



JOINT-STOCK FINANCIAL CORPORATION

**SISTEMA**

# **Sistema JSFC**

## **Financial Results**

### **2Q 2014**

**August 28, 2014**

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**President of Sistema JSFC**

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**Senior Vice President of Sistema JSFC, Chief Financial Officer**



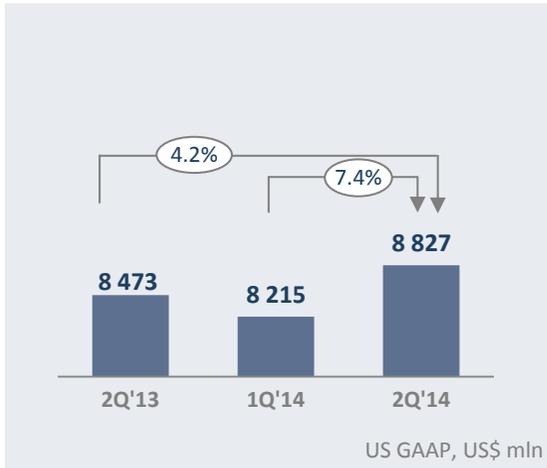
## Disclaimer

Certain statements in this presentation may contain assumptions or forecasts in respect to forthcoming events within JSFC Sistema. The words “expect”, “estimate”, “intend”, “will”, “could” and similar expressions identify forward-looking statements. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not intend to update these statements to reflect events and circumstances occurring after the above-mentioned date or to reflect the occurrence of unanticipated events. Many factors could cause Sistema’s actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, deteriorating economic and credit 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.

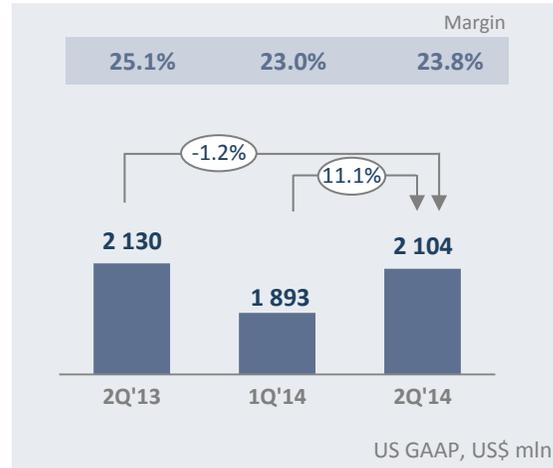


# Key Highlights

## REVENUE



## Adjusted OIBDA



## NET INCOME



- > Revenue in rouble terms grew by 15.3% YoY, revenue in US dollars increased by 4.2% YoY
- > Adjusted OIBDA in rouble terms increased by 9.4% YoY, but decreased by 1.2% YoY in US dollar terms to US\$ 2.1 bln with an adjusted OIBDA margin of 23.8%
- > Adjusted net income attributable to Sistema increased by 47.7% YoY and amounted to US\$ 509.6 mln
- > Corp Centre's net debt\* amounted to US\$ 828 mln as of June 30, 2014, with a cash position\* of US\$ 947 mln

**Sistema demonstrated a solid set of results - adjusted net income grew by 47.7% YoY to US\$ 510 mln**

\*Including highly liquid deposits and liquid financial investments

\*\*Financial measures for 2Q 2013 were adjusted to exclude a one-off item – a US\$ 346.1 mln gain recognised at MTS as a result of a settlement of all disputes which have arisen from the investment in



# Key Group and Portfolio Highlights

## Strong balance sheet...

- Increased YoY cash position to US\$ 947 mln as of June 30, 2014.
- US\$ c1.3 bln of dividends from subsidiaries received post reporting period.
- Improved credit ratings recognising Sistema's track record and progress on diversifying its cash generation base - Moody's upgraded Sistema to Ba2 (positive outlook), S&P upgraded Sistema to BB+ (stable outlook).

## Active asset management...

- Investment into domestic pulp&paper industry - acquisition of Segezha Pulp and Paper Mill and Derevoobrabotka-Proekt. Assets with clear turnaround and growth potential. Attractive valuation and up to 50% LBO funded. Deal closing expected in 3Q 2014.
- Pharmaceuticals partnership – expanding Binnopharm's local production and distribution facilities through a JV with Fresenius Kabi. Non-controlling stake with future liquidity options. Deal closing expected in 3Q 2014.
- Investment into e-commerce – acquisition of a 10.8% stake in OZON for US\$ 75 mln alongside a parallel investment from MTS. Fast growing sector with an attractive outlook.

## Solid portfolio performance...

- MTS and Bashneft delivering good growth - strong free operating cash flow and best growth rates in Russia at MTS. Sector leading production increase at Bashneft.
- Retail and healthcare assets maintaining rapid expansion - 7.1% margins in 2Q 2014 at Detsky mir setting it on track for >8% margins for 2014. Commenced construction of Medsi's clinical diagnostic centre at Krasnaya Presnya with launch in 2H 2015.

## Confident outlook for H2 2014...

- Macroeconomic environment proving more resilient to “headwinds” than headlines suggest.
- Strategy focused on long-term value-driven investment and creation of best-in-class Russian companies.
- Well placed to prudently reinvest cash in new domestic opportunities or existing businesses .

**With a strong balance sheet, we are well placed to continue creating best-in-class portfolio companies and actively manage our asset base**



## KEY HIGHLIGHTS

- > **Sistema's consolidated revenues increased by 4.2% YoY in US dollar terms and by 15.3% YoY in rouble terms** in 2Q 2014, largely as a result of increased oil refining volumes at Bashneft, higher prices for oil and oil products, and the acquisition of LLC Burneftegaz. The revenue increase was also driven by growing data services consumption at MTS and its expanding subscriber base. The Group's revenues were up 7.4% QoQ in US dollar terms in the reporting period.
- > **The Group's adjusted OIBDA decreased by 1.2% YoY in US dollar terms, but grew by 9.4% YoY in rouble terms**, mainly as a result of higher OIBDA at Bashneft. The Group's adjusted OIBDA was up 11.1% QoQ in US dollar terms in 2Q 2014.
- > **Adjusted consolidated net income attributable to Sistema grew by 47.7% YoY in US dollar terms and by 63.5% in rouble terms**, mainly due to increased net income at Bashneft and foreign exchange transactions gain. Adjusted consolidated net income attributable to Sistema was up 40.3% QoQ in US dollar terms.

