



FOR IMMEDIATE RELEASE

November 21, 2012

## **SISTEMA ANNOUNCES UNAUDITED FINANCIAL RESULTS FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2012**

**Moscow, Russia** – November 21, 2012 – Sistema JSFC (“Sistema” or the “Company”, together with its subsidiaries, “the Group”) (LSE: SSA), the largest publicly-traded diversified holding company in Russia and the CIS, today announces its unaudited consolidated US GAAP financial results for the third quarter ended September 30, 2012.

The Group’s consolidated results for the third quarter of 2012 were impacted by a 10.2% year-on-year rouble depreciation against the US dollar. A non-cash one-off loss (“one-off”) of US\$ 213.3 million was also recognised relating to the impairment of long-lived assets in SSTL’s operations in India.

### **KEY FINANCIAL HIGHLIGHTS FOR THE THIRD QUARTER**

- Consolidated revenues of US\$ 8.8 billion, up 1.0% YoY (underlying revenues up 11.3% YoY in rouble terms)
- Adjusted OIBDA<sup>1</sup> up 10.4% YoY to US\$ 2.4 billion, with an adjusted OIBDA margin of 27.6%
- Net income attributable to the Group without one-offs<sup>2</sup> doubled YoY to US\$ 653.2 million
- Net cash position<sup>3</sup> at the Corporate Holding level amounted to US\$ 152.0 million as of September 30, 2012, compared to net debt of US\$ 433.2 million as of September 30, 2011

### **KEY CORPORATE HIGHLIGHTS FOR THE THIRD QUARTER**

- Sistema participated in the privatisation tender for a 100% ownership stake in SG-trans OJSC, Russia’s largest independent provider of specialised railcars for transportation of liquefied petroleum gas, and submitted the leading bid of RUB 22.77 billion.
- The Board of Directors approved a placement of a new bond issue by public subscription, comprising series 01, 02 and 03 three-year unconvertible interest-bearing bonds.
- The Board of Directors approved a new composition for Sistema’s Management Board in line with its development strategy.
- MTS resumed its operations in Turkmenistan, having received the licences it requires to operate in the country having satisfied legal and technical conditions.
- RTI Group completed the acquisition of NVision Group.

<sup>1</sup> See Attachment A for definitions and reconciliation of adjusted OIBDA to GAAP financial measures.

<sup>2</sup> See Attachment A for definitions and reconciliation of net income attributable to the Group without one-offs to GAAP financial measures.

<sup>3</sup> Including highly liquid deposits.

- Sistema continued its buyback programme targeting the purchase of Sistema's GDRs and ordinary shares.

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

“In the third quarter all of our investments demonstrated significant growth resulting in excellent revenue and OIBDA growth for the Group. In particular our oil, telecom and high-tech investments had an excellent period characterised by improved operational performance and the completion of certain M&A transactions.

During the reporting period and in recent weeks, Sistema has continued to progress several transactions announcing its entry into the transportation sector, the possible acquisition of an oil trader, the completion of the Bashkirenergo divestment and MTS' participation in MTS Bank. These deals pursue a fundamental objective of diversifying the Group's portfolio, strengthening our return and securing long term growth opportunities. Importantly, with a substantial cash position of US\$ 1.7 billion at the Corporate level, the proceeds from divestment and numerous other tools at our disposal, Sistema is well positioned to execute the aforementioned opportunities.

We have also made a number of changes at the holding level by structuring our investments into eight portfolios and attracting significant investment and industry expertise to different parts of the business. These changes are designed to enhance our investment approach and to allow Sistema to manage its assets more actively. As we look forward into 2013, Sistema is on track to deliver on its strategy, add exciting value accretive projects to its portfolio and reward shareholders through a progressive dividend story.”

### **Conference call information**

Sistema's management will host an analyst conference call today at 9 am (New York time) / 2 pm (London time) / 3 pm (CET) / 6 pm (Moscow Time) to present and discuss the third quarter results.

The dial-in numbers for the conference call are:

UK/ International: + 44 20 8515 2303  
US: +1 480 629 9645

And quote the conference call title: “Sistema 3Q 2012 Financial Results”.

A replay of the conference call will be available on the Company's website [www.sistema.com](http://www.sistema.com) for 7 days after the event.

**For further information, please visit [www.sistema.com](http://www.sistema.com) or contact:**

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## **FINANCIAL SUMMARY**<sup>4</sup>

<i>(US\$ millions, except per share amounts)</i>	<b>3Q 2012</b>	<b>3Q 2011</b>	<b>Year on Year Change</b>	<b>2Q 2012</b>	<b>Quarter on Quarter Change</b>
Revenues	<b>8,813.1</b>	8,724.0	1.0%	8,083.9	9.0%
Adjusted OIBDA <sup>5</sup>	<b>2,430.5</b>	2,200.7	10.4%	2,021.7	20.2%
Operating income	<b>1,428.4</b>	1,394.3	2.4%	144.7	886.8%
Net income/ (loss) attributable to Sistema	<b>532.2</b>	319.0	66.8%	(167.3)	-
<i>Net income attributable to Sistema without one-off</i> <sup>6</sup>	<b>653.2</b>	319.0	104.8%	402.5	62.3%
Basic and diluted earnings per share (US cents)	<b>5.7</b>	3.4	66.7%	(1.8)	-

## **GROUP OPERATING REVIEW**

In the reporting quarter the Group's consolidated revenues increased by 1.0% year-on-year. The increase in revenue was impacted by a 10.2% year-on-year rouble depreciation against the US dollar. The Group's revenue in rouble terms was up 11.3% year-on-year due to a strong operating growth at Bashneft, an expansion of retail space at Detsky mir and an increase in revenue at MTS Bank. The Group's revenues increased by 9.0% and by 12.5% quarter-on-quarter in US dollar and rouble terms, respectively, reflecting increased sales of oil products at Bashneft, the recent consolidation of NVision and expansion of Detsky mir's retail chain.

Selling, general and administrative (SG&A) expenses decreased by 2.1% year-on-year to US\$ 944.0 million, but were up 4.3% quarter-on-quarter, mainly due to an increase in administrative expenses in Bashneft.

The operating income for the third quarter of 2012 was impacted by a recognised non-cash one-off loss of US\$ 213.3 million relating to the impairment of long-lived assets with regard to SSTL's operations in India. The Group's adjusted OIBDA increased by 10.4% year-on-year and by 20.2% quarter-on-quarter in the third quarter of 2012, largely as a result of high-margin sales of oil products at Bashneft. The Group's adjusted OIBDA margin was 27.6% in the reporting quarter, compared to 25.2% in the corresponding period of 2011 and 25.0% in the second quarter of 2012.

Consolidated net income attributable to Sistema without the one-off doubled year-on-year in the third quarter of 2012, as a result of an increase in net income in MTS and Bashneft.

<sup>4</sup> Financials for 3Q 2011 were restated to show the effect of discontinued operations.

<sup>5</sup> See Attachment A for definitions and reconciliation of adjusted OIBDA to GAAP financial measures.

<sup>6</sup> See Attachment A for definitions and reconciliation of net income attributable to the Group without one-offs to GAAP financial measures.

