



FOR IMMEDIATE RELEASE

June 10, 2015

UNAUDITED FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED MARCH 31, 2015

Moscow, Russia – June 10, 2015 – Sistema JSFC (“Sistema” or the “Company”, together with its subsidiaries, “the Group”) (LSE: SSA), a publicly-traded diversified holding company operating primarily in Russia and the CIS, today announces its unaudited consolidated financial results for the first quarter ended March 31, 2015.

As announced in April 2015, Sistema will be reporting its quarterly and annual consolidated financial results in accordance with International Financial Reporting Standards (IFRS)¹ from the first quarter of 2015. The Group has also changed the currency it presents its financial statements in from the US dollar to the Russian rouble (“RUB”). Comparative information for the previous quarters has been restated to comply with IFRS. Sistema has previously prepared its consolidated financial statements in accordance with US GAAP.

FIRST QUARTER FINANCIAL HIGHLIGHTS

- Consolidated revenues grew by 17.1% YoY to RUB 167.7 billion
- Adjusted OIBDA² up 6.5% YoY to RUB 44.6 billion with an adjusted OIBDA margin of 26.6%
- Net income attributable to the Group tripled YoY to RUB 32.1 billion
- Net debt³ at the Corporate Holding level amounted to RUB 38.8 billion as at March 31, 2015
- As at March 31, 2015 cash position⁴ at the Corporate Holding level amounted to RUB 29.7 billion, including RUB 8.4 billion of liquid deposits received from Ural-Invest LLC in the first quarter of 2015
- In March 2015 and after the reporting period in April 2015, Sistema signed agreements with Ural-Invest LLC, in accordance with which it is entitled to receive approximately RUB 55.3 billion of cash assets and financial instruments (net of social investments).

KEY CORPORATE HIGHLIGHTS IN THE FIRST QUARTER OF 2015 AND AFTER THE REPORTING PERIOD

- Sistema’s Board of Directors (the “Board”) recommended the Annual General Meeting of Shareholders (“AGM”) to set the total dividend payment for Sistema’s shares at RUB 4.54 billion, representing a payment of RUB 0.47 per ordinary share or RUB 9.40 per GDR.
- Sistema completed the placement of RUB 10 billion Series BO-01 unconvertible interest-bearing bonds with a par value of RUB 1,000 at the rate of 17% per annum. Coupon payments will be made on a semi-annual basis. The bonds mature in 15 years. In addition, bondholders have the right to redeem their bonds at the point of expiration, 18 months from the date the bonds were placed.
- In March 2015, Fitch Ratings affirmed Sistema's Long-Term Issuer Default Rating (IDR) at “BB-” and removed its rating from Rating Watch Negative (RWN). The Outlook on the IDR is stable. Fitch also affirmed Sistema’s National Long-Term Rating at “A+ (rus)”.
- In April 2015, Moody's Investors Service changed its outlook to positive from negative and affirmed its “B1” corporate family rating.
- After the reporting period, Sistema Finance Investments OJSC, Sistema’s wholly owned subsidiary, acquired 27,800,000 of Sistema’s ordinary shares for approximately RUB 456 million. The shares were purchased for general corporate

¹ See Attachment B for an overview of how the transition to IFRS reporting has impacted the Group’s financial statements.

² See Attachment A for definitions and reconciliation of adjusted OIBDA to IFRS financial measures.

³ Including highly liquid deposits and liquid financial investments, based on management accounts.

⁴ Including highly liquid deposits and liquid financial investments, based on management accounts.

purposes, including the employee incentive programme. As a result of this transaction, the number of Sistema shares held by Sistema Group amounts to approximately 2.5% of Sistema's total issued capital.

Mikhail Shamolin, President and Chief Executive Officer of Sistema, commented:

“We are pleased to start a new year for our business with a strong set of first quarter results matched with delivery on our strategic objectives. We are reporting a double-digit year-on-year increase in revenues driven by both organic expansion and acquisitions. Almost all of Sistema's subsidiaries contributed to the top line growth, which, together with the consolidation of Segezha Group, brought a 17.1% increase in the Group's sales. Our diversification has grown year to date – MTS's share in total revenues accounted for 60%, while the share of other assets expanded from 32% to 40% year to date.

Our optimisation measures at NVision, effective business management at Detsky mir and our new, promising pulp and paper assets resulted in adjusted OIBDA growth of 6.5%. Moreover, the OIBDA margin of Segezha Group in the first quarter of 2015 amounted to 27%.

A key milestone of the past few months was the signing of settlement agreements with Ural-Invest, in accordance with which Sistema is entitled to receive more than RUB 60 billion, represented by cash, financial instruments and deposits. A major part of deposits will mature in 2016 and will secure strong liquidity at the Holding level.

We are optimistic about our prospects going forward. We have a stable and growing dividend flow from current investments, significantly lower corporate costs and a vigorous assessment process for each opportunity based on its financial merits. With these fundamentals in place, we believe Sistema is well positioned to capitalise on new investment opportunities.”

Conference call information

Sistema's management will host an analyst conference call today at 10.00 am (EST)/ 3.00 pm (London time) / 4.00 pm (CET)/ 5.00 pm (Moscow time) to present and discuss the first quarter 2015 results.

The dial-in numbers for the conference call are:

UK/ International: +44 (0)20 3427 1905

US: +1 212 444 0896

Conference ID: 9106989

Alternatively, you can quote the conference call title: “Sistema First Quarter 2015 Financial Results”.

A replay of the conference call will be available on the Company's website www.sistema.com for 7 days after the event.