US GAAP, US\$ mln

	2Q 2014	2Q 2013
<b>TOTAL REVENUE</b>	<b>8 827</b>	<b>8 473</b>
Cost of sales, exclusive of depreciation, depletion and amortisation shown separately below	(3 336)	(3 171)
Cost related to banking activities, exclusive of depreciation and amortisation shown separately below	(115)	(122)
Selling, general and administrative expenses	(1 009)	(1 049)
Depreciation, depletion and amortisation	(764)	(804)
Transportation costs	(240)	(239)
Taxes other than income tax	(1 923)	(1 721)
Equity in results of affiliates	17	35
Gain on Bitel case resolution	-	346
Other operating expenses, net	(117)	(80)
<b>OPERATING INCOME</b>	<b>1 341</b>	<b>1 668</b>
Interest income	84	71
Change in fair value of derivative instruments	-	(1)
Interest expense, net of amounts capitalised	(308)	(317)
Foreign currency transactions losses/income	120	(175)
Income tax expense	(358)	(305)
Income from discontinued operations, net of income tax effect	6	0
Non-controlling interest	(375)	(412)
<b>NET INCOME attributable to Sistema</b>	<b>510</b>	<b>529</b>

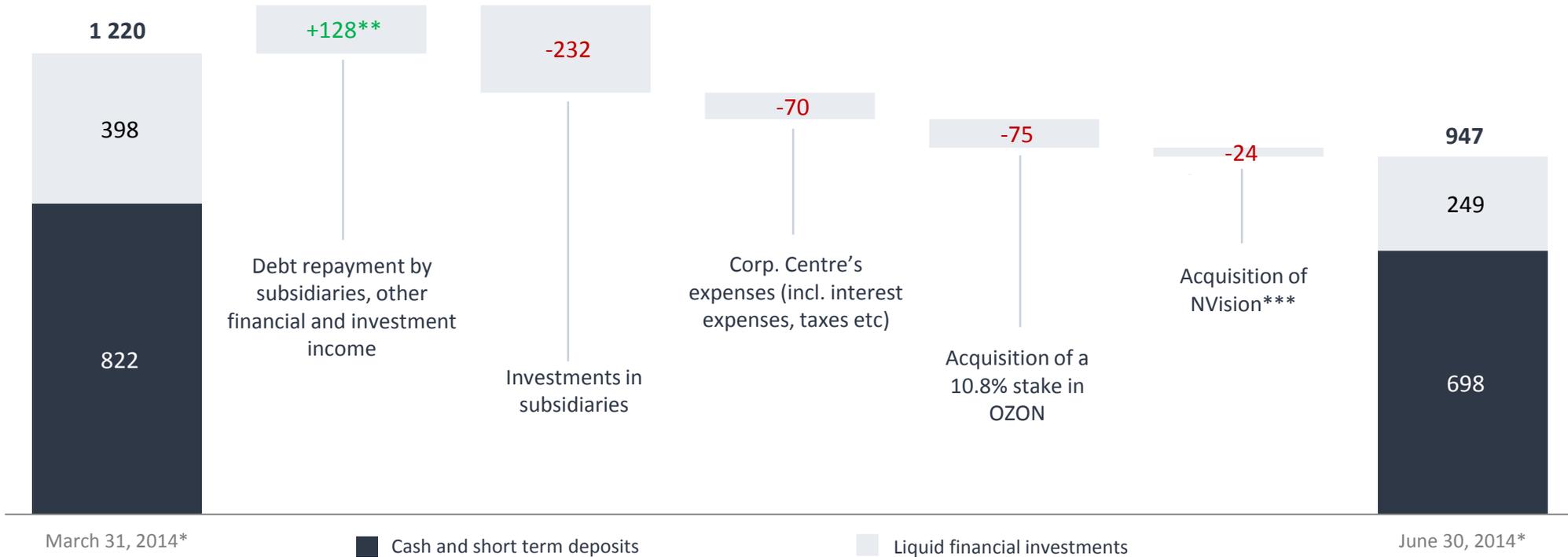
*Average exchange rate of US dollar to rouble grew by 0.1% QoQ and 10.7% YoY.*

**Sistema's revenues increased by 15.3% YoY and adjusted OIBDA grew by 9.4% YoY in rouble terms**



# Corporate Centre's Cash Flows

Management accounts, US\$ mln



- > In 2Q 2014, Sistema received cash inflow of US\$ 128 mln from investments in financial instruments and debt repayment by subsidiaries.
- > Total investments in subsidiaries amounted to US\$ 232 mln.
- > Corporate expenses amounted to US\$ 70 mln including taxes and interest expense.
- > After the end of the reporting period, in July 2014, Sistema received around US\$ 1,352 mln of dividends from subsidiaries (net of tax).

## Stable and strong cash position supports the Group's investment plans

\*Cash and cash equivalents, highly liquid deposits, liquid financial investments

\*\*This number includes positive effect from revaluation of foreign currencies

\*\*\* Sistema paid the last tranche for NVision shares (deal in February 2014)



# Group's CAPEX and SG&A

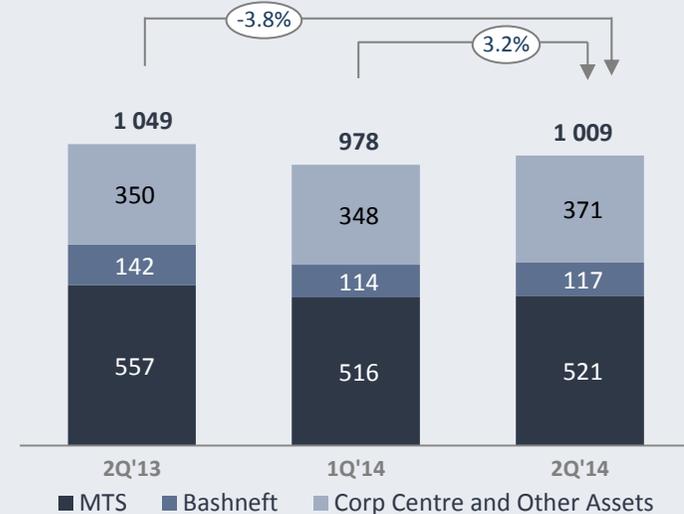
## GROUP'S CAPEX



- > Capital expenditures increased by 21.8% YoY mostly due to a rise in MTS and Bashneft expenses. Big part of MTS' expenses are investments in the GPON project in Moscow, LTE network construction and 3G network modernisation across Russia. Bashneft's expenses increased due to investments in the Trebs and Titov oil fields.
- > Targin (BNSA), BPGC and Medsi also intensively invested in business development in 2Q 2014.