## OPERATING REVIEW<sup>7</sup>

### MTS

<i>(US\$ millions)</i>	3Q 2012	3Q 2011	Year on Year Change	2Q 2012	Quarter on Quarter Change
Revenues	<b>3,132.1</b>	3,274.7	(4.4 %)	3,122.2	0.3%
OIBDA	<b>1,384.2</b>	1,451.7	(4.7%)	299.2	362.7%
Operating income/ (loss)	<b>829.6</b>	864.6	(4.0%)	(279.9)	-
Net income/ (loss) attributable to Sistema	<b>332.6</b>	191.1	74.1%	(360.0)	-

MTS' revenues in rouble terms were up 5.4% year-on-year due to an increase in ARPU levels and grew by 3.5% quarter-on-quarter as a result of positive seasonal roaming effects. MTS' revenues in US dollar terms were down by 4.4% year-on-year in the third quarter of 2012, reflecting the depreciation of local currencies against the US dollar, while the company's revenues quarter-on-quarter were largely stable.

In the third quarter of 2012, MTS' OIBDA declined by 4.7% year-on-year on the back of rouble depreciation; significant growth quarter-on-quarter was due to a non-cash one-off loss of US\$ 1,079.0 million recognised in the second quarter relating to impairments and provisions with regard to MTS' operations in Uzbekistan. The OIBDA margin was 44.2% in the reporting period, broadly in line with the third quarter of 2011.

MTS' total subscriber base (including Belarus subscribers) amounted to 99.2 million customers as at September 30, 2012, showing a 6.8% year-on-year decline following the suspension of operations in Uzbekistan.

The average monthly service revenue per subscriber (ARPU) in Russia increased by 8.7% year-on-year to RUB 313 in the third quarter of 2012, compared to RUB 288 in the corresponding period of 2011. Russian subscribers' monthly minutes of use (MOU) increased by 14.3% to 311 minutes in the reporting quarter, compared to 272 minutes in the third quarter of 2011.

In the fixed broadband segment, the number of households passed increased by 13.5% year-on-year to 11.8 million in the third quarter of 2012. The Pay-TV customer base totalled 2.9 million subscribers in the reporting quarter, compared to 2.7 million customers in the third quarter of 2011. The number of broadband Internet subscribers increased by 10.0% year-on-year to 2.2 million.

In September 2012, MTS launched Russia's first TDD (Time Division Duplexing) LTE network in Moscow and the Moscow region.

In August 2012, MTS signed an agreement with Scartel LLC (Yota Networks) to launch an LTE MVNO on Scartel's network in Kazan.

In July 2012, MTS announced that it is resuming its operations in Turkmenistan, having received the licences it requires to operate in the country and having satisfied legal and technical conditions. In August 2012, MTS Turkmenistan re-launched commercial services in the country.

In July 2012, the Federal Service for Supervision in the Sphere of Communications, Information Technologies and Mass Media (Roskomnadzor) allocated MTS the necessary licence and frequencies to provide LTE telecommunication services in Russia.

<sup>7</sup> Here and from hereon, the comparison of period to period 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.

In August 2012, the Tashkent Commercial Court granted a petition by the State Agency for Communications and Information of Uzbekistan (SACI) to withdraw all operating licences of Uzdunrobota FE LLC (“Uzdunrobota”), MTS’ wholly owned subsidiary in Uzbekistan. Uzdunrobota intends to appeal the decision within the timeframe set forth by the laws of the Republic of Uzbekistan.

## Bashneft

<i>(US\$ millions)</i>	3Q 2012	3Q 2011	Year on Year Change	2Q 2012	Quarter on Quarter Change
Revenues	<b>4,622.3</b>	4,458.1	3.7%	4,081.3	13.3 %
OIBDA	<b>962.3</b>	790.5	21.7%	704.3	36.6%
Operating income	<b>813.6</b>	645.7	26.0%	545.9	49.0%
Net income attributable to Sistema	<b>408.1</b>	287.9	41.7%	278.8	46.4%

Bashneft’s revenues increased by 3.7% year-on-year and by 13.3% quarter-on-quarter, due to higher prices for oil and oil products and increased sales volumes in the domestic market.

Bashneft’s OIBDA was up 21.7% year-on-year and 36.6% quarter-on-quarter in the third quarter of 2012, primarily due to growth in high-margin sales of oil products.

In the reporting quarter, Bashneft’s oil production increased by 1.8% quarter-on-quarter and reached 3.9 million tonnes mainly due to improved efficiency of the production drilling. The company sold 5.3 million tonnes of oil products in the reporting period, a 12.8% quarter-on-quarter increase, with exports amounting to 1.1 million tonnes of crude oil and 2.3 million tonnes of oil products.

Refining volumes from the company’s refinery increased by 0.5% year-on-year and by 7.4% quarter-on-quarter in the third quarter of 2012 and amounted to 5.3 million tonnes of crude oil following the completion of planned repairs to the Ufimsky refinery plant. Capacity utilisation increased to 88.0% in the third quarter from 82.8% in the second quarter. The average refining depth was 85.5% and light-product yield amounted to 61.4%.

As at September 30, 2012, Bashneft operated a total of 485 petrol stations.

In September 2012, the Boards of Directors of Bashneft’s subsidiaries (OJSC Ufimsky refinery plant, OJSC Novoil and OJSC Ufaneftekhim) participating in the reorganisation process, approved the purchase of their preferred treasury shares by Sistema for a total of RUB 1.92 billion. The prices for the preferred treasury shares of Bashneft’s subsidiaries were set by the Boards of Directors based on the valuations prepared by independent appraisers.

In August 2012, the Iraqi Ministry of Oil and the Consortium comprised of Bashneft (70%) and Premier Oil (30%) initialled the contract for geological exploration, development, and production at Block 12. The contract has been submitted for approval by the Council of Ministers of the Republic of Iraq. In November, the contract was signed.

In July 2012, the Board of Directors of Bashneft approved the new structure of its oilfield service holding company, which has been established on the basis of Bashneft’s subsidiary LLC Bashneft-Service Assets.

In July 2012, Bashneft’s retail network completed its transition to full compliance with the Euro-5 standard regarding the sales of petrol and diesel fuel.

**Bashkirenergo (Bashkirian Power Grid Company)<sup>8</sup>**

<i>(US\$ millions)</i>	3Q 2012	3Q 2011	Year on Year Change	2Q 2012	Quarter on Quarter Change
Revenues	<b>98.5</b>	92.3	6.8%	88.2	11.8%
OIBDA	<b>52.1</b>	38.9	33.9%	38.9	34.0%
Operating income	<b>41.4</b>	28.2	46.9%	28.0	47.7%
Net income attributable to Sistema	<b>25.0</b>	60.4	(58.6%)	3.8	557.0%

Bashkirenergo's revenues increased by 6.8% year-on-year and by 11.8% quarter-on-quarter in the third quarter of 2012, mainly due to tariff increases for electricity transmission and growth in electricity productive supply.

Bashkirenergo's OIBDA increased by 33.9% year-on-year and by 34.0% quarter-on-quarter in the reporting period, mainly due to revenue growth, a reduction in the company's expenses and reversed provisions for legal proceedings. The OIBDA margin expanded to 52.9% in the third quarter of 2012, compared to 42.2% in the corresponding period of 2011.

