



FOR IMMEDIATE RELEASE

SISTEMA ANNOUNCES FINANCIAL RESULTS FOR THE FIRST QUARTER 2016

Moscow, Russia – 2 June 2016 – Sistema JSFC (“Sistema” or the “Company”, together with its subsidiaries, “the Group”) (LSE: SSA, MOEX: AFKS), a publicly-traded diversified holding company operating primarily in Russia and the CIS, today announces its unaudited consolidated financial results in accordance with International Financial Reporting Standards (IFRS) for the first quarter ended 31 March 2016.

STRONG OPERATIONAL AND STRATEGIC PROGRESS

- Strong performance by MTS, outpacing peers in terms of revenue growth
- Detsky Mir and Segezha Group remain key growth drivers for Sistema
- Continued expansion of the agriculture business, with land bank almost doubled
- New progressive dividend policy to support attractive shareholder returns

SOLID FIRST QUARTER 2016 FINANCIAL RESULTS

- Consolidated revenues grew by 3.3% YoY to RUB 173.3 billion
- Adjusted OIBDA¹ stable YoY at RUB 44.3 billion, with an adjusted OIBDA margin of 25.5%
- Adjusted net income attributable to the Group of RUB 2.5 billion versus adjusted net loss in the same period last year
- Net debt² at the Corporate Centre level of RUB 76.8 billion as at 31 March 2016
- As of 31 March 2016, cash position³ at the Corporate Centre level of RUB 33.8 billion, excluding RUB 12.9 billion represented by deposits

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

“Sistema’s strong financial results in the first quarter of 2016 reflect our ongoing effort to develop the Group’s assets into market-leading companies with clear strategies, resilient business models and strong cash generating capabilities.”

“MTS again outperformed its peers in the first quarter, delivering strong top-line growth and healthy margins in a highly competitive environment and proving the strength of its strategy. Children’s goods retailer Detsky Mir and pulp-and-paper holding Segezha Group delivered the fastest year-on-year growth within the portfolio, remaining our key growth drivers. Detsky Mir increased revenues by more than 35%, while continuing to add new stores and expand its market share. Segezha boosted revenues nearly 40% driven by both organic growth and the acquisition of Lesosibirsk LDK No. 1, which represents a very strong and promising addition to Segezha’s business.”

“Our Indian telecommunications subsidiary, SSSL, broke even on the OIBDA level in the quarter, a solid result as we work toward closing the transaction to merge the company’s business with Reliance Communications, one of the leading telecom operators in India.”

“In the second quarter of 2016, we maintained strong investment momentum in agriculture with the acquisition of approximately 110 thousand hectares of land in the Rostov region and Stavropol Krai, which almost doubles our land bank, and puts us well on track to building out Russia’s leading agricultural holding.”

“While we keep strong focus on increasing our asset value and cash generation, our priorities for 2016 will be optimisation of leverage and increasing shareholder distributions. In April, Sistema’s Board of Directors approved a new progressive dividend policy which states that the dividend for each reporting year will be, at a minimum, the higher of either an amount equivalent to a dividend yield of 4% or RUB 0.67 per share.”

We believe that this new policy will help us to maximise shareholder value as we continue to deliver on our strategy.”

¹ See Attachment A for definitions and reconciliation of adjusted OIBDA to IFRS financial measures.

² Including highly liquid deposits and liquid financial investments, based on management accounts. See Attachment A for reconciliation to IFRS financial measures.

³ Including highly liquid deposits and liquid financial investments, based on management accounts. See Attachment A for reconciliation to IFRS financial measures.

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 2016 results.

The dial-in numbers for the conference call are:

Russia

+7 495 213 0977

8 800 500 9311 (toll free)

United Kingdom

+44 20 3427 1906

0800 279 5736 (toll free)

United States

+1 646 254 3360

+1 877 280 1254 (toll free)

Conference ID: 1033434

Alternatively, you can quote the conference call title: "Sistema First Quarter 2016 Financial Results".

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

For further information, please visit www.sistema.com or contact:

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FINANCIAL SUMMARY AND GROUP OPERATING REVIEW

<i>(RUB millions)</i>	1Q 2016	1Q 2015	Change	4Q 2015	Change
Revenues	173,320	167,708	3.3%	192,726	(10.1%)
Adjusted OIBDA	44,273	44,297	(0.1%)	35,612	24.3%
Operating income	19,910	18,283	8.9%	1,216	1,537.2%
<i>Adjusted operating income</i>	19,910	19,981	(0.4%)	11,993	66.0%
Net income/(loss) attributable to Sistema	2,486	31,518	(92.1%)	(13,580)	-
<i>Adjusted net income/(loss) attributable to Sistema</i>	2,486	(2,651)	-	(9,537)	-

Sistema's consolidated revenues increased by 3.3% year-on-year in the first quarter of 2016, reflecting strong growth of handset sales and data revenues at MTS, continued expansion of Detsky Mir in the Russian market and robust revenue growth at Segezha Group driven by increased production and consolidation of Lesosibirsk LDK No. 1.