## GROUP'S SG&A EXPENSES\*

US GAAP, US\$ mln



- > Group's SG&A expenses fell by 3.8% YoY.
- > Corp Centre's SG&A amounted to US\$ 68.4 mln in 2Q 2014 and includes a non-cash share award for Sistema's senior management.

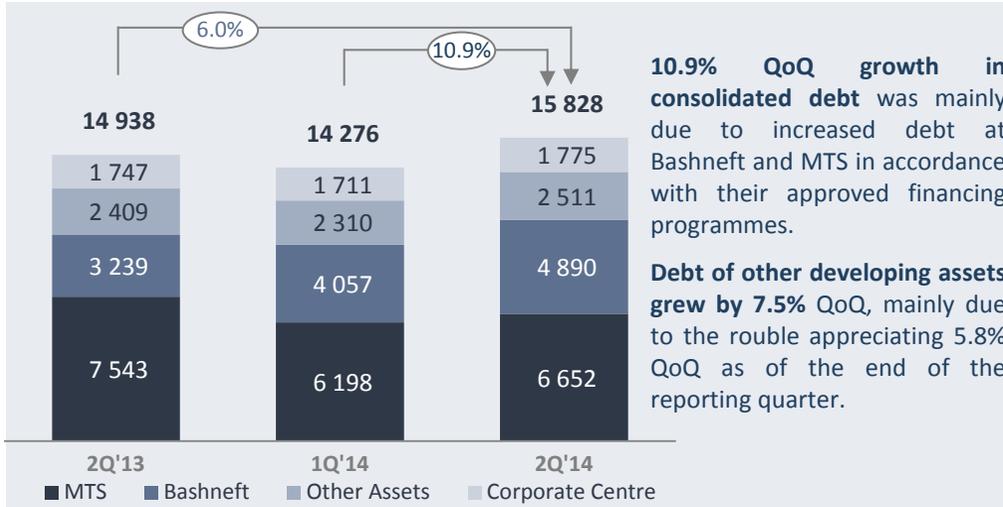
**SG&A expenses fell by 3.8% YoY, Sistema's companies are actively investing in development**

\* Total Group SG&A amount presented after intercompany eliminations



# Consolidated Debt

TOTAL DEBT BY SEGMENT

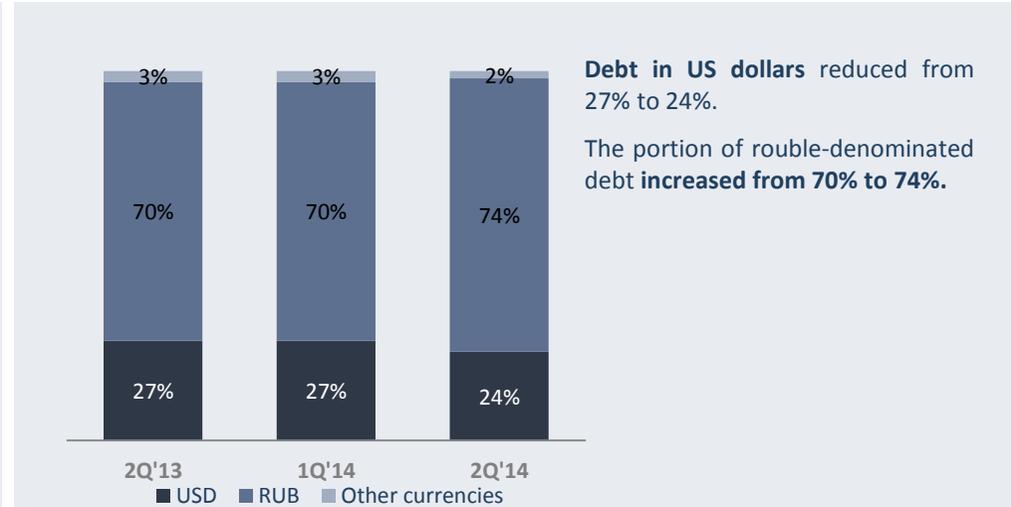


**10.9% QoQ growth in consolidated debt** was mainly due to increased debt at Bashneft and MTS in accordance with their approved financing programmes.

**Debt of other developing assets grew by 7.5% QoQ**, mainly due to the rouble appreciating 5.8% QoQ as of the end of the reporting quarter.

DEBT CURRENCY PROFILE\*

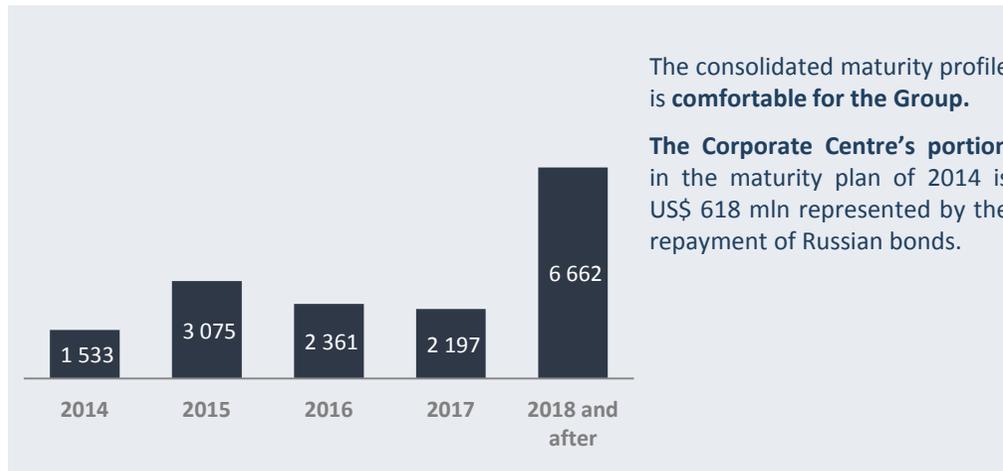
US GAAP, US\$ mln



**Debt in US dollars** reduced from 27% to 24%.

The portion of rouble-denominated debt **increased from 70% to 74%**.