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FINANCIAL SUMMARY AND GROUP OPERATING REVIEW

<i>(RUB millions)</i>	1Q 2015	1Q 2014	Change	4Q 2014	Change
Revenues	167,708	143,165	17.1%	194,026	(13.6%)
Adjusted OIBDA	44,582	41,842	6.5%	30,035	48.4%
Operating income/ (loss)	18,757	21,023	(10.8%)	(16,890)	-
<i>Adjusted operating income</i>	20,455	21,023	(2.7%)	6,622	208.9%
Net income/ (loss) attributable to Sistema	32,100	10,447	207.3%	(196,608)	-
<i>Adjusted net loss attributable to Sistema</i>	(2,071)	(97)	-	(19,666)	-

Sistema's consolidated revenues increased by 17.1% year-on-year in the first quarter of 2015, reflecting the successful implementation of Detsky mir's expansion strategy, strong growth at RTI and the recent consolidation of Segezha Group (formerly known as LesInvest). Nine out of Sistema's 13 major consolidated assets demonstrated revenue growth in the reporting quarter. A quarter-on-quarter revenue decline was mainly driven by seasonal factors across most of the portfolio companies, including a decrease in handset sales at MTS and seasonal fluctuations in demand at Detsky mir and RTI.

The Group's selling, general and administrative expenses (SG&A) were up 7.0% year-on-year and decreased by 18.0% quarter-on-quarter to RUB 34.1 billion in the first quarter of 2015. The Group demonstrated improved efficiency with the SG&A/Revenue ratio decreasing year-on-year and quarter-on-quarter to 20.3%. RTI's SG&A/Revenue reduced to 13.5% year-on-year from 23.7%, while Detsky mir's SG&A expenses declined as a percentage of revenues to 30.3% in the first quarter of 2015, compared to 32.0% in the corresponding period of last year. SG&A at the Corporate Centre reduced by 36.6% year-on-year and 72.0% quarter-on-quarter to RUB 1.3 billion.

Depreciation and amortisation expenses increased by 15.9% year-on-year and by 3.1% quarter-on-quarter to RUB 24.1 billion.

In the reporting quarter, the Group's adjusted OIBDA increased by 6.5% year-on-year and by 48.4% quarter-on-quarter, mainly as a result of positive growth trends at Detsky mir, improved OIBDA at NVision and the consolidation of Segezha Group. Eight out of Sistema's 13 major consolidated companies reported positive adjusted OIBDA despite a seasonally weak first quarter. The Group's adjusted OIBDA margin was 26.6% in the reporting quarter, compared to 29.2% in the corresponding period of 2014 and 15.5% in the fourth quarter of 2014.

Consolidated net income attributable to Sistema more than tripled year-on-year and increased substantially quarter-on-quarter. This mainly resulted from a recognised gain of RUB 35.0 billion (fair value of the financial assets claimed after signing the settlement agreement with Ural Invest LLC in March 2015, net of the social investments).

OPERATING REVIEW⁵

MTS

<i>(RUB millions)</i>	1Q 2015	1Q 2014	Change	4Q 2014	Change
Revenues	100,182	97,546	2.7%	107,202	(6.5%)
Adjusted OIBDA	41,304	42,067	(1.8%)	38,083	8.5%
Operating income	19,158	23,964	(20.1%)	16,589	15.5%
Net income attributable to Sistema	5,821	6,795	(14.3%)	738	689.2%

MTS' revenues grew by 2.7% year-on-year in the first quarter reflecting the continued increase in data services revenue, as well as Russia's subscriber base growing by 6.4% year-on-year. The total subscriber base increased to 104.2 million as of March 31, 2015⁶. In the first quarter of 2015, MTS' data revenue in Russia increased by 26.6% year-on-year.

Adjusted OIBDA was down 1.8% year-on-year in the reporting quarter, mainly due to a decrease in roaming profitability as the Russian rouble depreciated, the devaluation of the Ukrainian hryvnia, and higher costs related to resuming operations in Uzbekistan.

In March 2015, Fitch Ratings affirmed MTS' Long-Term Issuer Default Rating at 'BB+' while removing all ratings from Rating Watch Negative. The outlook is stable.

In February 2015, MTS' subsidiary MTS Ukraine won an open tender held by the National Commission for the State Regulation of Communications and Informatization (NCSRCI) for a nationwide licence to provide 3G telecommunications services in the 1950-1965 MHz/2140-2155 MHz ranges. Granted for a 15 year term, the licence costs UAH 2.715 billion (RUB 6.015 million at the acquisition date). MTS is required to launch 3G services in all of Ukraine's regional centres within 18 months upon allocation of the licence.

Significant events after the end of the reporting period

In May 2015, MTS signed a US\$ 200 million equivalent term loan facility agreement with China Development Bank Corporation ("CDB") in renminbi and US dollars. Funds drawn under the facility agreement will be used for procuring network equipment and related services from Huawei Technologies Co Ltd.

In April 2015, Moody's Investors Service confirmed MTS' Ba1 corporate family rating and Ba1-PD probability of default rating. The outlook on MTS' corporate family rating is negative, in line with the negative outlook for Russia's sovereign rating.

In April 2015, MTS' Board of Directors set June 25, 2015 as the date for the AGM, and recommended that the AGM approves annual dividends of RUB 19.56 per ordinary MTS share (RUB 39.12 per ADR), or a total of RUB 40.419 billion, based on the full-year 2014 financial results. If this payment is approved by the AGM, MTS will have paid out up to RUB 53.230 billion based on the financial results for the fiscal year 2014.

Segezha Group (formerly known as LesInvest LLC)

<i>(RUB millions)</i>	1Q 2015	4Q 2014	Change
Revenues	8,138	7,171	13.5%
OIBDA	2,216	1,077	105.7%
Operating income	1,736	661	162.8%
Net (loss)/ income attributable to Sistema	971	498	95.0%

Sistema acquired Segezha Group ("Segezha") on September 30, 2014, and has consolidated its financials since the fourth quarter of 2014.