In the third quarter of 2012, distribution grid losses increased by 0.23 p.p. year-on-year as a result of a 2.5% increase in grid output, while transmission grid losses decreased year-on-year by 7,023 million KWt\*h, mainly due to a reduction in the cross-flow of transmission lines caused by regime factors.

The effective transmission grid output reduced by 12% year-on-year in the reporting quarter due to regime factors and customers' demand. The effective distribution power output was up 2.3% year-on-year however, as a result of continued implementation of the investment project to install electricity meters.

In July 2012, the Extraordinary General Meeting ("EGM") of Bashkirenergo's shareholders approved a decision concerning the company's reorganisation in the form of a spin-off resulting in two companies: a generating company OJSC Bashenergoactiv, and a power grid company JSC Bashkirian Power Grid Company. As a result of the reorganisation Sistema-Invest<sup>9</sup> obtained a 92.48% voting stake in Bashkirian Power Grid Company, as well as a consideration of RUB 11.2 billion in cash and promissory notes from INTER RAO, payable in instalments by September 29, 2013.

**Sistema Shyam TeleServices Ltd. (SSTL)**

<i>(US\$ millions)</i>	3Q 2012	3Q 2011	Year on Year Change	2Q 2012	Quarter on Quarter Change
Revenues	<b>72.9</b>	71.9	1.4%	77.2	(5.5%)
OIBDA	<b>(276.8)</b>	(100.2)	-	(83.8)	-
Operating loss	<b>(295.2)</b>	(125.6)	-	(102.2)	-

<sup>8</sup> On November 7, 2012, Bashkirenergo has been split into JSC Bashkirian Power Grid Company, which combines transmission and distribution grids, and OJSC Bashenergoactiv, which integrates power generation assets. Sistema-Invest obtained a 92.48% voting stake in Bashkirian Power Grid Company. In accordance with US GAAP requirements all operations of the power generation segment were excluded from continuing operations and reflected in the line "Income/loss from discontinued operations". Accordingly, Bashkirenergo's results presented include operations from transmission and distribution grids only.

<sup>9</sup> Sistema and Bashneft have 50.6% and 49.4% ownership respectively in Sistema-Invest.

Net loss attributable to Sistema	(166.7)	(125.5)	-	(125.1)	-
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SSTL's revenues increased by 1.4% year-on-year in the third quarter of 2012, due to a 25.3% expansion of its mobile subscriber base. The revenue growth however was limited by local currency depreciation against the US dollar. Revenues were down 5.5% quarter-on-quarter due to changes in local industry regulations ("Telecom Consumer Protection Regulation" issued by the Telecom Regulatory Authority of India on March 22, 2012), a depreciation of the local currency against the US dollar and a decline in MOU in the market.

SSTL reported a higher OIBDA loss in the third quarter, due to the recognition of a US\$ 213.3 million loss from the impairment of long-lived assets. OIBDA loss without one-off narrowed to US\$ 63.5 million.

SSTL's total wireless (voice and data) subscriber base was up 0.2% quarter-on-quarter and reached 16.6 million customers. Blended mobile ARPU in the third quarter of 2012 declined by 7.8% to US\$ 1.50 due to local currency depreciation against the US dollar and changes in industry regulations.

The data card subscriber base increased by 5.9% quarter-on-quarter and amounted to 1.82 million subscribers.

Non-voice revenues from both data and mobile value-added services (VAS) for the third quarter decreased to US\$ 26.8 million due to local currency depreciation against the US dollar. The share of non-voice revenue as a percentage of total revenue stood at 36.7% in the reporting quarter.

In August 2012, India's Supreme Court extended the government's deadline for completion of the telecommunications bandwidth auction and authorised those telecom companies affected by February's cancellation order (including SSTL) to continue their operations until January 18, 2013.

#### Sistema Mass Media<sup>10</sup>

<i>(US\$ millions)</i>	3Q 2012	3Q 2011	Year on Year Change	2Q 2012	Quarter on Quarter Change
Revenues	13.0	29.8	(56.3%)	20.0	(34.7 %)
OIBDA	0.1	9.7	(98.8%)	1.6	(92.5%)
Operating (loss) / income	(4.7)	2.8	-	(8.2)	-
Net income/ (loss) attributable to Sistema	10.2	(1.9)	-	(9.9)	-

Sistema Mass Media's revenues declined by 56.3% year-on-year and by 34.7% quarter-on-quarter in the third quarter of 2012 as a result of reduced sales of the TV-series at Russian World Studios (RWS).

Sistema Mass Media's OIBDA demonstrated a year-on-year and quarter-on-quarter decline mainly due to the decrease in revenues, as well as a result of recognised losses following the closure of a film studio in Moscow. SMM's net income significantly grew due to recognised gain from sale of Moscovia channel.

The Stream-TV subscriber base increased by 22.0% year-on-year in the third quarter to 7.2 million customers, while share of revenue from advertising on Stream-TV as a percentage of total revenue grew by 5.4 p.p. year-on-year and amounted to 15.9%. In the third quarter of 2012, RWS' content library grew by 25.4% year-on-year to 1,712 hours.

In the third quarter of 2012, Sistema Mass Media continued its business restructuring and closed its film studio in Moscow. This will enable the company to increase production capacity at St. Petersburg film studio and therefore avoid potential operating losses.

<sup>10</sup> Financial results of Stream.ru are included into SMM segment for all periods presented.

**RTI<sup>11</sup>**

<i>(US\$ millions)</i>	<b>3Q 2012</b>	<b>3Q 2011</b>	<b>Year on Year Change</b>	<b>2Q 2012</b>	<b>Quarter on Quarter Change</b>
Revenues	<b>465.1</b>	464.1	0.2%	365.7	27.2%
OIBDA	<b>34.3</b>	43.8	(21.6%)	6.6	422.6%
Operating income/ (loss)	<b>7.3</b>	24.0	(69.6%)	(12.8)	-
Net loss attributable to Sistema	<b>(13.6)</b>	(5.1)	-	(16.0)	-

RTI consolidates SITRONICS, Concern “RTI Systems” and NVision Group and is comprised of five principal business units (“BU”) – Defence Solutions BU, Comprehensive Security Systems BU, Telecom Solutions BU, Microelectronics Solutions BU and System Integration BU.

RTI’s revenues remained stable year-on-year and increased by 27.2% quarter-on-quarter, mainly as a result of the recent consolidation of NVision Group, as of September 14, 2012, and the partial completion of defence contracts in the reporting period instead of the fourth quarter of 2012. Excluding the deconsolidation of INTRACOM TELECOM, RTI’s revenues increased by 23% year-on-year. Notably, NVision accounted for 18% of the segment’s revenue, despite having been consolidated for just two weeks of the quarter.

RTI’s OIBDA was down 21.6% year-on-year in the third quarter mainly as a result of the completion of high-margin contracts for MTS in the comparable quarter last year, as well as the deconsolidation of INTRACOM TELECOM. The OIBDA increased by more than five times quarter-on-quarter due to the earlier than expected completion of work for government contracts in the reporting quarter instead of the fourth quarter of 2012 and as a result of the consolidation of NVision Group.