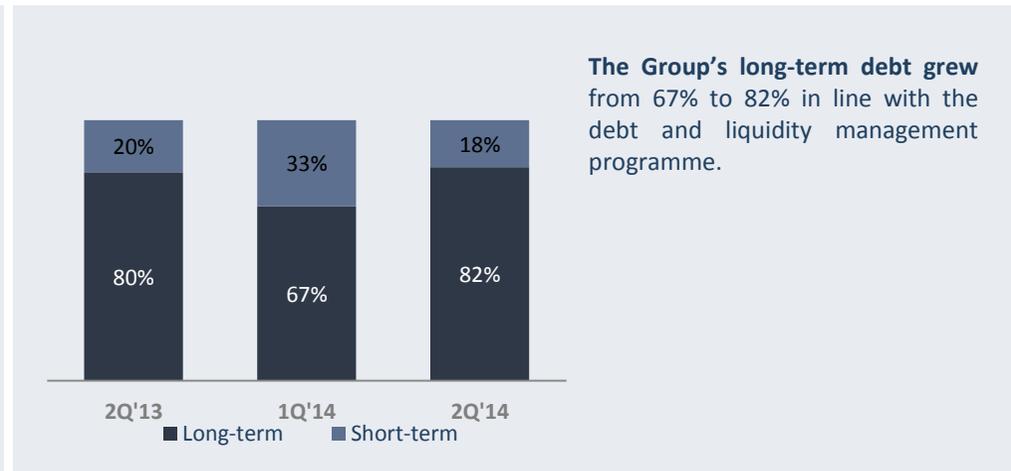
DEBT MATURITY PROFILE\*



The consolidated maturity profile is **comfortable for the Group**.

**The Corporate Centre's portion** in the maturity plan of 2014 is US\$ 618 mln represented by the repayment of Russian bonds.

LONG-TERM VS SHORT-TERM DEBT\*



**The Group's long-term debt** grew from 67% to 82% in line with the debt and liquidity management programme.

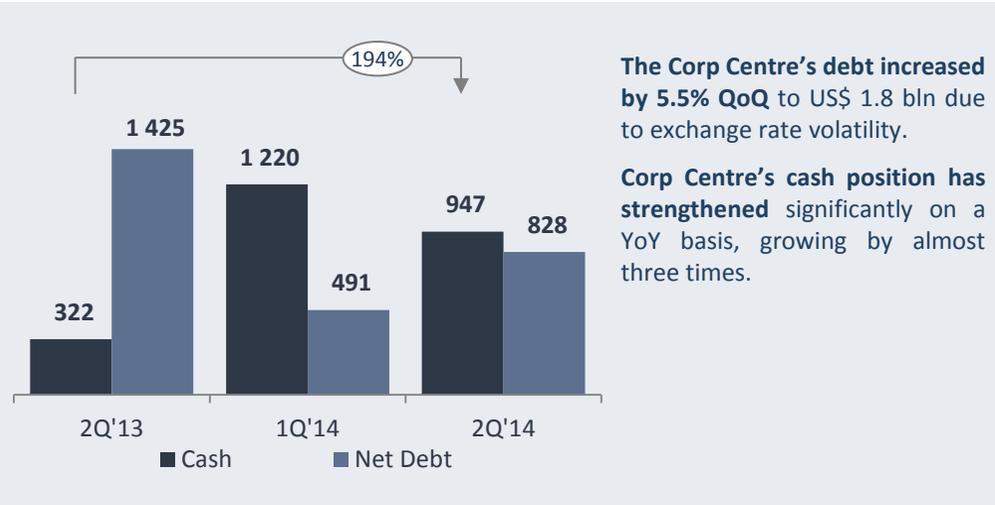
**The rating agencies Moody's and S&P upgraded Sistema's ratings to Ba2 and BB+, respectively**