Segezha generated a 13.5% quarter-on-quarter increase in revenues in the reporting period. This was mainly a result of higher prices for paper bags and increased volumes of plywood production. Export sales account for over 59% of Segezha's total revenues. In the first quarter, OIBDA more than doubled quarter-on-quarter as a result of higher production and sales volumes, as well as cost reduction associated with an increase in its own logging, which grew by 23.0% quarter-on-quarter.

⁵ Here and from hereon, revenues are presented on an aggregated basis, excluding revenues from intra-segment (between entities in the same segment) transactions, but before inter-segment (between entities in different segments) eliminations, unless accompanied by the word "consolidated". Amounts attributable to individual companies, where appropriate, are shown prior to both intra-segment and inter-segment eliminations and may differ from respective standalone results due to certain reclassifications and adjustments.

⁶ Including Belarus subscribers

Detsky mir

<i>(RUB millions)</i>	1Q 2015	1Q 2014	Change	4Q 2014	Change
Revenues	12,152	9,141	32.9%	15,652	(22.4%)
OIBDA	689	66	936.4%	2,647	(74.0%)
Operating income/ (loss)	507	(110)	-	2,441	(79.2%)
Net income/ (loss) attributable to Sistema	24	(435)	-	1,430	(98.3%)

In the first quarter of 2015, Detsky mir reported a 32.9% year-on-year increase in revenues. This was mainly driven by a 13.2% rise in like-for-like sales, new store openings and increased traffic in the stores opened in 2013 and 2014. During the reporting quarter, Detsky mir opened eight new stores, increasing its total number of stores to 330 and selling space to 399,000 sq.m.

Detsky mir's OIBDA increased substantially year-on-year and quarter-on-quarter in the reporting period, reflecting revenue growth and continued efforts to improve operating efficiency. Detsky mir's SG&A expenses declined as a percentage of revenues to 30.3% in the first quarter of 2015, compared to 32.0% in the corresponding period of 2014.

During the first quarter, Detsky mir implemented a number of measures to support its development while minimising the currency risk, including focusing on rouble-based rental and import contracts and enhancing cooperation with domestic producers.

Medsi

<i>(RUB millions)</i>	1Q 2015	1Q 2014	Change	4Q 2014	Change
Revenues	1,938	2,498	(22.4%)	2,458	(21.2%)
OIBDA	(257)	423	-	(329)	-
Operating (loss)/ income	(463)	264	-	(535)	-
Net (loss)/ income attributable to Sistema	(390)	249	-	(377)	-

In the reporting quarter, Medsi's revenues declined year-on-year and quarter-on-quarter, which was largely a result of a lower number of patient visits. This was driven by reduced revenue from the state contract after the state benefits monetisation programme for public sector workers was introduced. The contraction of the insurance market was also a factor as this led to lower demand from insurance companies.

OIBDA was down in the reporting quarter following the decrease in revenues. In addition, Medsi expanded its marketing activities to compensate for reduced state contracts.

As of March 31, 2015, Medsi's network consisted of 17 medical clinics (including specialised children's clinics and large clinical and diagnostic centre), 7 clinics in the Russian regions, 55 first aid stations, 3 hospitals, an ambulance service, a home treatment service, wellness centres and 3 sanatoriums.

Bashkirian Power Grid Company (BPGC)

<i>(RUB millions)</i>	1Q 2015	1Q 2014	Change	4Q 2014	Change
Revenues	3,952	3,844	2.8%	3,952	0.0%
OIBDA	1,418	1,531	(7.4%)	1,117	26.9%
Operating income	882	1,086	(18.8%)	610	44.5%
Net income attributable to Sistema	806	730	10.4%	542	48.6%

BPGC's revenue grew by 2.8% year-on-year in the first quarter of 2015, largely as a result of a 0.5% year-on-year and 1.3% quarter-on-quarter increase in electricity consumption, a broader service offering and a higher number of new connections.

OIBDA declined by 7.4% year-on-year in the reporting quarter, mainly due to higher labour and technological consumption expenses.

RTI⁷

<i>(RUB millions)</i>	1Q 2015	1Q 2014	Change	4Q 2014	Change
Revenues	21,838	12,024	81.6%	38,899	(43.9%)
Adjusted OIBDA	872	(27)	-	2,582	(66.2%)
Operating income/ (loss)	187	(633)	-	(798)	-
Net loss attributable to Sistema	(1,215)	(1,407)	-	(3,589)	-

In the first quarter of 2015, RTI's revenues increased by 81.6% year-on-year, mainly as a result of a 33.0% year-on-year rise in revenue at the Defence Solutions BU. Revenue at the Microelectronics Solutions BU remained stable year-on-year in the reporting quarter. RTI reported significant OIBDA growth year-on-year due to revenue growth at the Defence Solutions BU and reduced losses at NVision Group (the Information and Communication Technologies BU). NVision's SG&A decreased by 17% year-on-year.

Sistema Shyam TeleServices Ltd. (SSTL)

<i>(RUB millions)</i>	1Q 2015	1Q 2014	Change	4Q 2014	Change
Revenues	3,575	1,805	98.1%	2,674	33.7%
Adjusted OIBDA	(1,387)	(552)	-	(1,163)	-
Operating loss	(1,621)	(1,326)	-	(13,027)	-
Net loss attributable to Sistema	(2,082)	(1,127)	-	(10,548)	-

SSTL's revenues almost doubled year-on-year and increased by 33.7% quarter-on-quarter in the reporting period, reflecting data revenue growth. For the first time, data services generated more revenues than SSTL's voice services.

In the first quarter of 2015, SSTL's adjusted OIBDA loss in rouble terms increased quarter-on-quarter due to rouble devaluating against Indian rupee. SSTL's adjusted OIBDA loss in Indian rupees substantially reduced quarter-on-quarter, mainly as a result of lower marketing expenses. These expenses, however, increased year-on-year as SSTL continued to develop its data services segment.

