m</td>
<td>112,000 sq m</td>
<td>792,000 sq m</td>
</tr>
<tr>
<td><strong>Saleable commercial space</strong></td>
<td>21,000 sq m</td>
<td>106,000 sq m</td>
<td>14,000 sq m</td>
<td>157,000 sq m</td>
</tr>
<tr>
<td><strong>Parking stalls</strong></td>
<td>3,008</td>
<td>2,250</td>
<td>1,440</td>
<td>9,460</td>
</tr>
<tr>
<td><strong>Location</strong></td>
<td>In established neighbourhoods</td>
<td>9 km to the Kremlin; 5 min walk from the metro; riverside</td>
<td>In prestigious SW Moscow; 7 km from the 3rd Ring Road; walking distance from the metro</td>
<td>6 km to the Kremlin; walking distance from the metro; riverside</td>
</tr>
<tr>
<td><strong>Category</strong></td>
<td>Comfort, Business, Premium/Elite</td>
<td>Business/Comfort+</td>
<td>Business</td>
<td>Comfort+/Business</td>
</tr>
<tr>
<td><strong>Share of LI's portfolio</strong></td>
<td>25%</td>
<td>22%</td>
<td>12%</td>
<td>40%</td>
</tr>
<tr>
<td><strong>Implementation period</strong></td>
<td>2013-2020</td>
<td>2017-2023</td>
<td>2017-2021</td>
<td>2019-2029</td>
</tr>
</tbody>
</table>

**From the start of construction to the end of sales**
**ZIL-YUG PROJECT: FINANCING**

**ZIL-YUG project implementation scheme**

- **50%** Sistema
- **50%** Razvitie
- **100%** LLC ZIL YUG
  - Plot development rights

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**Payments for the stake, RUB bn**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total amount</th>
<th>Attributable to Sistema</th>
<th>% of stake</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-16</td>
<td>1.5</td>
<td>0.75</td>
<td>-</td>
</tr>
<tr>
<td>2017</td>
<td>2.5</td>
<td>1.25</td>
<td>12%</td>
</tr>
<tr>
<td>2018</td>
<td>3.66</td>
<td>1.83</td>
<td>11%</td>
</tr>
<tr>
<td>2019</td>
<td>3.66</td>
<td>1.83</td>
<td>11%</td>
</tr>
<tr>
<td>2020</td>
<td>3.66</td>
<td>1.83</td>
<td>11%</td>
</tr>
<tr>
<td>2021</td>
<td>3.66</td>
<td>1.83</td>
<td>11%</td>
</tr>
<tr>
<td>2022</td>
<td>3.66</td>
<td>1.83</td>
<td>11%</td>
</tr>
<tr>
<td>2023</td>
<td>11.94</td>
<td>5.97</td>
<td>33%</td>
</tr>
</tbody>
</table>

- Positive net cash flow to be achieved from 2021
- Financing required for ZIL YUG is largely covered by >RUB 15bn of net cash flow from other projects
- A comfortable schedule of payments for the stake (more than 1/3 of the total amount – in 2023)
- The company plans to attract minor amounts of project financing
- Project IRR: 25%
POTENTIAL AREAS FOR PORTFOLIO EXPANSION

<table>
<thead>
<tr>
<th>Potential categories of new projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Redevelopment of Moscow's industrial areas</td>
</tr>
<tr>
<td>- Having accumulated experience in implementation of its own projects, Leader Invest will be able to join new projects of complex redevelopment</td>
</tr>
<tr>
<td>- 60m sq m of new construction, of which 30m sq m is housing</td>
</tr>
<tr>
<td>- 18,800 ha of industrial areas in Moscow – 17% of the city's total area, more than 75 sites</td>
</tr>
<tr>
<td>- Redevelopment is already planned on 4,300 ha</td>
</tr>
<tr>
<td>2. Participation in the programme for demolition of 5-floor apartment buildings</td>
</tr>
<tr>
<td>- 25m sq m of housing in 8,000 “Khrushchyovkas” is planned to be demolished</td>
</tr>
<tr>
<td>- 1.6m people will get new apartments</td>
</tr>
<tr>
<td>- Quarterly principle of demolition and construction</td>
</tr>
<tr>
<td>- Moscow Mayor's priority</td>
</tr>
<tr>
<td>3. Acquisition of infill construction projects from the market</td>
</tr>
<tr>
<td>- A new cadastral valuation and an increase in property tax force passive owners to sell their plots</td>
</tr>
<tr>
<td>- Leader Invest's expertise in coordination and rapid implementation of infill construction projects provides an advantage for acquisition of sites</td>
</tr>
</tbody>
</table>
KEY FINANCIALS AND FORECAST

- A break-even point in 2016 with an OIBDA margin of 35%
- A significant growth of revenue (7.5x in 2016) due to commissioning of several infill construction projects
- A 2.5x growth of proceeds is expected in 2017 due to sales in new projects. Revenue will be recognised after commissioning (2018-2019)
- The planned decrease in OIBDA in 2017 is due to an increase in costs on advertising and in-house sales force, as well as specifics of cost accounting for saleable parking stalls
The debt portfolio amounts to RUB 3.8bn as of the end of 2016, including financing from 4 lending banks.