\*Source: management accounts



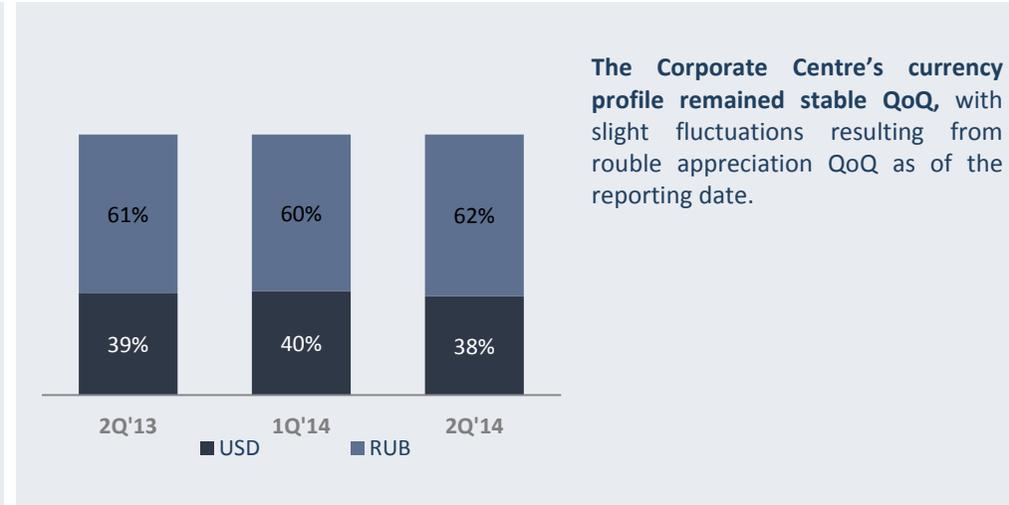
# Corporate Centre's Debt\*

### HOLD CO LEVEL CASH POSITION\*\*

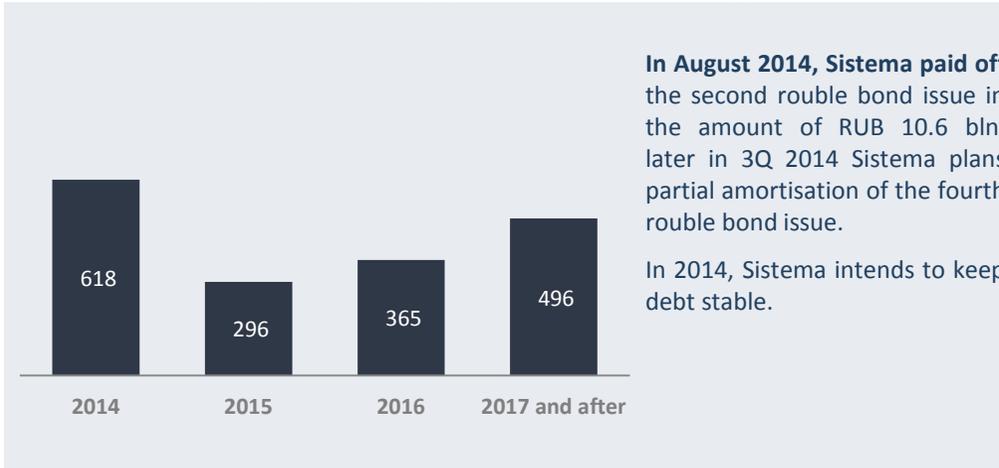


### HOLD CO LEVEL DEBT CURRENCY PROFILE

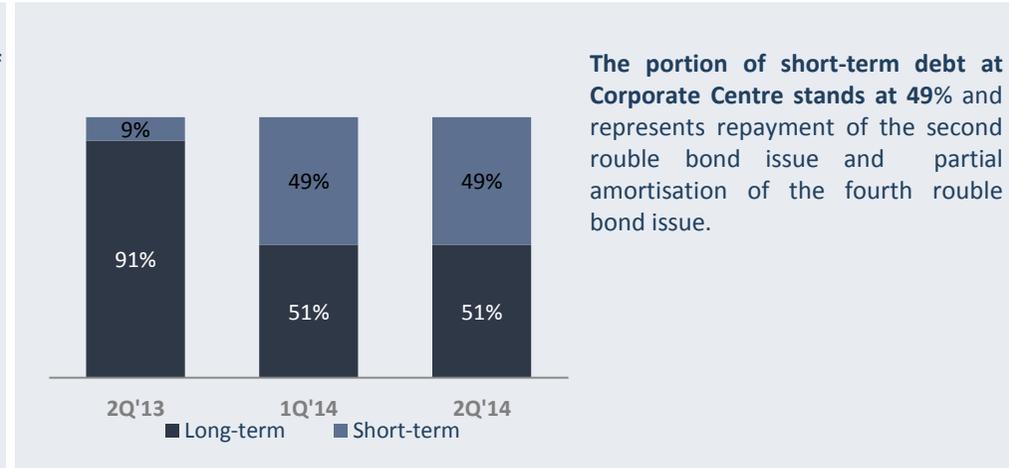
US\$ mln



### HOLD CO LEVEL DEBT MATURITY PROFILE



### HOLD CO LEVEL LONG-TERM VS SHORT-TERM DEBT



**Sistema's net debt decreased by 41.9% YoY, and its cash position grew by 194% YoY**

\*Source: management accounts

\*\*Including highly liquid deposits and liquid financial investments



## Attachments

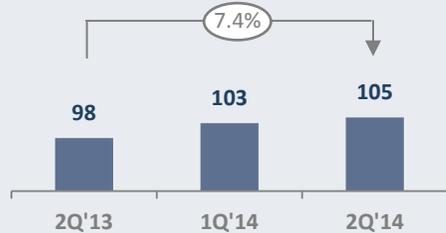


# Assets Overview [1]

## MTS

US\$ mln	2Q'14	1Q'14	2Q'13	YoY	QoQ
Revenue	2 825	2 791	3 082	-8.4%	1.2%
Adj OIBDA*	1 246	1 202	1 402	-11.1%	3.7%
Adj OIBDA margin	44.1%	43.1%	45.5%	n/a	n/a
Adj net income**	320	199	244	31.2%	60.5%
Debt	6 652	6 198	7 543	-11.8%	7.3%

### Mobile subscribers (mln)



> MTS reported an 8.4% YoY revenue decrease in 2Q 2014 due to 10.7% depreciation of the average rouble exchange rate vs. the US dollar. The operator's revenues were up 1.2% QoQ reflecting seasonality factors. MTS' revenues in rouble terms grew by 1.5% YoY as a result of continued growth in data services revenue and the number of subscribers in MTS' key operating regions. The company's revenue growth was also partially offset by a devaluation of the Ukrainian hryvnia, which also led to an 11.1% YoY decrease in OIBDA in US dollar terms and a 1.6% YoY decline in rouble terms.

> MTS' mobile subscriber base (excl Belarus) grew by 7.4% YoY to 104.7 mln customers as of June 30, 2014. ARPU of the mobile business in Russia increased by 0.7% YoY to RUB 308, as a result of higher penetration of smartphones and tablets. MOU increased by 3.0% YoY to 342 minutes. In the fixed broadband business, the number of households passed increased by 2.7% YoY to 12.4 mln, while its subscriber base decreased by 7.0% YoY to 7.3 mln due to the ongoing transfer of subscribers to digital television. Fixed-line ARPU grew by 7.8% YoY to RUB 330 in the reporting quarter.

## Bashneft

US\$ mln	2Q'14	1Q'14	2Q'13	YoY	QoQ
Revenue	4 663	4 195	4 269	9.2%	11.1%
OIBDA	788	693	725	8.6%	13.6%
OIBDA margin	16.9%	16.5%	17.0%	n/a	n/a
Net income	335	302	334	0.3%	11.0%
Debt	4 890	4 057	3 239	51.0%	20.5%

### Production and refining (ktonnes)



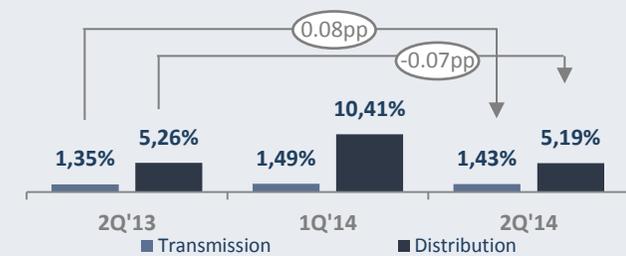
> Bashneft's revenues increased by 9.2% YoY and by 11.1% QoQ following growing oil refining volumes and increased export and domestic prices for oil and oil products, as well as the acquisition of Burneftegaz, a company conducting exploration and producing oil in the Tyumen District. Bashneft's OIBDA was up 8.6% YoY and by 13.6% QoQ, reflecting revenue growth.