The quarter-on-quarter decrease in Group revenues was mainly driven by seasonal factors at portfolio companies, most notably MTS, Detsky Mir and RTI.

Group selling, general and administrative expenses (SG&A) increased by 8.6% year-on-year to RUB 37.4 billion, reflecting consolidation of new assets and a continued focus on cost discipline across key subsidiaries. The SGA /Revenues ratio improved year-on-year at MTS (20.3% vs 20.7% in the first quarter of 2015), Detsky Mir (28.4% vs 30.1%) and Medsi (17.8% vs 23.7%). SG&A at the Corporate Centre increased at a below inflation rate of 7.3% year-on-year and decreased by 68.7% quarter-on-quarter to RUB 1.7 billion. Depreciation and amortisation expenses increased by 0.2% year-on-year and by 3.1% quarter-on-quarter to RUB 24.4 billion.

In the reporting quarter, Group adjusted OIBDA was flat year-on-year and increased by 24.3% quarter-on-quarter to RUB 44.3 billion. All major consolidated assets were profitable on the OIBDA level despite the seasonally weak first quarter, while SSTL and MTS Bank demonstrated significant year-on-year OIBDA improvements. The Group's adjusted OIBDA margin was 25.5% in the reporting quarter, compared to 26.4% in the corresponding period of 2015 and 18.5% in the fourth quarter of 2015.

Adjusted net income attributable to Sistema improved to RUB 2.5 billion in the first quarter of 2016, as compared to an adjusted net loss of RUB 2.7 billion in the first quarter last year, mainly due to the foreign exchange gains.

The year-on-year decline in the Group's net income was due to a gain of RUB 35.0 billion recognised in the first quarter of 2015 as a result of the Ural Invest settlement.

OPERATING REVIEW⁴

MTS

<i>(RUB millions)</i>	1Q 2016	1Q 2015	Change	4Q 2015	Change
Revenues	108,090	100,182	7.9%	113,326	(4.6%)
Adjusted OIBDA ⁵	40,475	41,304	(2.0%)	41,505	(2.5%)
Operating income	20,226	19,158	5.6%	16,886	19.8%
Net income attributable to Sistema	7,756	5,821	33.3%	3,815	103.3%

MTS's revenues grew by 7.9% year-on-year in the first quarter, due to a 71% increase in handset and accessory sales, as well as higher data services consumption and growth of the active subscriber base.

Adjusted OIBDA was substantially stable year-on-year at RUB 40.5 billion despite higher sales volumes of lower-margin handsets and increased investment in growing the retail network amid stiffer competition in the Russian mobile telecoms market.

Net income rose by 33.3%, in particular as a result of a non-cash foreign exchange gain.

MTS's active subscriber base increased by 3.8% year-on-year and 0.4% quarter-on-quarter to 108.3 million as of 31 March 2016.

Significant events after the end of the reporting period

In April 2016, MTS's Board of Directors set a dividend policy for 2016-2018 that implies a target payout of RUB 25.0-26.0 per ordinary share, with a minimum payout of RUB 20.0 per ordinary share. The Board also instructed management to propose a share buyback programme and to allocate up to RUB 30 billion for this purpose over three years.

Detsky Mir

<i>(RUB millions)</i>	1Q 2016	1Q 2015	Change	4Q 2015	Change
Revenues	16,414	12,152	35.1%	20,578	(20.2%)
Adjusted OIBDA	806	689	16.9%	3,245	(75.2%)
Operating income	435	507	(14.1%)	1,503	(71.1%)
Net income attributable to Sistema	76	24	216.5%	319	(76.0%)

Detsky Mir's revenues increased by 35.1% year-on-year in the quarter, driven by a 13.1% rise in like-for-like sales and increased traffic at existing stores.

Detsky Mir's adjusted OIBDA increased 16.9% year-on-year as the company implemented a competitive pricing policy aimed at increasing its market share in Russia. SG&A as a percentage of revenues continued to decline (down 1.7 percentage points year-on-year) as costs remained strictly controlled, including through increased automation of business processes, headcount optimisation and the reduction of leasing rates for retail facilities.

During the first quarter, Detsky Mir opened four new stores, bringing the total number of stores to 428. The company plans to open at least 50 new stores in 2016.