As of March 31, 2015, SSTL's wireless (voice and data) subscriber base totalled 8.9 million. The data subscriber base grew by 38.5% year-on-year in the reporting period to 1.8 million.

Sistema Mass Media (SMM)

<i>(RUB millions)</i>	1Q 2015	1Q 2014	Change	4Q 2014	Change
Revenues	1,064	863	23.2%	1,064	0.0%
OIBDA	202	256	(21.2%)	303	(33.5%)
Operating income	139	40	248.6%	134	3.1%
Net income/ (loss) attributable to Sistema	30	(44)	-	68	(56.4%)

In the reporting quarter, SMM generated a 23.2% year-on-year revenue increase, as a result of a higher number of Stream-TV subscribers and rising revenue from the mobile entertainment service 'MTS Pulse' at Stream LLC. In the first quarter of 2015, the Stream-TV subscriber base grew by 6.7% year-on-year to 11.2 million. SMM's revenues remained stable quarter-on-quarter. SMM's OIBDA decreased year-on-year and quarter-on-quarter after changes to the accounting policy were introduced⁸.

To reduce risks related to film production activities, on April 1, 2015, SMM fully disposed of its Russian World Studios (RWS) business, while growing its controlling stake in the studio business (Joint Russian Studio) to 70%.

Binnopharm

<i>(RUB millions)</i>	1Q 2015	1Q 2014	Change	4Q 2014	Change
Revenues	350	524	(33.2%)	659	(46.8%)
OIBDA	(13)	110	-	(58)	-
Operating (loss)/income	(43)	60	-	(88)	-

⁷ RTI consolidates OJSC Concern RTI Systems, Mikron group of companies and CJSC NVision Group and comprises four principal business units ("BU") – Defence Solutions BU, Comprehensive Security Systems BU, Microelectronics Solutions BU and Information and Communication Technologies BU.

⁸ Production costs are now expensed through the profit and loss account; earlier they were recognised as capital expenditures.

Net (loss)/income attributable to Sistema	(79)	29	-	(88)	-
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Binnopharm's revenue declined year-on-year and quarter-on-quarter in the first quarter of 2015 due to tenders for the supply of the Regevak B vaccine being moved to the second quarter of 2015. The decrease in OIBDA mainly resulted from lower revenues due to significant fixed costs.

MTS Bank

<i>(RUB millions)</i>	1Q 2015	1Q 2014	Change	4Q 2014	Change
Revenues	7,097	6,742	5.3%	5,209	36.2%
OIBDA	(819)	(628)	-	(10,328)	-
Operating loss	(1,001)	(790)	-	(10,502)	-
Net loss attributable to Sistema	(998)	(531)	-	(7,989)	-

In the reporting quarter, MTS Bank's revenues grew by 5.3% year-on-year and by 36.2% quarter-on-quarter, reflecting the partial recovery of the Russian rouble and the revaluation of securities. Interest income fell by 13.5% quarter-on-quarter and 9.1% year-on-year, on the back of a reduced loan portfolio and stricter requirements regarding the quality of borrowers' profiles.

MTS Bank's net loss reduced significantly quarter-on-quarter as a result of decreased provision accrual during the reporting quarter. MTS Bank's capital adequacy ratio (N1.0) stood at 17.3% at the end of the first quarter, which is one of the highest in the Russian banking sector.

Intourist

<i>(RUB millions)</i>	1Q 2015	1Q 2014	Change	4Q 2014	Change
Revenues	494	599	(17.5%)	701	(29.6%)
OIBDA	(66)	(83)	-	(329)	-
Operating loss	(124)	(132)	-	(376)	-
Net loss attributable to Sistema	(148)	(143)	-	(365)	-

Intourist's revenues were down 17.5% year-on-year in the first quarter of 2015 due to a decrease in the number of rooms owned, managed and rented after leases for Intourist's hotels in Turkey and Russia expired. A 29.6% quarter-on-quarter decline in revenue was mainly a result of seasonal factors.

As of March 31, 2015, Intourist owned and managed eight hotels across Russia, Italy, the Czech Republic and Namibia. The number of rooms owned, managed and rented in the reporting quarter decreased to 2,519 rooms, following the termination of leases for the 'Moscow' hotel (Uglich, Yaroslavl region) and 'Moscow Tract' (Rostov).

Targin

<i>(RUB millions)</i>	1Q 2015	1Q 2014	Change	4Q 2014	Change
Revenues	5,807	6,111	(5.0%)	6,972	(16.7%)
OIBDA	545	631	(13.6%)	485	12.3%
Operating income/ (loss)	157	362	(56.5%)	(100)	-
Net (loss)/ income attributable to Sistema	(48)	348	-	(287)	-

In the first quarter of 2015, Targin's revenue decreased by 5.0% year-on-year and by 16.7% quarter-on-quarter following the disposal of its construction segment. Targin's SG&A decreased by 72.6% quarter-on-quarter, due to the reorganisation of the business, whereby the nine companies of Targin Group were merged into four. As a result of this optimisation, Targin's OIBDA increased by 12.3% quarter-on-quarter and its profitability improved.

Corporate

<i>(RUB millions)</i>	1Q 2015	1Q 2014	Change	4Q 2014	Change
Adjusted OIBDA	(919)	(2,200)	-	(5,397)	-
Adjusted net loss	(5,146)	(4,835)	-	(13,252)	-
Indebtedness	68,498	61,045	12.2%	68,807	(0.4%)

The Corporate segment comprises companies that control and manage Sistema's interests in its subsidiaries.