> In 2Q 2014, Bashneft's oil production increased by 11.5% YoY to 4.4 mln tonnes, including 184,700 tonnes and 165,000 tonnes produced at the Trebs and Titov fields and by Burneftegaz respectively, while mature fields in Bashkortostan added 4.0 mln tonnes. The company reported an 8.4% YoY increase in sales of oil and oil products, which totalled 6.8 mln tonnes, with exports amounting to 1.3 mln tonnes of crude oil and 2.3 mln tonnes of oil and petrochemical products. Refining volumes were up 3.7% YoY to 5.5 mln tonnes of crude oil. In the reporting quarter, the average refining depth increased to 86.6% and light-product yield grew to 62.3%.

## BPGC

US\$ mln	2Q'14	1Q'14	2Q'13	YoY	QoQ
Revenue	90	108	92	-2.2%	-16.9%
OIBDA	35	45	28	27.0%	-21.5%
OIBDA margin	39.1%	41.4%	30.1%	n/a	n/a
Net income	18	21	15	22.5%	-15.2%

### Losses on distribution and transmission grids



> BPGC's revenues were down 2.2% YoY in US dollar terms, and grew by 8.3% YoY in rouble terms, mainly due to organic consumption growth, as well as a 10% rise in regional tariffs effective from July 1, 2013. A QoQ revenue decrease reflects a seasonal decline in consumption. BPGC's OIBDA grew by 17.9% YoY largely as a result of increased revenues and gains from the disposal of non-core assets.

> The volume of electricity transmitted through distribution grids increased by 3.3% YoY reflecting organic consumption growth. Distribution grid losses decreased by 0.07 p.p. YoY to 5.19% as a result of implementing a power metering system and monitoring off-the-meter usage. The effective transmission grid output was up 6.7% YoY.

> In 2Q 2014, BPGC's Board of Directors approved a RUB 3.5 bln project to reconstruct grids in Ufa using Smart Grid technology between 2014 and 2019.

\*Financial measures for 2Q 2013 were adjusted to exclude a one-off item – a US\$ 346.1 mln gain recognised as a result of a settlement of all disputes which have arisen from the investment in Bitel LLC.

\*\*Here and thereafter net income is presented in Sistema's share.



# Assets Overview [2]

## SSTL

US\$ mln	2Q'14	1Q'14	2Q'13	YoY	QoQ
Revenue	56	52	52	7.8%	8.3%
OIBDA	-23	-16	-39	n/a	n/a
Net loss	-29	-25	-83	n/a	n/a
Debt	601	602	701	-14.3%	-0.2%

### Subscriber base (mln)

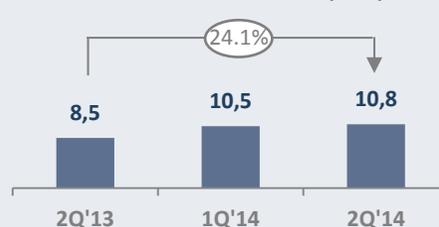


- > SSTL's revenues grew by 7.8% YoY and 8.3% QoQ in the reporting quarter, reflecting an increase in data services usage. The company narrowed its OIBDA loss YoY as a result of the ongoing cost optimisation programme.
- > As of June 30, 2014, SSTL's total wireless (voice and data) subscriber base expanded by 1.4% QoQ to 9.2 mln customers as a result of an increase in data services subscribers. In 2Q 2014, subscribers' MOU increased by 0.5% QoQ to 416 minutes.
- > Blended mobile ARPU in rupees grew by 7.7% QoQ to an equivalent of US\$ 1.92. Non-voice revenues from both data and VAS accounted for 38.6% of the company's total revenues in the reporting quarter.

## SMM\*

US\$ mln	2Q'14	1Q'14	2Q'13	YoY	QoQ
Revenue	18	25	23	-22.4%	-28.0%
OIBDA	4	7	5	-15.7%	-46.7%
OIBDA margin	22.0%	29.6%	20.2%	n/a	n/a
Net loss	-0.3	-1	-2	n/a	n/a
Debt	21	22	26	-17.8%	-2.0%

### STREAM's subscribers (mln)



- > SMM's revenues fell by 22.4% YoY and by 28.0% QoQ, as a result of rescheduling deadlines for WRS' TV series, along with the impact the events in Ukraine has had on the operations of WRS and Maxima Advertising Agency. SMM's OIBDA also decreased YoY and QoQ following a decline in revenues.
- > In 2Q 2014, the Stream-TV subscriber base grew by 24.1% YoY reaching 10.8 mln subscribers as a result of growth in the penetration of large operators' networks. The WRS content library was up 10.6% YoY to 1,787 hours as of June 30, 2014.
- > In 2Q 2014, Maxima started a partnership with Posterscope Russia communications agency. United Russian Studios (URS) launched a filmmaking project commissioned by the "Russia" channel.

## Detsky mir

US\$ mln	2Q'14	1Q'14	2Q'13	YoY	QoQ
Revenue	256	261	238	7.5%	-1.9%
OIBDA	18	2	10	81.0%	851.0%
OIBDA margin	7.1%	1.0%	4.2%	n/a	n/a
Net income/loss	3	-12	1	286.5%	n/a
Debt	247	243	83	198.4%	1.9%

### Retail space (thousand sq m) and stores



- > Detsky mir's revenues increased by 7.5% YoY in US dollar terms and by 19.0% YoY in rouble terms, reflecting like-for-like sales growth of 12.0%. The slight QoQ decrease in revenue resulted from seasonal factors. The company's OIBDA grew by 81.0% YoY as a result of optimising personnel and rent expenses. Detsky mir's SG&A expenses declined as a percentage of revenue to 30.0% in 2Q 2014, compared to 32.0% in 2Q 2013. The company's like-for-like average ticket increased by 3.8% YoY in rouble terms, while the like-for-like number of purchases was up 8.0% YoY. Detsky mir's own label products accounted for 21% of total sales in 2Q 2014.
- > Debt increased YoY due to Detsky mir's repurchasing its 25%+1 share from Sberbank in July 2013.
- > In 2Q 2014, Detsky mir opened six new Detsky mir stores and two ELC stores, increasing the size of the company's retail network to 265 stores, with the aggregate retail space expanding by 11.9% YoY to 328,000 sq.m. as of June 30, 2014.