In August 2012, SITRONICS IT Ukraine, a subsidiary of SITRONICS in Ukraine, won a tender to provide video surveillance services to monitor the parliamentary elections in Ukraine in October 2012. The contract amounted to US\$ 122.6 million (approximately UAH 993.6 million).

In September 2012, RTI Group and NVision Group Managing Company LLC completed the strategic combination of RTI Group’s and CJSC NVision Group’s information and communication technologies assets. RTI Group (including assets of RTI and SITRONICS) now owns a controlling stake of 50%+0.5 of a share in CJSC NVision Group. NVision Group’s shareholders retain a stake of 50%-0.5 of a share in the company. RTI Group paid a total cash consideration of RUB 3 billion and contributed certain assets which are now part of SITRONICS Information Technologies and SITRONICS Telecommunication Solutions (excluding INTRACOM TELECOM).

**Binnopharm**

<i>(US\$ millions)</i>	<b>3Q 2012</b>	<b>3Q 2011</b>	<b>Year on Year Change</b>	<b>2Q 2012</b>	<b>Quarter on Quarter Change</b>
Revenues	<b>24.0</b>	15.1	58.3 %	15.6	53.6%
OIBDA	<b>14.7</b>	1.4	942.0%	3.5	315.4%
Operating income/ (loss)	<b>13.5</b>	(0.4)	-	2.4	460.9%

<sup>11</sup> Financial results of OJSC “Concern “RTI Systems” and OJSC SITRONICS are included into RTI segment for all periods presented.



Net income / (loss) attributable to Sistema	<b>9.8</b>	(0.2)	-	0.7	1289.7%
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Binnopharm's revenues were up 58.3% year-on-year and grew by 53.6% quarter-on-quarter in the third quarter of 2012, mainly due to sales growth in its distribution segment. The OIBDA demonstrated significant growth year-on-year and quarter-on-quarter and the OIBDA margin grew to 61.2% in the reporting period, reflecting an increase in Regevac B vaccine supplies for government contracts.

In July 2012, Binnopharm signed a cooperation agreement with Panacea Biotech to produce a vaccine against Haemophilus influenza (HIB infection) at Binnopharm facilities.

In July 2012, Binnopharm resumed production of aerosol products, including production of Salbutamol aerosol for inhalation.

### MTS Bank

<i>(US\$ millions)</i>	<b>3Q 2012</b>	<b>3Q 2011</b>	<b>Year on Year Change</b>	<b>2Q 2012</b>	<b>Quarter on Quarter Change</b>
Revenues	<b>174.0</b>	132.1	31.7 %	170.1	2.3%
OIBDA	<b>(8.0)</b>	(21.1)	-	(6.6)	-
Operating loss	<b>(12.9)</b>	(25.8)	-	(11.4)	-
Net loss attributable to Sistema	<b>(26.3)</b>	(20.0)	-	(7.7)	-

MTS Bank's revenues increased by 31.7% year-on-year and by 2.3% quarter-on-quarter driven by growth in the Bank's consumer loan portfolio and the MTS-Money project. In the reporting period, the loan portfolio from joint projects with MTS increased by 69% quarter-on-quarter and reached US\$ 149 million. MTS Bank reported an OIBDA loss in the third quarter of 2012 due to increased interest expenses on individual deposits and higher loan provisions.

MTS Bank's loan portfolio, excluding leases, increased by 11.4% to US\$ 5,968 million in the reporting quarter, compared to US\$ 4,832 million in the corresponding period of 2011. The interest income from retail and corporate client transactions grew by 7.5% quarter-on-quarter and amounted to US\$ 146.3 million.

In September 2012, MTS Bank completed the consolidation of Dalcombank and opened two new branches: Far Eastern branch and Irkutsk branch.

### Detsky mir

<i>(US\$ millions)</i>	<b>3Q 2012</b>	<b>3Q 2011</b>	<b>Year on Year Change</b>	<b>2Q 2012</b>	<b>Quarter on Quarter Change</b>
Revenues	<b>231.2</b>	208.7	10.7%	173.7	33.1%
OIBDA	<b>20.3</b>	14.7	37.9%	(0.9)	-
Operating income/ (loss)	<b>15.6</b>	10.0	56.6%	(5.4)	-
Net income/ (loss) attributable to Sistema	<b>8.9</b>	(1.4)	-	(5.8)	-

Detsky mir's revenues increased by 10.7% year-on-year and by 33.1% quarter-on-quarter in the third quarter of 2012, largely as a result of the expansion of retail space. The company generated a 20.0% year-on-year revenue increase in rouble terms. Detsky mir's OIBDA increased by 37.9% year-on-year in the third quarter of 2012, mainly due to the sales growth and increased gross margins.

By the end of the quarter, the network of retail outlets included 193 stores located in 86 cities of Russia and Kazakhstan. Aggregate retail space totalled 266,000 sq.m. as of September 30, 2012. In the reporting quarter, Detsky mir opened 29 new stores, including 19 ELC franchised stores.

In July 2012, Detsky mir acquired the British chain of children's early learning goods Early Learning Centre (ELC) franchise in Russia.

### Intourist

<i>(US\$ millions)</i>	3Q 2012	3Q 2011	Year on Year Change	2Q 2012	Quarter on Quarter Change
Revenues	24.4	61.2	(60.1 %)	23.0	6.3%
OIBDA	5.4	50.6	(89.3%)	1.8	195.8%
Operating income/ (loss)	3.2	48.6	(93.3%)	(0.4)	-
Net income/ (loss) attributable to Sistema	0.8	26.2	(96.8%)	(6.9)	-

Intourist's revenues declined by 60.1% year-on-year as a result of the change in accounting for the company's tour operating and retail sales businesses following the transaction with Thomas Cook in the third quarter of 2011. Revenues were up 6.3% quarter-on-quarter due to a seasonal increase in hotel sales, as well as the company's active marketing campaign. Intourist's OIBDA improved quarter-on-quarter in the reporting period as a result of increased income from Joint Venture with Thomas Cook and growth in sales.

The hotel group's total number of rooms owned, managed and rented remained at 2,690 in the third quarter. The number of customers served by the tour operating and retail sales businesses in the third quarter of 2012 decreased year-on-year, reflecting the shift in the company's focus to high-margin and less risky European destinations, however it was up 43.3% quarter-on-quarter, mainly due to seasonality factors.

### Medsi

<i>(US\$ millions)</i>	3Q 2012	3Q 2011	Year on Year Change	2Q 2012	Quarter on Quarter Change
Revenues	46.2	46.6	(0.7%)	46.9	(1.4%)
OIBDA	8.4	7.4	13.4%	5.6	50.2%
Operating income	0.6	4.1	85.2%	2.1	(71.4%)
Net income/ (loss) attributable to Sistema	0.03	(3.2)	-	(0.9)	-

Medsi's revenues decreased slightly year-on-year and quarter-on-quarter in the third quarter of 2012, mainly as a result of rouble depreciation against the US dollar. Revenues in rouble terms were up 9.4% year-on-year in the reporting quarter. Medsi's OIBDA was up 13.4% year-on-year and 50.2% quarter-on-quarter in the third quarter of 2012 due to a decrease in the operating expenses to revenue ratio.