In April 2015, Sistema's Board of Directors set June 27, 2015 as the date for the AGM. The Board recommended the AGM to set the total dividend payment for Sistema's shares at RUB 4.54 billion, representing a payment of RUB 0.47 per ordinary share or RUB 9.40 per GDR. Shareholders specified in the register as of July 16, 2015 will be entitled to receive a dividend payment following the AGM's approval. In addition, the Board recommended the AGM to elect new Board members, as well as to approve a new edition of the Regulation on Remuneration and Compensation for the Board members, and new editions of the bylaws for the Annual General Meeting of Shareholders and for the Board of Directors of Sistema.

FINANCIAL REVIEW

Net cash provided by operating activities in the first quarter of 2015 amounted to RUB 62,450.0 million, compared to RUB 45,329.5 million of cash provided by operating activities, excluding Bashneft, in the fourth quarter of 2014. This was mostly a result of RTI receiving RUB 11,581.8 million of advances for long-term contracts, as well as other changes in working capital.

Net cash used in investing activities in the first quarter of 2015 increased to RUB 84,099.0 million, compared to RUB 24,576.2 million of cash used in investing activities, excluding Bashneft, in the corresponding quarter of 2014, due to opening long-term financial deposits of RUB 39.8 billion at MTS. The Group's capital expenditure increased in the reporting quarter by 174.0% year-on-year to 37,650.8 million, mainly driven by MTS' investment programme. The Group's capital expenditure in the first quarter decreased by 25.7% quarter-on-quarter. The Group also received RUB 8.4 billion of cash as a part of the consideration on the settlement agreement with Ural Invest.

Net cash inflow from financing activities amounted to RUB 24,518.3 million in the first quarter of 2015, compared to RUB 16,937.4 million of cash inflow from financing activities, excluding Bashneft, in the corresponding quarter of 2014. This was mostly due to having net proceeds from borrowings (excess of proceeds over principal payments) of RUB 25,655.4 million, compared to net proceeds of RUB 21,488.3 million in the fourth quarter of 2014 and RUB 16,751.2 million in the corresponding quarter of 2014.

The Group's cash and cash equivalents stood at RUB 116,517.6 million as of March 31, 2015 (including RUB 36,329.6 million attributable to the Group's banking activities), compared to RUB 119,967.4 million as of December 31, 2014 (including RUB 47,466.1 million attributable to the Group's banking activities). The Group's short-term and long-term debt, less cash and cash equivalents, amounted to RUB 375,850.0 million as of March 31, 2015, compared to RUB 342,485.0 million as of December 31, 2014.

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Sistema is a publicly-traded diversified holding company in Russia and the CIS, which invests in and is a major shareholder of companies serving over 100 million customers in the sectors of telecommunications, high technology, radars and aerospace, banking, retail, mass-media, tourism and healthcare services. Founded in 1993, the Company reported revenues of RUB 167.7 billion for the first quarter of 2015, and total assets of RUB 1.2 trillion as at March 31, 2015. Sistema's global depository receipts are listed under the symbol "SSA" on the London Stock Exchange. Sistema's ordinary shares are listed under the symbol "AFKS" on the Moscow Exchange. Website: www.sistema.com

The Company is not an investment company, and is not and will not be registered as such, under the U.S. Investment Company Act of 1940.

Some of the information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of Sistema. You can identify forward looking statements by terms such as "expect," "believe," "anticipate," "estimate," "intend," "will," "could," "may" or "might" the negative of such terms or other similar expressions. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. In addition, there is no assurance that the new contracts entered into by our subsidiaries referenced above will be completed on the terms contained therein or at all. We do not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, general economic 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.

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014
(Amounts in millions of Russian roubles, except for per share amounts)

	Three months ended March 31,	
	2015	2014
Revenue	167,708	143,165
Cost of sales	(86,195)	(65,735)
Selling, general and administrative expenses	(34,110)	(31,879)
Depreciation and amortization	(24,127)	(20,820)
Impairment of long-lived assets other than goodwill and provisions for other assets	(2,508)	(1,604)
Taxes other than income tax	(2,044)	(1,754)
Other operating expenses	(1,015)	(508)
Share of the profit or loss of associates and joint ventures	1,048	158
OPERATING INCOME	18,757	21,023
Finance income	3,169	2,133
Finance expense	(12,128)	(8,449)
Foreign currency transaction loss	(6,831)	(6,262)
PROFIT BEFORE INCOME TAX	2,967	8,445
Income tax expense	(2,933)	(3,689)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	34	4,756
Profit for the period from Bashneft operations, net of tax effect	-	14,186
Gain under settlement agreement with Ural-Invest, net of tax effect	35,044	-
NET INCOME	35,078	18,942
Noncontrolling interests	(2,978)	(8,495)
NET INCOME ATTRIBUTABLE TO SISTEMA JSFC	32,100	10,447
Earnings per share, basic and diluted, RUB	3.40	1.12

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2015 AND DECEMBER 31, 2014
(Amounts in millions of Russian roubles)

	March 31, 2015	December 31, 2014
ASSETS		
NON-CURRENT ASSETS:		
Property, plant and equipment	388,800	396,431
Advance payments for non-current assets	6,137	5,678
Investments in associates and joint ventures	20,699	20,219
Goodwill	46,261	45,992
Other intangible assets	102,599	97,792
Financial assets received from Ural-Invest with restricted access	26,886	-
Deferred tax assets	28,355	26,058
Investment property	12,112	10,229
Other financial assets	154,772	126,798
Other assets	5,474	4,437
Total non-current assets	<u>792,095</u>	<u>733,634</u>
CURRENT ASSETS:		
Inventories	51,917	47,582
Trade and other accounts receivable	71,974	78,062
Advances paid and prepaid expenses	20,568	22,335
Current income tax receivable	6,922	8,723
Other taxes receivable	21,473	19,918
Other financial assets	119,738	102,794
Other assets	1,268	1,011
Cash and cash equivalents	116,518	119,967
	<u>410,378</u>	<u>400,392</u>
Assets held for sale	443	-
Total current assets	<u>410,821</u>	<u>400,392</u>
TOTAL ASSETS	<u>1,202,916</u>	<u>1,134,026</u>