\* Stream CJSC is owned by Sistema (55%) and MTS (45%). For the reporting purposes, the financial results of Stream CJSC were allocated to SMM segment.

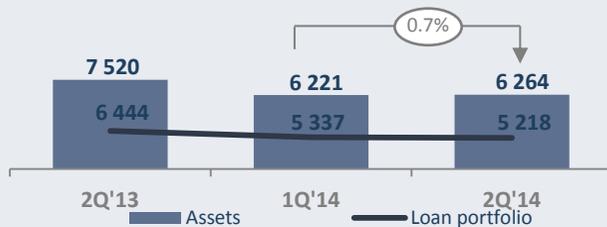


# Assets Overview [3]

## MTS Bank MTS Bank

US\$ mln	2Q'14	1Q'14	2Q'13	YoY	QoQ
Revenue	208	193	203	2.5%	7.8%
Net loss	-6	-15	-14	n/a	n/a
Interest income	182	173	171	6.7%	5.6%
Commission income	29	30	36	-18.8%	-3.7%

### Assets and loan portfolio, US\$ mln

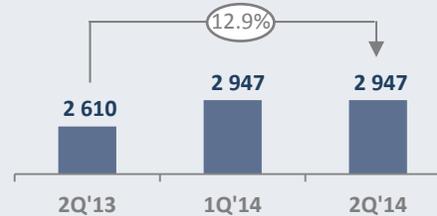


- > The interest income increased by 6.7% YoY and by 5.6% QoQ to US\$ 182.0 mln.
- > In the reporting quarter, MTS Bank's gross loan portfolio was largely stable QoQ.
- > In June, MTS Bank redeemed its 5th series bonds to the amount of RUB 2.4 bln, coupon rate 9.75%.
- > In June, MTS Bank securitized its mortgage portfolio to the amount of RUB 3.9 bln.
- > Based on Internet Banking Rank 2014 (an annual review of Russian retail Internet banks), in April the analytical agency Markswestb Rank & Report assigned a "BBB+" rating to the Internet Bank system of MTS Bank.

## Intourist

US\$ mln	2Q'14	1Q'14	2Q'13	YoY	QoQ
Revenue	21	17	24	-13.8%	23.1%
OIBDA	4	-2	5	-27.7%	n/a
OIBDA margin	18.0%	n/a	21.5%	n/a	n/a
Net income/loss	-0.1	-4	0.3	n/a	n/a
Debt	70	68	75	-7.6%	2.4%

### Rooms owned, rented and managed



- > In 2Q 2014, Intourist's revenues increased by 23.1% QoQ primarily driven by increased seasonal demand for the company's hotels abroad.
- > The company's revenues declined by 13.8% YoY in US dollar terms and by 4.5% YoY in rouble terms. This was largely a result of a sharp decline in the number of tourists from Russia and Ukraine due to the rouble weakening against foreign currencies, as well as a decrease in inbound tourism in Russia. Intourist's OIBDA fell by 27.7% YoY.
- > As of June 30, 2014, Intourist owned, managed and rented 2,947 rooms.

## MEDSI

US\$ mln	2Q'14	1Q'14	2Q'13	YoY	QoQ
Revenue	70	71	72	-3.0%	-1.7%
OIBDA	9	12	5	71.1%	-26.7%
OIBDA margin	12.6%	16.9%	7.2%	n/a	n/a
Net income/loss	4	8	-0.3	n/a	-46.4%
Debt	79	67	72	9.9%	17.6%

### Services and patient visits, thousands



- > Medsi's revenues decreased by 3.0% YoY in US dollar terms, but were up 7.3% YoY in rouble terms following the growth in average bill and increased sales of more expensive and complex services. A 1.7% QoQ revenue decrease was mainly due to US dollar appreciation. OIBDA grew by 71.1% YoY in the reporting quarter, with the OIBDA margin expanding to 12.6% as a result of continuing cost optimisation.
- > The number of patient visits remained at the same level as 2Q 2013, while the number of services provided slightly decreased by 1.3% YoY. The average bill was up 6.6% YoY in roubles and totalled RUB 1,620.
- > As of June 30, 2014, Medsi's network consisted of 25 medical clinics, a clinical and diagnostic centre, 3 hospitals, an ambulance service, 3 wellness centres and 3 sanatoriums.
- > In 2Q 2014, Medsi continued implementing its investments projects, including the construction of a new consultation and diagnostic clinic, and purchases of new equipment.



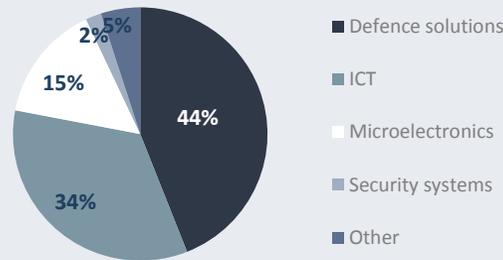
# Assets Overview [4]

## RTI

RTI consolidates OJSC Concern RTI Systems, Mikron group of companies, CJSC NVision Group and is comprised of 4 principal business units ("BU") – Defence Solutions BU, Comprehensive Security Systems BU, Microelectronics Solutions BU and Information and Communication Technology (ICT) BU.