In the third quarter of 2012, the number of patient visits and services provided (excluding Moscow's State Unitary Enterprise Medical Centre assets ("SUE")) decreased by 3.0% and 4.9% year-on-year, respectively, due to changes in insurance companies' policies whereby their list of services were reduced, while the average fee in rouble terms increased by 12.8% year-on-year.

As of September 30, 2012, Medsi's network consisted of 34 medical clinics and 79 first aid stations with a total floor space of healthcare facilities of over 80,000 sq.m.

In the third quarter of 2012, Medsi continued the integration process of SUE assets. SUE transferred the management of its four medical clinics to Medsi during the reporting period.

## **CORPORATE AND OTHER**

<i>(US\$ millions)</i>	<b>3Q 2012</b>	<b>3Q 2011</b>	<b>Year on Year Change</b>	<b>2Q 2012</b>	<b>Quarter on Quarter Change</b>
OIBDA <sup>12</sup>	<b>10.7</b>	(61.8)	-	(31.6)	-
Net (loss)/ income	<b>(46.6)</b>	(49.8)	-	106.4	-
Indebtedness	<b>1,541.5</b>	1,308.0	<i>17.9%</i>	1,640.0	<i>(6.0%)</i>

The Corporate and Other category comprises the companies that control and manage the Company's interests in its subsidiaries.

In September 2012, the Board of Directors approved a new composition of Sistema's Management Board. Furthermore, the Board approved a decision to place a new bond issue by public subscription, comprising series 01, 02 and 03 three-year unconvertible interest-bearing bonds. Each series will consist of 10 million bonds with a face value of RUB 1,000 per bond. The proceeds from the bond issue, and possibly an additional share issue if such a decision is taken, are expected to be used for general corporate purposes and also to finance potential acquisitions in different sectors, such as transportation, petrochemicals, agriculture, natural resources and consumer. Later EGM approved the amendments to the Company's Charter in order to allow the Company to increase share capital by issuing additional 386 million ordinary shares with a par value of RUB 0.09 per share.

In August 2012, Sistema fully paid annual dividends of RUB 0.28 per ordinary share for 2011, amounting to a total of RUB 2.7 billion.

In July 2012, in line with the remuneration structure for the members of Sistema's Board of Directors, shareholdings in the Company of seven members have been increased by 122,191 shares and by 127,808 shares for each of three other board members (one of whom is receiving shares for the first time). Each allocation represents approximately 0.0013% of the 9,650,000,000 total shares issued.

## **FINANCIAL REVIEW**

Net cash provided by operations in the third quarter of 2012 declined by 19.0% year-on-year and by 5.0% quarter-on-quarter to US\$ 1,598.5 million due to changes in working capital.

Net cash used in investing activities totalled US\$ 64.7 million in the reporting quarter, compared to US\$ 1,757.6 million in the corresponding period of 2011.

The Group spent US\$ 1,004.5 million on capital expenditure in the third quarter of 2012, broadly in line with the corresponding period of 2011. The Group paid US\$ 121.1 million for the acquisition of businesses, net of cash received, in the third quarter of 2012 including the cash consideration for the completion of the transaction with CJSC NVision (US\$ 84.6 million) paid by RTI, the acquisition the Russian franchise of the Early Learning Centre by Detsky mir (US\$ 16.0 million) and also purchases made by MTS. The Group also received inflow of US\$ 97.8

<sup>12</sup> Here and further, OIBDA and net income (loss) of the Corporate & Other category are shown without an effect of intragroup dividends.

million from a decrease in banking assets and used US\$ 962.8 million to increase short-term and long-term investments. In addition, the Group also received inflow of US\$ 1,899.4 million from sale of long-term and short-term investments.

Net cash outflow from financing activities amounted to US\$ 1,321.4 million in the reporting quarter, compared to US\$ 75.5 million in the third quarter of 2011. The Group's proceeds from borrowings in the reporting quarter totalled US\$ 584.2 million, whereas the principal payments on long-term and short-term borrowings amounted to US\$ 870.8 million. In addition, cash outflow from financial activities in the third quarter resulted in the payments to shareholders of subsidiaries of US\$ 575.8 million and dividends paid by Sistema of US\$ 81.4 million compared to US\$ 767.9 million and US\$ 89.4 million dividends paid by Sistema and subsidiaries in the third quarter 2011. Cash outflow to decrease the liabilities in banking activities amounted to US\$ 217.0 million.

The Group's cash balances of continuing operations stood at US\$ 1,471.6 million as of September 30, 2012 (excluding an amount of US\$ 998.2 million which comprises the Group's banking activities and cash and equivalents of discontinued operations of US\$ 189.8 million) compared to US\$ 1,318.1 million as of June 30, 2012 (excluding an amount of US\$ 885.2 million which comprises the Group's banking activities and cash and equivalents of discontinued operations of US\$ 86.6 million). The Group's net debt (short-term and long-term debt less cash and cash equivalents and highly liquid deposits) amounted to US\$ 13,320.1 million as of September 30, 2012, compared to US\$ 12,970.0 million as of June 30, 2012.

## **SIGNIFICANT EVENTS FOLLOWING THE END OF THE REPORTING PERIOD**

### *MTS*

In November 2012, the Appeals Court of the Tashkent City Criminal Court has granted the appeal of FE LLC "Uzdunrobota" to challenge a decision, dated September 17, 2012, by the Tashkent City Criminal Court, which ruled to confiscate all assets of MTS-Uzbekistan in relation to a criminal case against four employees of MTS Uzbekistan. The court determined that the total amount of fines and penalties to be paid by MTS-Uzbekistan to be approximately US\$ 600 million. The sum can be paid to the state budget in a number of installments during the period of eight months. The Appeals court also ruled to bring in MTS-Uzbekistan as a civil defendant in the criminal case against MTS-Uzbekistan employees and to unfreeze the assets of MTS-Uzbekistan arrested pursuant to the decision of the court of the first instance from September 17, 2012. The verdict against the employees of MTS-Uzbekistan has not been overturned.

In November 2012, MTS announced a strategic initiative with Microsoft, the global IT leader, to promote innovative mobile solutions by launching Windows 8 "Ecosystem Demo Zones" in MTS retail stores.

### *Bashneft*

In November 2012, the Consortium comprising Bashneft (70%) and Premier Oil (30%) signed the exploration, development and production service contract (EDPSC) with South Oil Company acting on behalf of the Republic of Iraq for Block 12 in Baghdad. In accordance with the signed contract, the Consortium will conduct obligatory geological exploration programme at Block 12 for 2D seismic survey totalling 2,000 linear kilometres and drilling one exploration well. In addition, the Consortium will invest US\$ 120 million in geological exploration within a five-year period.

In October 2012, Bashneft completed a reorganisation through consolidation of its subsidiaries (OJSC Ufinsky refinery plant, OJSC Novoil, OJSC Ufaneftekhim, OJSC Bashkirnefteprodukt and OJSC Orenburgnefteprodukt), resulting in the transition to a single share. Later, the Board of Directors of Bashneft also approved the results of the additional share placements, which were exchanged for the common and preferred shares of Bashneft's subsidiaries as part of the reorganisation process.