Segezha Group

<i>(RUB millions)</i>	1Q 2016	1Q 2015	Change	4Q 2015	Change
Revenues	11,377	8,138	39.8%	8,651	31.5%
OIBDA	2,407	2,231	7.8%	1,525	57.8%
Operating income	1,740	1,563	11.3%	1,171	48.6%
Net income attributable to Sistema	1,005	715	40.6%	1,189	(15.4%)

Segezha's robust revenue growth of 39.8% year-on-year was driven by increased sales of paper, plywood and lumber, changes to the rouble exchange rate, and the consolidation of Lesosibirsk LDK No. 1, Russia's largest vertically integrated wood processing enterprise.

⁴ Here and elsewhere, 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.

⁵ Including share in net losses of MTS Bank

OIBDA increased by 7.8% year-on-year. The year-on-year contraction in the OIBDA margin was mainly due to pressures associated with the increased cost of chemicals and other materials starting from second half of 2015. At the same time, the OIBDA margin was supported by optimisation of production costs and an increase in the share of Segezha's own logging in volumes of raw wood consumed to 68% from 53% in the first quarter of 2015, which compensated for the rise in cost of purchasing raw wood.

Segezha's capital expenditures of RUB 2.4 billion in the reporting period were mainly to complete construction of a paper packaging plant in the Rostov Region, where the first production line began operations in March 2016. Over the course of 2016, priorities of Segezha's investment programme's include modernisation of paper and sack production, construction of a sawmill at the Segezha Pulp & Paper Plant, and construction of a plywood factory in the town of Kirov.

RTI

<i>(RUB millions)</i>	1Q 2016	1Q 2015	Change	4Q 2015	Change
Revenues	8,722	21,838	<i>(60.1%)</i>	20,815	<i>(58.1%)</i>
OIBDA	807	872	<i>(7.4%)</i>	2,075	<i>(61.1%)</i>
Operating income	233	187	<i>24.7%</i>	1,484	<i>(84.3%)</i>
Net loss attributable to Sistema	(675)	(1,215)	-	(299)	-

RTI's revenues declined by 60.1% year-on-year primarily as a result of the disposal of the Information and Communication Technologies business unit (ICT) as well as fluctuations of revenues from certain large contracts. Revenue from the Microelectronics business unit increased by 23.1% year-on-year in the quarter thanks to increased deliveries of microchips and radio-frequency identification (RFID) tags designed and manufactured by RTI entities.

The OIBDA margin increased by 5.3 percentage points year-on-year as a result of increased profitability at the Microelectronics business unit and the disposal of the ICT business unit.

SG&A decreased by 45.0% year-on-year mainly due to disposal of ICT.

Targin

<i>(RUB millions)</i>	1Q 2016	1Q 2015	Change	4Q 2015	Change
Revenues	6,830	5,807	<i>17.6%</i>	6,912	<i>(1.2%)</i>
OIBDA	866	545	<i>58.9%</i>	954	<i>(9.2%)</i>
Operating income	307	157	<i>95.1%</i>	492	<i>(37.6%)</i>
Net (loss)/income attributable to Sistema	109	(48)	-	293	<i>(62.8%)</i>

Targin's revenues increased by 17.6% year-on-year due to a 2% increase in drilling volumes, a 4% increase in capital-repair and ongoing well-maintenance services, and a 3% increase in transportation services.

The OIBDA margin improved by 3.3 percentage points year-on-year to 12.7% as high-margin services accounted for a larger share of revenues.

Targin is implementing an investment programme to expand its offering in key business segments and develop new technologies. The programme is financed through bank loans.

Medsi

<i>(RUB millions)</i>	1Q 2016	1Q 2015	Change	4Q 2015	Change
Revenues	2,253	1,938	<i>16.3%</i>	2,294	<i>(1.8%)</i>
OIBDA	43	(257)	-	377	<i>(88.6%)</i>
Operating income/(loss)	(263)	(463)	-	307	-
Net income /(loss) attributable to Sistema	(244)	(390)	-	235	-

Medsi's revenues grew by 16.3% year-on-year as a result of increased traffic from patients covered by insurance and growth of the client base driven by successful marketing campaigns. The number of unique clients paying out-of-pocket increased by 12% year-on-year. The seasonal decline in the number of visits was largely offset by the increased average spend per visit, with revenues down only 1.8% quarter-on-quarter.

Medsi delivered positive OIBDA of RUB 43 million for the quarter, despite seasonality.

The clinical and diagnostic centre at Belorusskaya, Medsi's largest asset, which accounts for 22% of revenues, increased revenues by 10% year-on-year in the first quarter.