US\$ mln	2Q'14	1Q'14	2Q'13	YoY	QoQ
Revenue	411	344	445	-7.5%	19.6%
Adj OIBDA*	18	-1	22		n/a
Adj OIBDA margin	4.5%	n/a	5.0%	n/a	n/a
Adj net loss	-43	-35	-30	n/a	n/a
Debt	1 324	1 182	1 441	-8.1%	12.0%

### Revenue by business segments



- > RTI generated QoQ revenue growth of 19.6% in 2Q 2014. The company's revenues declined, however, by 7.5% YoY in US dollar terms, but grew by 2.4% year-on-year in rouble terms mainly due to increased sales in Defence Solutions BU. Defence Solutions BU demonstrated growth by 12.4% in US dollars and by 24.8% in rouble terms YoY, the segment's revenues were up 16.9% YoY in US dollars and 17.1% YoY in rouble terms QoQ.
- > In 2Q 2014, RTI reported significant QoQ adjusted OIBDA growth, adjusted OIBDA decreased YoY mainly on the back of lower revenues in US dollar terms.
- > RTI's debt increased by 12.0% QoQ due to growing liabilities under the credit scheme of the state defence order, as well as rouble appreciation vs US dollar as of the end of the reporting period. The share of debt on the state defence order was 46.4% of the total debt.
- > In June 2014, RTI started exploratory research and development of key technologies to create a range of its own air drone systems.
- > As a result of converting RUSNANO's 37.67% stake in Sitronics-Nano LLC into additional shares in Mikron in May 2014, RUSNANO obtained a 25.1% stake in RTI's subsidiary Mikron.
- > In May 2014, Mikron became a partner of the Silicon Trust international marketing programme, which comprises more than 20 companies, including the world's microelectronics industry leaders such as Gemalto, Giesecke & Devrient and Infineon Technologies.

## Binnopharm



US\$ mln	2Q'14	1Q'14	2Q'13	YoY	QoQ
Revenue	22	15	28	-22.0%	43.8%
OIBDA	6	3	8	-18.8%	97.0%
OIBDA margin	28.7%	20.9%	27.5%	n/a	n/a
Net income	2	1	7	-62.9%	189.8%
Debt	26	24	29	-7.9%	9.5%

### Personnel efficiency



- > In 2Q 2014, Binnopharm's revenues grew by 43.8% QoQ largely as a result of increased sales of its own products and the active development of its distribution segment.
- > The rise in production revenue was attributable to a two-fold increase in sales of the Company's main product, the Regevak vaccine. A 22.0% YoY revenue decline resulted from a decrease in public procurement in 2014.
- > Binnopharm's OIBDA nearly doubled QoQ in the reporting period with its OIBDA margin reaching 28.7%, following revenue growth and higher return on sales.

\* Financial measures for 2Q 2014 were adjusted to exclude a one-off item –gain from the sale of non-core assets.

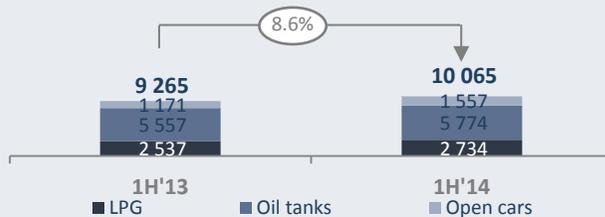


# New Assets Overview [5]

## SG trans\*

US\$ mln	1H'14	1H'13	YoY
Revenue	293	312	-6.0%
OIBDA	81	72	12.6%
OIBDA margin	28%	23%	n/a
Net income	8	16	-43.8%
Debt	657	775	-15.2%

### Transportation volumes, ktonnes



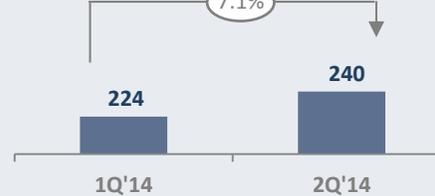
> SG-trans' revenues were down YoY in US dollar terms, but grew by 6.0% in rouble terms due to increased sales under the long-term contracts and several newly concluded agreements. This top-line growth was made possible by the expansion of the rented fleet. This decision was taken on the basis of a significant decline in spot rates for all types of rolling stock, which made this a financially attractive strategy. The share of rented-in railcars in the Company's operated fleet rose from 12% at the end of 2013 to 27% at the end of 1H 2014.

> OIBDA grew significantly in US dollar and rouble terms. OIBDA margin increased from 23% to 28% YoY as a result of the balanced approach to managing rented-in and owned railcars during the reporting period.

## UPC

US\$ mln	1H'14	2% of revenues generated from Bashneft (intergroup revenues)
Revenue	421	
OIBDA	36	
OIBDA margin	8.6%	
Net income	14	
Debt	33	

### Feedstock processing, ktonnes



> UPC processed 464k tonnes of feedstock and increased capacity utilisation in 1H 2014. A favourable market environment and growing prices for petrochemical products contributed to the business growth – UPC demonstrated net income of US\$ 14 mln for 1H 2014.

> In 2014, UPC borrowed funds to finance Ufaorgsintez' minority buyout. In June, UPC completed the consolidation of 100% of Ufaorgsintez ordinary shares.

> Signed cooperation agreement with the Republic of Bashkortostan to support future projects. The PTA/PET project was included in a priority list of projects, in the future it can allow the company to receive tax benefits.

> The PTA/PET project: the JV with Alpek (RusPET) signed a licence agreement for PTA and PET technologies.

## Targin (BNSA)

US\$ mln	1H'14	77% of revenues generated from Bashneft (intergroup revenues)
Revenue	313	
OIBDA	38	
OIBDA margin	12.1%	
Net income	24	
Debt	58	

### Drilling segment performance



> Targin demonstrated net income of US\$ 24 mln.

> Prepared investment and strategic programmes aimed at improving operating efficiency in each segment, total CAPEX for 2014 is planned at US\$ c176 mln. Around 40% of CAPEX represent investments in new equipment and projects.

> At the end of 1H 2014, Targin bought 3 new drilling rigs (each of 320 tonnes) and 5 transportable drilling rigs.

> Targin plans to merge transportation, mechanical services and workover segments through the second half of 2014 to optimise business structure and costs.

\* Sistema owns 50% of SG-trans Group. SG trans results are not consolidated in Sistema's financial results. Financial accounts for SG-trans aggregate the unaudited management accounts of three companies: SG-trans OJSC, Financial Alliance LLC and Bashneft-Trans LLC. Financial figures are shown on an aggregated pro forma basis for 1H 2013 and 1H 2014, excluding intra-group turnover and balances between companies.



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