In October 2012, the Board of Directors of Bashneft made a decision to create the Health, Safety and Environment Committee. The Board also set a date for the Extraordinary General Meeting of Bashneft's shareholders to be held of January 17, 2013.

## SSTL

In October 2012, Indian mobile operators were due to submit their applications to bid in the country's upcoming 2G spectrum auction. SSTL did not submit an application to participate in the auction.

### Corporate

In November 2012, Sistema acquired 3,751,844 Bashneft's ordinary shares and 2,131,226 Bashneft's preferred shares, which represents approximately 2.6% of the Bashneft's charter capital, for a total amount of approximately US\$ 300 million. As a result, Sistema's direct ownership in Bashneft has increased by 2.6% to 50.1%, while Sistema Group's ownership<sup>13</sup> has increased by 1.7% to 77.8%.

In November 2012, the Board of Directors of Sistema approved a new organisational structure with assets to be split into eight portfolios. Portfolios are shaped depending on origination and experience and will be led by the following eight Vice Presidents and Executive Vice Presidents: Anton Abugov, First Vice President; Felix Evtushenkov, First Vice President; Christopher Baxter, Senior Vice President; Ali Uzdenov, Vice President; David Khidasheli, Vice President; Alexey Shavrov, Executive Vice President; Kirill Tyurdenev, Executive Vice President; and Leonid Monosov, Executive Vice President.

In November 2012, Sistema announced the completion of the reorganisation of its subsidiary OJSC Bashkirenergo. Upon completion of the reorganisation process, Sistema-Invest obtained a 92.48%<sup>14</sup> voting stake in Bashkirian Power Grid Company and received RUB 11.2 billion in cash and promissory notes from INTER RAO, payable in installments by September 29, 2013. Sistema no longer has any interest in the power generation assets.

In October 2012, Sistema signed a non-binding term sheet regarding the acquisition of 100% of the issued and outstanding shares in the share capital of Argos Group Holding B.V., the largest independent group in the Western European downstream oil market, combining storage and distribution with the international trade in and sale of mineral oils and biofuels. The contemplated transaction is subject to (i) completion of due diligence and the execution of legally binding transaction documents, (ii) corporate approval by Sistema, and (iii) clearance from the European Commission pursuant to Council Regulation (EC) No. 139/2004 as well as the possible clearance from competition authorities in other countries in which Sistema is active.

In October 2012, Sistema signed a non-binding indicative offer with MTS and MTS Bank. Under the terms of the indicative offer, MTS would acquire up to 25.095% stake in MTS Bank through an additional share issue by MTS Bank for up to RUB 5.09 billion. The proceeds from the transaction will be added to MTS Bank's charter capital. Once the transaction is completed, MTS will become the second largest shareholder in MTS Bank, while Sistema's direct stake in MTS Bank will be 65.3%.

In October 2012, Sistema announced the completion of its buyback programme. In aggregate Sistema has bought back 6,452,619 of GDRs at an average price of US\$ 19.96 per GDR and 19,784,700 of ordinary shares at an average price of RUB 25.96 per share since the start of the share repurchase programme on June 6, 2012 to its completion on October 15, 2012.

In October 2012, Sistema replaced Deutsche Bank Trust Company Americas with Deutsche Bank Aktiengesellschaft as the depositary for its GDR programme, effective from October 22, 2012.

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**For further information, please visit [www.sistema.com](http://www.sistema.com) or contact:**

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<sup>13</sup> Including Bashneft's treasury shares

<sup>14</sup> Sistema and Bashneft have 50.6% and 49.4% ownership respectively in Sistema-Invest

**Sistema is the largest 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, oil and energy, radars and aerospace, banking, retail, mass-media, tourism and healthcare services. Founded in 1993, the company reported revenues of US\$ 8.8 billion for the third quarter of 2012, and total assets of US\$ 46.3 billion as at September 30, 2012. 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 MICEX-RTS Stock Exchange, and under the symbol "SIST" on the Moscow Stock Exchange (MSE). Sistema was ranked number 315 in the 2011 edition of the Fortune Global 500 list. Website: [www.sistema.com](http://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 CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011**  
*(Amounts in thousands of U.S. dollars except per share amounts)*

	Nine months ended September 30,		Three months ended September 30,	
	2012	2011	2012	2011
Sales	\$ 24,337,252	\$ 24,212,212	\$ 8,645,854	\$ 8,599,025
Revenues from banking activities	479,099	391,096	167,262	125,006
<b>TOTAL REVENUES</b>	<b>24,816,351</b>	<b>24,603,308</b>	<b>8,813,116</b>	<b>8,724,031</b>
Cost of sales, exclusive of depreciation and amortization shown separately below	(9,461,566)	(9,638,862)	(3,311,807)	(3,360,816)
Cost related to banking activities, exclusive of depreciation and amortization shown separately below	(276,451)	(257,386)	(107,030)	(91,238)
Selling, general and administrative expenses	(2,751,531)	(2,929,163)	(943,984)	(964,444)
Depreciation, depletion and amortization	(2,417,251)	(2,469,025)	(788,784)	(806,388)
Transportation costs	(639,309)	(602,328)	(252,232)	(232,554)
Provision for doubtful accounts	(73,753)	(91,585)	(7,632)	(23,851)
Loss from impairment and provisions of other assets	(864,082)	(60,935)	(259,157)	(19,996)
Provision for tax and antimonopoly claims in Uzbekistan	(500,000)	-	-	-
Taxes other than income tax	(4,977,503)	(4,711,070)	(1,691,034)	(1,741,608)
Other operating expenses, net	(55,190)	(364,402)	(28,724)	(176,411)
Equity in results of affiliates	(26,758)	111,548	11,476	32,358
(Loss)/gain on disposal of interests in subsidiaries and affiliates	(9,326)	55,260	(5,814)	55,260
<b>OPERATING INCOME</b>	<b>2,763,631</b>	<b>3,645,360</b>	<b>1,428,394</b>	<b>1,394,343</b>
Interest income	232,846	130,508	83,293	44,668
Change in fair value of derivative instruments	(1,849)	(1,681)	(631)	(574)
Interest expense, net of amounts capitalized	(1,024,877)	(1,322,229)	(317,406)	(439,116)
Foreign currency transactions gains/(losses)	79,937	(227,627)	91,807	(218,976)
Income from continuing operations before income tax	2,049,688	2,224,331	1,285,457	780,345
Income tax expense	(865,381)	(799,543)	(383,206)	(265,967)
Income from continuing operations	1,184,307	1,424,788	902,251	514,378
Income/(loss) from discontinued operations, net of income tax effect	45,836	72,432	27,243	(19,327)
Income from disposal of discontinued operations, net of income tax effect	13,812	149,480	13,812	149,480
<b>NET INCOME</b>	<b>\$ 1,243,955</b>	<b>\$ 1,646,700</b>	<b>\$ 943,306</b>	<b>\$ 644,531</b>
Noncontrolling interest	(498,079)	(898,466)	(411,079)	(325,530)
<b>NET INCOME attributable to Sistema JSFC</b>	<b>\$ 745,876</b>	<b>\$ 748,234</b>	<b>\$ 532,227</b>	<b>\$ 319,001</b>
Income per share, basic and diluted, U.S. cent	8.00	8.07	5.73	3.44