A moderate debt burden as of the end of 2016.

100% of the debt is in roubles.

97% of the debt matures in more than a year.

At the end of 2016, the bonded loan for RUB 3bn was successfully placed at 13.5% per annum among a wide range of investors.

**By repayment date**

- **2017**: 3%
- **2018**: 83%
- **2019**: 15%

**By instrument**

- **Bonds**: 79.1%
- **Bank financing**: 19.9%
RENTAL ASSETS
OVERVIEW OF THE COMMERCIAL PROPERTY MARKET (1/2)

**History of rent rates**

<table>
<thead>
<tr>
<th>Year</th>
<th>Class A-prime</th>
<th>Class A</th>
<th>Class B/B+</th>
<th>Class B-/C</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>48.0</td>
<td>32.0</td>
<td>17.0</td>
<td>14.0</td>
</tr>
<tr>
<td>2015</td>
<td>51.0</td>
<td>34.6</td>
<td>17.8</td>
<td>14.5</td>
</tr>
<tr>
<td>2016</td>
<td>60.9</td>
<td>29.2</td>
<td>15.2</td>
<td>13.2</td>
</tr>
<tr>
<td>2017E</td>
<td>60.9</td>
<td>30.0</td>
<td>15.5</td>
<td>13.5</td>
</tr>
</tbody>
</table>

- There was some pressure on rental rates in 2016 amid a significant number of transactions to revise the terms of lease.
- The average market vacancy rate is 16%, more than 3m sq m of office properties remain vacant.
- The vacancy rate in class A slightly decreased, while in class B-/C it is stable and lowest in the market.
- Market stabilisation and a slight increase in rental rates are expected in 2017.

**History of vacancy rates**

<table>
<thead>
<tr>
<th>Year</th>
<th>Class A-prime</th>
<th>Class A</th>
<th>Class B/B+</th>
<th>Class B-/C</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>24%</td>
<td>17%</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>2015</td>
<td>32%</td>
<td>20%</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>2016</td>
<td>28%</td>
<td>24%</td>
<td>16%</td>
<td>8%</td>
</tr>
<tr>
<td>2017E</td>
<td>28%</td>
<td>24%</td>
<td>16%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: Real Estate Intelligence, Knight Frank, forecast for 2017 – BN based on Knight Frank materials
OVERVIEW OF THE COMMERCIAL PROPERTY MARKET (2/2)

Growth of the office property market

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A-prime</td>
<td>17.0</td>
<td>18.8</td>
<td>19.2</td>
<td>19.5</td>
</tr>
<tr>
<td>Class A</td>
<td>6.5</td>
<td>7.7</td>
<td>7.8</td>
<td>7.8</td>
</tr>
<tr>
<td>Class B/B+</td>
<td>3.7</td>
<td>4.0</td>
<td>4.1</td>
<td>4.2</td>
</tr>
</tbody>
</table>

Investment appeal

- **Class A+:** The segment is stable during the crisis and has good prospects in the event of market growth
- **Class A:** Excessive supply in the mid term
- **Class B+:** Losses caused by migration of tenants and a decrease in rates, high acquisition cost
- **Class B/B-:** The lower price range of class B offices is less susceptible to economic shocks
- **Class C:** Constant demand from tenants and low vacancy

- **Commissioning of new properties slowed down significantly in all segments**
- **In 2016, the properties located outside the central business district* but inside the Third Ring Road enjoyed the highest demand**
- **BN remains in the B/B- segment (the least vulnerable to economic shocks), while reducing presence in the C segment and diversifying its portfolio with multifunctional complexes**

*Inside the Garden Ring and near Tverskaya-Yamskaya St.*

Source: Real Estate Intelligence, Knight Frank, forecast for 2017 – BN based on Knight Frank materials
KEY ASSETS OF BUSINESS NEDVIZHIMOST

The real estate portfolio was formed on the basis of former automated telephone stations (ATS) of MGTS.

Largest properties under management: Dekart business centre (owned by Leader Invest) and Intouravtoservice business centre in Saint Petersburg.