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2015 AND DECEMBER 31, 2014 (CONTINUED)
(Amounts in millions of Russian roubles, except for share and per share amounts)

	March 31, 2015	December 31, 2014
LIABILITIES AND EQUITY		
SHAREHOLDERS' EQUITY:		
Share capital (9,650,000,000 shares issued; 9,435,902,596 and 9,435,902,596 shares outstanding with par value of 0.09 Russian Rubles, respectively)	869	869
Treasury stock (214,097,404 and 214,097,404 shares with par value of 0.09 Russian Rubles, respectively)	(6,913)	(6,913)
Additional paid-in capital	71,186	72,202
Retained earnings	121,818	89,719
Accumulated other comprehensive (loss)/income	(10,214)	724
Total Sistema JSFC shareholders' equity	176,746	156,601
Noncontrolling interests	75,028	76,380
TOTAL EQUITY	251,774	232,981
LONG-TERM LIABILITIES:		
Borrowings	404,333	336,425
Put options over non-controlling interests	10,331	50,723
Bank deposits	3,723	9,445
Deferred tax liabilities	39,119	38,291
Provisions	4,386	4,191
Other financial liabilities	20,713	22,658
Other liabilities	8,930	8,987
Total long-term liabilities	491,535	470,720
CURRENT LIABILITIES:		
Borrowings	88,035	126,008
Put options over non-controlling interests	42,559	-
Trade and other accounts payable	127,172	116,287
Bank deposits	123,922	122,669
Advances received	38,787	20,894
Subscriber prepayments	17,301	21,924
Income tax payable	561	1,025
Other taxes payable	14,053	11,589
Dividends payable	74	75
Provisions	7,143	9,854
Total current liabilities	459,607	430,325
TOTAL LIABILITIES	951,142	901,045
TOTAL LIABILITIES AND EQUITY	1,202,916	1,134,026

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014
(Amounts in millions of Russian roubles)

	Three months ended March 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net gain	35,078	18,942
Gain under settlement agreement with Ural-Invest, net of tax effect	(35,044)	-
Profit for the period from Bashneft operations, net of tax effect	-	(14,186)
Income from continuing operations	34	4,756
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	24,127	20,820
Net loss/(gain) from fair value adjustment of financial instruments through profit or loss	366	(55)
Equity in net income of investees	(1,048)	(158)
Finance income	(3,169)	(2,133)
Finance expense	12,128	8,449
Income taxes	2,933	3,689
Foreign currency transactions loss	6,831	6,262
Loss on disposal of property, plant and equipment	295	102
Amortization of connection fees	(287)	(360)
Allowance for loan losses	3,211	1,203
Dividends received from affiliates	576	564
Non-cash compensation to employees	284	488
Impairment of long-lived assets other than goodwill and provisions for other assets (less impairment of cash in MTS of 1,697.8 mln RUB in 2015)	810	1,604
Other non-cash items	(376)	333
<i>Operating cash flows before working capital changes</i>	46,715	45,564
Movements in working capital:		
Net decrease in loans to customers and banks of the banking segment	8,417	5,482
Net decrease in deposits from customers of the banking segment	(4,469)	(34,265)
Increase in financial assets at fair value through profit or loss	(3,565)	(332)
Trade and other accounts receivable	6,440	535
Advances paid and prepaid expenses, net	1,767	516
Other taxes receivable	(1,555)	(73)
Inventories and spare parts	(4,266)	(368)
Trade and other accounts payable	9,392	(9,921)
Subscriber prepayments	(4,336)	(3,598)
Other taxes payable	1,595	3,546
Advances received and other accrued expenses	15,499	12,790
Net cash provided by operating activities of continuing operations	71,634	19,876
Net cash provided by operating activities of Bashneft	-	5,121
Cash generated from operations	71,634	24,997
Interest paid	(6,596)	(5,627)
Income tax paid	(2,588)	(3,941)
NET CASH GENERATED FROM OPERATING ACTIVITIES	62,450	15,429

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014 (CONTINUED)
(Amounts in millions of Russian roubles)

	Three months ended March 31,	
	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchases of property, plant and equipment	(26,720)	(11,457)
Proceeds from sale of property, plant and equipment	1,309	130
Payments for purchases of intangible assets	(10,931)	(2,063)
Purchase of investments in affiliated companies	(652)	(140)
Purchase of financial assets, long-term	(40,299)	(1,970)
Increase in restricted cash	(777)	(131)
Purchase of financial assets, short-term	(22,767)	(25,009)
Proceeds from sale of financial assets, short-term	5,253	14,017
Interest received	3,106	2,046
Net cash used in investing activities of continuing operations	(92,478)	(24,577)
Cash and cash equivalents received under settlement agreement with Ural-Invest	8,379	-
Net cash used in investing activities of Bashneft	-	(42,920)
NET CASH USED IN INVESTING ACTIVITIES	(84,099)	(67,497)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	55,798	29,017
Principal payments on borrowings	(30,143)	(12,266)
Debt issued costs	(1,137)	-
Acquisition of non-controlling interests in existing subsidiaries	-	(859)
Dividends paid	-	(56)
Proceeds from capital transactions with shares of existing subsidiaries	-	1,101
Net cash provided by financing activities of continuing operations	24,518	16,937
Net cash provided by financing activities of Bashneft	-	52,218
NET CASH GENERATED FROM OPERATING ACTIVITIES	24,518	69,155
Effect of foreign currency translation on cash and cash equivalents	(6,318)	6,266
Net (decrease)/increase in cash and cash equivalents	(3,449)	23,353
Cash and cash equivalents at the beginning of the period (including cash of discontinued operations in 2014)	119,967	104,454
Cash and cash equivalents at the end of the period (including cash of discontinued operations)	116,518	127,807
Cash and cash equivalents of discontinued operations at the end of the period	-	(27,798)
Cash and cash equivalents of continuing operations at end of the period	116,518	100,009