**SISTEMA JSFC AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF SEPTEMBER 30, 2012 AND DECEMBER 31, 2011**  
*(Amounts in thousands of U.S. dollars, except share amounts)*

	<u>September 30, 2012</u>	<u>December 31, 2011</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,471,568	\$ 2,921,672
Short-term investments	2,011,968	763,631
Assets from banking activities, current portion (including cash and cash equivalents of \$998,175 and \$1,315,075)	4,649,304	4,204,961
Accounts receivable, net	2,615,510	1,756,200
VAT receivable	600,223	709,099
Inventories and spare parts	1,924,321	1,659,565
Deferred tax assets, current portion	341,849	311,891
Disposal group held for sale	1,538,588	1,466,071
Other current assets	1,688,478	1,722,844
	<u>16,841,809</u>	<u>15,515,934</u>
<b>NON-CURRENT ASSETS:</b>		
Property, plant and equipment, net	19,494,036	18,360,826
Advance payments for non-current assets	248,435	264,709
Goodwill	1,580,641	1,546,808
Other intangible assets, net	2,337,312	2,251,160
Investments in affiliates	1,492,482	1,553,651
Assets from banking activities, net of current portion	2,252,396	2,303,120
Debt issuance costs, net	163,503	171,951
Deferred tax assets, net of current portion	394,710	348,491
Long-term investments	974,835	1,123,687
Other non-current assets	509,539	461,684
	<u>29,447,889</u>	<u>28,386,087</u>
<b>TOTAL ASSETS</b>	<u>\$ 46,289,698</u>	<u>\$ 43,902,021</u>



**SISTEMA JSFC AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF SEPTEMBER 30, 2012 AND DECEMBER 31, 2011 (CONTINUED)**  
*(Amounts in thousands of U.S. dollars, except share amounts)*

	<b>September 30, 2012</b>	<b>December 31, 2011</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 2,691,793	\$ 2,188,448
Liabilities from banking activities, current portion	3,821,199	3,152,989
Taxes payable	972,541	794,117
Deferred tax liabilities, current portion	95,280	168,545
Subscriber prepayments, current portion	523,070	605,545
Accrued expenses and other current liabilities	2,360,793	1,991,081
Short-term loans payable	612,772	290,927
Current portion of long-term debt	3,978,531	4,097,076
Provision for tax and antimonopoly claims in Uzbekistan	500,000	-
Disposal group held for sale	301,434	266,691
	<u>15,857,413</u>	<u>13,555,419</u>
<b>LONG-TERM LIABILITIES:</b>		
Long-term debt, net of current portion	11,560,682	12,006,322
Subscriber prepayments, net of current portion	109,268	106,586
Liabilities from banking activities, net of current portion	1,502,557	1,644,478
Deferred tax liabilities, net of current portion	1,788,979	1,412,174
Asset retirement obligation	246,008	214,121
Postretirement benefits obligation	63,635	77,591
Property, plant and equipment contributions	87,485	86,081
Other long-term liabilities	239,154	369,467
	<u>15,597,768</u>	<u>15,916,820</u>
	<u>31,455,181</u>	<u>29,472,239</u>
<b>TOTAL LIABILITIES</b>		
Commitments and contingencies	-	-
Redeemable non-controlling interests	747,819	723,819
<b>SHAREHOLDERS' EQUITY:</b>		
Share capital (9,650,000,000 shares issued; 9,230,433,342 and 9,267,985,025 shares outstanding with par value of 0.09 Russian Rubles, respectively)	30,057	30,057
Treasury stock (419,566,658 and 382,014,975 shares with par value of 0.09 Russian Rubles, respectively)	(480,566)	(467,198)
Additional paid-in capital	2,707,443	2,575,601
Retained earnings	6,953,704	6,418,649
Accumulated other comprehensive loss	(376,485)	(518,354)
	<u>8,834,153</u>	<u>8,038,755</u>
Total Sistema JSFC shareholders' equity		
Non-redeemable noncontrolling interests	5,252,545	5,667,208
<b>TOTAL EQUITY</b>	<u>14,086,698</u>	<u>13,705,963</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 46,289,698</u>	<u>\$ 43,902,021</u>

**SISTEMA JSFC AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011**  
*(Amounts in thousands of U.S. dollars)*

	<b>Nine months ended September 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 1,243,955	\$ 1,646,700
Income from discontinued operations	(45,836)	(72,432)
Income from continuing operations	1,198,119	1,574,268
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation, depletion and amortization	2,417,251	2,469,025
Income from disposal of discontinued operations	(13,812)	(149,480)
Equity in results of affiliates	26,758	(111,548)
Deferred income tax benefit	(22,012)	(168,796)
Foreign currency transactions (gains)/losses	(79,937)	227,627
Loss from impairment and provisions of other assets	864,082	60,350
Provision for tax and antimonopoly claims in Uzbekistan	500,000	-
Loss on disposal of property, plant and equipment	9,006	(2,500)
Dividend income	(42,155)	-
Amortization of connection fees	(22,090)	(27,833)
Provision for doubtful accounts	73,753	103,097
Allowance for loan losses	49,624	37,846
Dividends received from affiliates	77,360	34,702
Other non-cash items	44,200	72,678
Changes in operating assets and liabilities, net of effects from purchase of businesses:		
Trading securities	(16,073)	(77,863)
Accounts receivable	(823,146)	(385,186)
VAT receivable	99,646	(114,517)
Inventories and spare parts	(336,991)	(82,018)
Other current assets	125,239	7,120
Accounts payable	415,449	280,304
Subscriber prepayments	(58,037)	(22,776)
Taxes payable	163,940	111,888
Accrued expenses and other liabilities	(215,029)	(418,788)
Net cash provided by operating activities of continuing operations	4,435,145	3,417,600
Net cash provided by operating activities of discontinued operations	96,859	70,034
Net cash provided by operating activities	\$ 4,532,004	\$ 3,487,634

**SISTEMA JSFC AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011 (CONTINUED)**  
*(Amounts in thousands of U.S. dollars)*