Sistema's equity stake: 100%
KEY ASSETS OF MOSDACHTREST

Main assets in ownership

1. Land assets
   - 24.3 ha in Serebryany Bor (Moscow)
   - 88 ha in the Moscow suburbs

2. Residential properties
   - 42,000 m² of cottages in Serebryany Bor and the Moscow suburbs

Asset overview

- Total land: 112 ha
- Share of Moscow's rental cottage market: 15%
- # of cottages in Serebryany Bor: 187

- Is the primary owner of land in Serebryany Bor (Moscow)
- The average density is <2,000 sq m
- The total number of properties generating rental income: 199
- Sistema's equity stake: 100%
STRATEGY OF RENTAL ASSETS

Objectives

- Increase capitalisation of the assets and improve their efficiency
- Building an efficient rental business (cap rate of over 10%)

Transformation of structure and business model

- Separation of real estate ownership and management
- Consolidation of rental assets: combining resources and creating competences in the areas of “ownership”, “development” and “service”

Plans for 2017-2018

- Modernisation and development of BN's assets (incl. reconstruction of 49,000 sq m of commercial properties)
- Commissioning of new housing for renting out, and reconstruction of the existing housing

Expected results

- Keeping the same level of rental revenue in the commercial real estate, despite the disposal of some assets to Leader Invest and for the purposes of reconstruction
- Growth of rental rates by at least 50%
- Reduction of costs through reduction of the staff

Key goals

Management portfolio

- >320k sq m

Portfolio value assets

- >RUB 45bn

Cash returns to Sistema

- ≈RUB 9bn

2017-20

2019
CONSOLIDATION OF ASSETS AND SYNERGIES OF COMPETENCES

Development model for rental assets

Business Nedvizhimost

Countryside properties

Commercial real estate

Services

Ownership, consolidation

Development / Management

BN

MDT

others

BN-S

MDT-S

Merger of BN's and MDT's competences

Potential outsourcing

Value creation resulting from synergies of competences

Competences

Add. services

Renting out

Maintenance expenses

Cost of asset acquisition

Costs

Value added: 35-30% of costs

- Additional value will result from the synergy of all of BN's competences: ownership, management and operational competence.
RENOVATION OF ASSETS: HIGH EFFICIENCY THROUGH THE USE OF TYPE DESIGNS

AS IS

- Large-panel ATS buildings
- Brick ATS buildings

TO BE

- 4 standard projects allow saving on design and procurement of equipment
- Since these properties are located in the area with a population of over 10m people, we can offer chain products:
  - Ground floor: chain corner shops
  - 1st floor: gyms, stores, services and maintenance services
  - 2nd-6th floors: offices, hostels and other functions
DEVELOPMENT PROGRAMME FOR BN'S PROPERTIES, 2017-2019

**Sale**
- Total land: 408,300 sq m
- **On the market**: 15 properties, 38.6 K sq m
- **To Leader Invest**: 16 properties, 69.2 K sq m
- **Total**: 31 properties, 107.8 K sq m
- **Implementation results**:
  - Monetisation of assets in the amount of up to RUB 5-6bn
  - Rent rate increase on reconstructed properties by 60-90%
  - Revenue growth on reconstructed properties by at least 50-60%

**Renovation**
- **Offices**: 8 properties, 32.7 K sq m
- **Multi-purpose centres**: 13 properties, 74.9 K sq m
- **Hostel / serviced apts**: 29 properties, 128.8 K sq m
- **Total**: 50 properties, 236.4 K sq m

**No changes**
- **Total**: 9 properties, 64.1 K sq m

**Additional areas for development**

**Establishment of a real-estate fund on the basis of rental properties**
- Access to funding from co-investors
- Monetisation for Sistema

**M&A transactions**
- Acquisition of high-efficiency assets (IRR >15%)
DEVELOPMENT OF MOSDACHTREST ASSETS

1. Development of the rental business
   - Development of the rental pool
     - Improvement of the quality of buildings and premises
     - Cautious construction on vacant plots
     - Development of utilities
   - Growth of rental revenue
   - Larger rentable area of assets held

2. Asset monetisation
   - Sale of selected properties
     - Sale of properties (mainly land plots in the Moscow region and also selected land plots Serebryany Bor)
   - Efficient use of assets and growth of portfolio value
   - Growth of cash returns to Sistema

3. Land development
   - Acquisition of promising land assets
     - Acquisition of plots for development, pre-development and sale
     - Land development business
   - Implemented projects with IRR > 35%
RENTAL ASSETS: KEY FINANCIAL RESULTS AND FORECAST

Financial results in 2016*

- Significant increase of rental revenue will be provided by improving the quality of facilities, rental rates and profitability growth despite a contraction of the portfolio.

- Net debt will remain negative, because investments will be financed with own cash flow.

Forecast

- Management accounts

*Management accounts
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