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED SEGMENTAL BREAKDOWN FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014
(Amounts in millions of Russian roubles)

For the three months ended March 31, 2015	<u>MTS</u>	<u>RTI</u>	<u>MTS Bank</u>	<u>SSTL</u>	<u>Corporate</u>	<u>Total reportable segments</u>	<u>Other</u>	<u>Total</u>
Net sales to external customers	99,841	19,688	7,048	3,575	434	130,586	37,122	167,708
Intersegment sales	341	2,150	48	-	316	2,855	606	3,461
Share of the profit or loss of associates and joint ventures	793	-	-	-	-	793	255	1,048
Net interest expense ^(a)	-	-	(808)	-	-	(808)	-	(808)
Depreciation and	20,739	685	182	234	136	21,976	2,151	24,127
Operating income/(loss)	18,867	187	(1,001)	(1,621)	(1,054)	15,378	2,395	17,773
Finance income	2,326	562	-	81	1,639	4,608	1,661	6,269
Finance expense	6,048	1,805	-	1,496	2,672	12,021	1,418	13,439
Income tax	3,765	(77)	176	-	(1,163)	2,701	232	2,933
Investments in associates and joint ventures	10,154	2	-	-	5,255	15,411	5,288	20,699
Segment assets	656,321	105,450	199,202	29,927	143,217	1,134,117	183,141	1,317,258
Indebtedness ^(b)	329,338	36,907	-	32,731	68,498	467,474	24,894	492,368
Capital expenditures ^(c)	32,469	727	119	495	128	33,938	3,713	37,651

For the three months ended March 31, 2014	<u>MTS</u>	<u>RTI</u>	<u>MTS Bank</u>	<u>SSTL</u>	<u>Corporate</u>	<u>Total reportable segments</u>	<u>Other</u>	<u>Total</u>
Net sales to external customers	97,188	10,307	6,656	1,805	640	116,596	26,569	143,165
Intersegment sales	374	1,718	87	-	152	2,331	437	2,768
Share of the profit or loss of associates and joint ventures	501	-	-	-	-	501	(343)	158
Net interest expense ^(a)	-	-	(621)	-	-	(621)	-	(621)
Depreciation and	18,103	607	162	775	149	19,796	1,024	20,820
Operating income/(loss)	23,964	(633)	(790)	(1,326)	(2,348)	18,867	1,678	20,545
Finance income	958	398	-	59	1,168	2,583	1,007	3,590
Finance expense	4,437	1,141	-	789	1,866	8,233	1,050	9,283
Income tax	4,032	(117)	(180)	-	(117)	3,618	71	3,689
Investments in associates and joint ventures	5,198	-	-	-	1,738	6,936	6,146	13,082
Segment assets	514,949	91,192	222,000	30,712	112,564	971,417	130,826	1,102,243
Indebtedness ^(b)	219,318	42,136	-	20,980	61,045	343,479	17,825	361,304
Capital expenditures ^(c)	10,091	931	151	312	178	11,663	1,857	13,520

(a) Represents the net interest result of the Group's banking activities. In reviewing the performance of MTS Bank, the chief operating decision maker reviews the net interest result, rather than the gross interest amounts.

(b) Represents the sum of short-term and long-term debt.

(c) Represents purchases of property, plant and equipment and intangible assets.

Attachment A

Operating Income Before Depreciation and Amortization (OIBDA) and OIBDA margin. OIBDA represents operating income before depreciation and amortization. OIBDA margin is defined as OIBDA as a percentage of our net revenues. Our OIBDA may not be similar to OIBDA measures of other companies; is not a measurement under accounting principles generally accepted in the United States and should be considered in addition to, but not as a substitute for, the information contained in our consolidated statement of operations. We believe that OIBDA provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures, acquisitions of businesses and other investments and our ability to incur and service debt. While depreciation and amortization are considered operating costs under generally accepted accounting principles, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. Our OIBDA calculation is commonly used as one of the bases for investors, analysts and credit rating agencies to evaluate and compare the periodic and future operating performance and value of companies.

Adjusted OIBDA, operating income and net income attributable to Sistema. The Company uses adjusted OIBDA, operating income and net income attributable to Sistema to comment on its financial performance. These adjusted measures are used internally to evaluate performance and represent underlying financial measures adjusted for a number of one-off gains and losses which are of an exceptional nature. We believe that adjusted measures provide investors with additional useful information to measure our underlying financial performance, particularly from period to period, because these measures are exclusive of certain exceptional gains and losses.

Adjusted operating income and OIBDA can be reconciled to our consolidated statements of operations as follows:

<i>RUB millions</i>	1Q 2015	1Q 2014	4Q 2014
Operating income / (loss)	18,757	21,023	(16 890)
Impairment of long-lived assets in India (SSTL)	-	-	11,142
Impairment of long-lived assets in RTI	-	-	2,650
Gain from reentrance into Uzbekistan (MTS)	-	-	(3,130)
Provision for cash and deposits in Ukrainian banks(MTS)	1,698	-	5,138
Impairment of financial assets	-	-	7,712
Adjusted operating income	20,455	21,023	6,622
Depreciation and amortisation	24,127	20,820	23,413
Adjusted OIBDA	44,582	41,843	30,035

Adjusted net loss can be reconciled to our consolidated statements of operations as follows:

<i>RUB millions</i>	1Q 2015	1Q 2014	4Q 2014
Net income / (loss)	32,100	10,447	(196,608)
Impairment of long-lived assets in India (SSTL)	-	-	8,245
Impairment of and other long-lived assets in RTI	-	-	1,616
Gain from reentrance into Uzbekistan (MTS)	-	-	(1,674)
Provision cash and deposits in Ukrainian banks (MTS)	873	-	2,747
Impairment of financial assets	-	-	7,746
Net income of Bashneft attributable to Sistema and loss from disposal of Bashneft	-	(10,544)	158,262
Gain from settlement agreement with Ural-Invest	(35,044)	-	-
Adjusted net loss	(2,071)	(97)	(19,666)

Net debt at the Corporate Holding level. We define net debt as indebtedness less cash, cash equivalents and other highly liquid deposits and financial instruments. The indebtedness is defined as long-term debt, including its current portion, and short-term debt. We believe that the presentation of net debt at the Corporate Holding level provides useful information to investors because our management reviews this measure as part of its management of our liquidity, financial flexibility, capital structure and leverage. The IFRS financial measure most directly comparable to net debt at the Corporate Holding level is the indebtedness of our Corporate segment as reported in our segment disclosures. Net debt at the Corporate Holding level can be reconciled to the indebtedness of our Corporate segment as follows:

<i>RUB millions</i>	1Q 2015	1Q 2014	4Q 2014
Indebtedness	68,498	61,045	68,807
Cash and cash equivalents	(21,997)	(23,258)	(18,424)
Liquid financial investments	(7,734)	(20,280)	(10,389)
Net debt	38,767	17,507	39,994

Attachment B

Sistema has historically prepared its consolidated financial statements in accordance with US GAAP. As announced earlier in April 2015, Sistema will be preparing its quarterly and annual consolidated financial results in accordance with International Financial Reporting Standards (IFRS) from the first quarter of 2015. The Group is also changing the presentation currency of its financial statements from the US dollar to the Russian rouble (“RUB”). Comparative information for the previous quarters has been restated to comply with IFRS.

Key differences between Sistema’s IFRS and US GAAP consolidated financial information as of December 31, 2014 are presented below.

<i>RUB billion</i>	US GAAP	IFRS	Diff.	
ASSETS				
Cash and cash equivalents	73	120	47	[8]
Inventories	70	48	(22)	[1]
Deferred tax assets	14	-	(14)	[2]
Other	274	232	(42)	[8]
Total current assets	431	400	(31)	
Property, plant & equipment	405	396	(9)	[3,7]
Debt issuance costs	2	-	(2)	[4]
Deferred tax assets	22	26	4	[2]
Investment property	-	10	10	[7]
Other	302	302	-	
Total non-current assets	731	734	3	
TOTAL ASSETS	1,162	1,134	(28)	
LIABILITIES				
Short-term debt	97	126	29	[5]
Deferred tax liabilities	4	-	(4)	[2]
Other	324	304	(20)	[1]
Total current liabilities	425	430	5	
Long-term debt	367	336	(31)	[4,5]
Put options on NCI	-	51	51	[6]
Deferred tax liabilities	44	38	(6)	[2]
Other	47	47	-	
Total non-current liabilities	458	472	14	
Redeemable NCI	45	-	(45)	[6]
SHAREHOLDERS’ EQUITY	234	232	(2)	
TOTAL LIABILITIES & EQUITY	1,162	1,134	(28)	

[1] IFRS prohibits a completed-contract method previously applied by RTI for certain contracts where outcome cannot be estimated reliably. Change from the completed contract method to the recognition of revenue to the extent of contract costs incurred (method required for such contracts accounting in IFRS) resulted in a decrease in RTI’s inventory and liability and corresponding increase in revenue and costs of sales.

[2] Unlike US GAAP, IFRS requires that all deferred tax assets and liabilities are classified as non-current.

[3] IFRS has different approach to measuring impairment loss, which resulted in an impairment of Mikron assets.

[4] IFRS requires that deferrals of debt issuance costs are presented as reductions of the debt balance rather than an asset.

[5] If loan covenants are violated as of the reporting date, unlike US GAAP, IFRS specifies that a loan must be classified as current even if the lender has granted a waiver before the issuance of the financial statements.

[6] IFRS has no concept of ‘mezzanine equity’, and requires that minority interest in SSTL, Mikron, RTI and MTS Armenia that can be put back to the Group is classified as a liability.

[7] IFRS requires separate presentation of investment property.

[8] Cash in MTS Bank was accounted within separate “Assets from banking activities” line.

Statement of operations for the fourth quarter of 2014

<i>RUB billion</i>	GAAP	IFRS	Diff.	
Revenues	183	194	11	[1]
Cost of sales and other operating expenses	(176)	(187)	(11)	[1]

Adjusted operating income	7	7	-	
Finance income	2	2		
Finance expense	(8)	(9)	(1)	[2]
Foreign currency exchange loss	(9)	(21)	(12)	[3]
Adjusted net income	(8)	(21)	(13)	
Adjusted noncontrolling interests	2	2	-	
Adjusted net income attributable to Sistema, net of Bashneft results	(6)	(19)	(13)	

Adjusted net income of the fourth quarter of 2014 reported in 2014, included income from discontinued operations (Bashneft). In order to observe comparability with the results of the first quarter 2015 income from discontinued operations for the fourth quarter of 2014 was excluded from adjusted net income attributable to Sistema.

[1] IFRS prohibits a completed-contract method previously applied by RTI for certain contracts where outcome cannot be estimated reliably. Upon transition to IFRS, the Group recognised revenue on such contracts only to the extent of contract costs incurred, thus revenues and cost of sales were reported on a gross up basis with a zero margin.

[2] As put options on non-controlling interest are presented in liabilities under IFRS, accretion of interest expense up to redemption value is recognised in the statement of operations together with other financial costs previously capitalised in US GAAP.

[3] As put option on non-controlling interest in SSTL is dollar denominated and presented in liabilities under IFRS, foreign currency exchange loss is recognised in the statement of operations, not equity.