	<b>Nine months ended September 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for purchases of property, plant and equipment	(2,550,367)	(2,278,464)
Payments for purchases of intangible assets	(230,709)	(251,639)
Payments for purchases of businesses, net of cash acquired	(181,641)	(191,270)
Purchase of investments in affiliated companies	(107,250)	-
Payments for purchases of long-term investments	(479,222)	(474,930)
Payments for purchases of short-term investments	(2,878,704)	(609,960)
Payments for purchases of other non-current assets	(161,794)	(82,737)
Decrease/(increase) in restricted cash	68,793	(77,206)
Cash disposed on loss of control less consideration received	(49,238)	-
Proceeds from sale of subsidiaries, net of cash disposed	67,951	184,596
Proceeds from sale of property, plant and equipment	54,380	131,650
Proceeds from sale of long-term investments	365,910	37,496
Proceeds from sale of other non-current assets	23,783	12,390
Proceeds from sale of short-term investments	1,961,040	817,308
Net increase in loans to customers and banks	(531,843)	(199,513)
Net cash used in investing activities	\$ (4,628,911)	\$ (2,982,279)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds/(principal payments on) from short-term borrowings, net	215,263	(172,191)
Net increase/(decrease) in deposits from customers of the banking division	314,263	(686,664)
Proceeds from sale of treasury stock	73,083	-
Proceeds from long-term borrowings, net of debt issuance costs	2,171,958	2,673,309
Debt issuance costs	(8,448)	(1,321)
Principal payments on long-term borrowings	(3,025,650)	(2,428,530)
Acquisition of non-controlling interests in existing subsidiaries	(700,792)	(201,198)
Dividends paid	(657,241)	(960,486)
Proceeds from capital transactions with shares of existing subsidiaries	73,987	153,710
Purchases of treasury shares	(122,658)	(15,953)
Net cash used in financing activities	\$ (1,666,235)	\$ (1,639,324)
Effect of foreign currency translation on cash and cash equivalents	\$ 102,241	\$ (95,424)
Net decrease in cash and cash equivalents	\$ (1,660,901)	\$ (1,229,393)
Cash and cash equivalents at the beginning of the period (including cash of discontinued operations)	4,320,423	4,570,583
Cash and cash equivalents at the end of the period (including cash of discontinued operations)	2,659,523	3,341,190
Cash and cash equivalents of discontinued operations at the end of the period	(189,780)	(44,530)
Cash and cash equivalents of continuing operations at end of the period *	\$ 2,469,743	\$ 3,296,660
<b>CASH PAID DURING THE PERIOD FOR:</b>		
Interest paid, net of amounts capitalized	\$ (1,007,131)	\$ (1,331,668)
Income taxes paid	(501,161)	(887,041)
<i>* Cash and cash equivalents at the end of the period comprised of the following:</i>		
Non-banking activities	\$ 1,471,568	\$ 2,159,626
Banking activity	998,175	1,137,034
	\$ 2,469,743	\$ 3,296,660

**SISTEMA JSFC AND SUBSIDIARIES**  
**UNAUDITED SEGMENTAL BREAKDOWN FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011**  
*(Amounts in thousands of U.S. dollars)*

<b>For the nine months ended September 30, 2012</b>	<b><u>MTS</u></b>	<b><u>Bashneft</u></b>	<b><u>SSTL</u></b>	<b><u>MTS Bank</u></b>	<b><u>RTI</u></b>	<b><u>Other</u></b>	<b><u>Corporate and other</u></b>	<b><u>Total</u></b>
Net sales to external customers <sup>(a)</sup>	9,257,441	12,617,609	231,029	479,099	961,008	1,240,341	29,824	24,816,351
Intersegment sales	10,626	9,002	-	22,061	347,034	20,925	23,496	433,144
Equity in results of affiliates	16,413	(40,557)	-	-	(5,459)	(1,576)	-	(31,179)
Net interest expense <sup>(b)</sup>	-	-	-	(10,682)	-	-	-	(10,682)
Depreciation, depletion and amortization	1,701,380	454,957	56,045	14,488	70,552	111,094	8,735	2,417,251
Operating income/(loss)	1,229,452	2,046,744	(488,725)	(17,138)	(8,252)	62,507	(59,255)	2,765,333
Interest income	71,217	135,013	5,465	-	5,767	77,427	112,853	407,742
Interest expense	424,826	264,455	134,702	-	53,537	82,061	120,866	1,080,447
Income tax expense/(benefit)	434,192	425,323	-	14,127	9,932	18,802	(36,995)	865,381
Segment assets	15,141,968	15,246,993	674,042	7,409,352	3,265,005	4,824,849	3,759,803	50,322,012
Indebtedness <sup>(c)</sup>	7,294,584	4,076,792	1,537,418	-	1,318,894	382,797	1,541,500	16,151,985
Capital expenditures <sup>(d)</sup>	1,814,570	650,338	35,500	24,016	85,259	159,742	11,651	2,781,076
<b>For the nine months ended September 30, 2011</b>	<b><u>MTS</u></b>	<b><u>Bashneft</u></b>	<b><u>SSTL</u></b>	<b><u>MTS Bank</u></b>	<b><u>RTI</u></b>	<b><u>Other</u></b>	<b><u>Corporate and other</u></b>	<b><u>Total</u></b>
Net sales to external customers <sup>(a)</sup>	9,332,526	12,465,234	186,210	391,096	831,370	1,373,728	23,144	24,603,308
Intersegment sales	4,427	864	-	18,913	495,855	21,541	25,331	566,931
Equity in results of affiliates	48,109	62,979	-	-	-	460	67,264	178,812
Net interest expense <sup>(b)</sup>	-	-	-	(28,720)	-	-	-	(28,720)
Depreciation, depletion and amortization	1,751,055	460,040	72,334	12,746	71,181	94,955	6,714	2,469,025
Operating income/(loss)	2,148,869	2,041,114	(364,874)	(44,617)	19,840	88,442	(96,183)	3,792,591
Interest income	40,249	52,897	27,679	-	10,839	43,122	83,008	257,794
Interest expense	489,566	413,399	115,943	-	63,061	37,030	244,635	1,363,634
Income tax expense/(benefit)	396,124	346,257	-	(8,117)	4,814	23,489	36,976	799,543
Segment assets	14,853,564	13,055,143	2,073,616	6,745,905	2,450,667	4,104,433	2,838,430	46,121,758
Indebtedness <sup>(c)</sup>	7,232,884	3,383,728	1,399,923	-	1,093,455	389,007	1,308,043	14,807,040
Capital expenditures <sup>(d)</sup>	1,510,512	556,667	145,061	16,091	84,776	211,161	5,835	2,530,103

- Interest income and expenses of the MTS Bank are presented as revenues from financial services and cost of financial services, correspondingly, in the Group's consolidated financial statements.
- Represents the net interest result of 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.
- Represents the sum of short-term and long-term debt.
- Represents purchases of property, plant and equipment and intangible assets.

## Attachment A

*Non-GAAP financial measures.* This press release includes financial information prepared in accordance with accounting principles generally accepted in the United States of America, or US GAAP, as well as other financial measures referred to as non-GAAP. The non-GAAP financial measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with US GAAP.

*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. OIBDA can be reconciled to our consolidated statements of operations as follows:

	3Q 2012	3Q 2011	2Q 2012
<b>Operating Income</b>	1,428.4	1,394.3	144.7
<b>Depreciation, depletion and amortisation</b>	788.8	806.4	797.9
Impairments and provisions with regard to MTS' operations in Uzbekistan	-	-	1,079.0
Impairment of long-lived assets in SSTL	213.3	-	-
<b>Adjusted OIBDA</b>	2,430.5	2,200.7	2,021.7
	3Q 2012	3Q 2011	2Q 2012
<b>Net Income attributable to Sistema</b>	532.2	319.0	(167.3)
Impairments and provisions with regard to MTS' operations in Uzbekistan	-	-	569.8
Impairment of long-lived assets in SSTL	121.0	-	-
<b>Net Income attributable to Sistema without one-offs</b>	653.2	319.0	402.5