Sistema PJSFC (SSA)

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Sistema acquires stake in Ozon from MTS

Moscow, Russia - 19 February 2019 - Sistema PJSFC ("Sistema" or the "Company") (LSE: SSA, MOEX: AFKS), a publicly-traded diversified holding company, announces the signing of a binding agreement to acquire an 18.7% stake in Ozon Holdings Limited ("Ozon"), the leading Russian multi-category online retailer, from MTS PJSC ("MTS") (NYSE: MBT, MOEX: MTSS), the leading telecommunications operator and digital service provider in Russia, for RUB 7.9 bn. Shares will be transferred to Sistema through Dega Retail Holding Limited, wholly-owned subsidiary of MTS. The transaction is expected to close in early March 2019.

Payment for the shares will be made in three instalments, with the third instalment being paid in July 2021. A market interest rate will apply.

As a result of the transaction, Sistema's direct ownership stake in Ozon will amount to 19.3%. Sistema has additional exposure to Ozon through Sistema_VC, a venture capital fund focusing on investments in growth-stage technology companies, which holds a 16.3% stake in Ozon. Sistema_VC is 80%-owned by Sistema.

Ozon is one of Russia's largest e-commerce platforms, ranked second by number of orders and seventh by revenue in the E-Commerce Index Top 100 for 2017. Ozon offers customers more than 1.6 million SKUs across 23 categories.

As of the end of 2018, Ozon operated eight fulfilment centres occupying a total of more than 100,000 sq m, allowing the company to deliver products to 40% of the Russian population the day after an order is placed. In December 2018, the company set a record for orders processed - 138,000 in a single day. In 2019, the company plans to more than double its logistics infrastructure by expanding its flagship distribution centre in Tver and opening a new 100,000 sq m fulfilment centre in the Moscow region.

In 2018, Ozon's business grew at its fastest rate in the last decade. In the first half of 2018, revenue increased by 76% year-on-year. Some product categories - including clothing and foodstuffs - posted revenue increases in excess of 100%.

Alexei Katkov, Managing Partner at Sistema, said:

"We believe Russian e-commerce has excellent growth potential. The current level of e-commerce penetration in Russia (5% of total retail turnover) is well below global averages (10-15% in developed markets and 20% in China and South Korea) and is forecast to double over the next five years.

"Sistema's shareholding in Ozon represents a strategic bet on this high-growth market. Ozon's strengths include its wide product assortment, wholly-owned logistics infrastructure, well-recognised brand, best-in-class customer support and a recently launched marketplace for third-party sellers. Ozon has a strong management team that has already delivered impressive growth rates and demonstrated ability to achieve technological and market leadership in the market that is highly fragmented and currently undergoing consolidation.

"As one of Ozon's largest shareholders, we will continue to support the company in executing on its market consolidation strategy and we will seek to further increase our exposure to this high-growth business."

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This announcement contains inside information. Full name and position of person making the announcement - Nikolai Minashin, Director, Investor Relations

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Sistema PJSFC is a publicly-traded diversified Russian holding company serving over 150 million customers in the sectors of telecommunications, children's goods retail, paper and packaging, healthcare services, agriculture, high technology, banking, real estate, pharmaceuticals and hospitality. The company was founded in 1993. Its revenue in 2017 was RUB 704.6 bn; its total assets equalled RUB 1.1 trn as of 31 December 2017. Sistema's global depositary receipts are listed under the "SSA" ticker on the London Stock Exchange. Sistema's ordinary shares are listed under the "AFKS" ticker on Moscow Exchange. Website: www.sistema.com.

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