Bashkirian Power Grid Company (BPGC)

<i>(RUB millions)</i>	1Q 2016	1Q 2015	Change	4Q 2015	Change
Revenues	4,088	3,952	3.4%	4,206	(2.8%)
OIBDA	1,476	1,418	4.2%	630	134.3%
Operating income	859	882	(2.6%)	41	2,019.9%
Net income attributable to Sistema	693	806	(13.9%)	124	458.0%

BPGC's revenue increased by 3.4% and OIBDA increased by 4.2% year-on-year due to indexation of tariffs from 1 July 2015, and also non-material growth of total productive electricity output and capacity.

The number of consumers connected to distribution grids increased 47.6% year-on-year.

Net income declined by 13.9% year-on-year due to higher amortisation charges resulting from commissioning of fixed assets, and also due to lower interest income.

BPGC's priority for 2016 remains the implementation of Smart Grid technology to the Ufa city network.

Sistema Shyam TeleServices Ltd. (SSTL)

<i>(RUB millions)</i>	1Q 2016	1Q 2015	Change	4Q 2015	Change
Revenues	3,964	3,575	10.9%	3,626	9.3%
OIBDA	47	(1,387)	-	(268)	-
Operating loss	(196)	(1,621)	-	(482)	-
Net loss attributable to Sistema	(1,177)	(2,082)	-	(1,958)	-

Revenues at Sistema Shyam TeleServices Ltd. (SSTL) grew by 10.9% year-on-year, driven by an increase in non-voice revenues. SSTL broke even at the OIBDA level in particular due to optimisation of expenses.

Net debt decreased by 52.2% year-on-year and by 17.8% quarter-on-quarter due to pre-payment of loans.

SSTL's high-speed data services now cover over 1,250 towns across nine circles.

In 2015, Sistema and SSTL entered into an agreement to merge SSTL's telecommunications business with the business of Reliance Communications (RCom), one of India's leading telecom operators. Completion of the transaction is conditional upon a number of approvals being obtained. As of the end of May 2016, the transaction has been approved by the Securities and Exchange Board of India (SEBI) and the Competition Commission of India. All necessary approvals from shareholders and creditors have also been secured. The transaction is subject to final approvals from the Rajasthan and Bombay High Courts, as well as the Department of Telecommunications of India.

MTS Bank

<i>(RUB millions)</i>	1Q 2016	1Q 2015	Change	4Q 2015	Change
Revenues	5,373	7,097	(24.3%)	5,253	2.3%
OIBDA	26	(819)	-	(9,908)	-
Operating loss	(148)	(1,001)	-	(10,045)	-
Net loss attributable to Sistema	(143)	(998)	-	(8,822)	-

MTS Bank's interest income and total revenues increased slightly quarter-on-quarter reflecting the stabilised volume of performing assets as well as resumption of retail lending in 2015.

MTS Bank's net loss declined significantly to RUB 0.1 billion in the first quarter as a result of lower provision charges and improvement of the risk profile of the bank's loans to individuals.

The majority of retail loans issued in the quarter are represented by consumer credit for purchases of mobile phones and other merchandise at MTS retail outlets. Most corporate loans were extended to medium-sized businesses or Sistema Group companies.

MTS Bank's aims for 2016 are to continue establishing a high-quality loan book, reducing expenses and maintaining its capital adequacy ratios.

Binnopharm

<i>(RUB millions)</i>	1Q 2016	1Q 2015	Change	4Q 2015	Change
Revenues	312	350	<i>(11.0%)</i>	620	<i>(49.7%)</i>
OIBDA	2	(13)	-	236	<i>(99.3%)</i>
Operating income/(loss)	(30)	(43)	-	161	-
Net income/(loss) attributable to Sistema	(29)	(79)	-	104	-

Revenue declined by 11.0% year-on-year and by 49.7% quarter-on-quarter as Binnopharm pursued its strategy of scaling back the low-margin distribution business and focusing on its own products.

The decline in revenue and OIBDA quarter-on-quarter was mainly due to uneven sales of the Regevak B vaccine, most of which are expected in the second half of 2016.

During the quarter, Binnopharm began construction of a new research and development centre in the town of Zelenograd in the Moscow region with the aim of further expanding its own product line of pharmaceuticals.

Intourist

<i>(RUB millions)</i>	1Q 2016	1Q 2015	Change	4Q 2015	Change
Revenues	519	494	<i>5.2%</i>	590	<i>(11.9%)</i>
OIBDA	35	(66)	-	110	<i>(68.3%)</i>
Operating income/(loss)	(30)	(124)	-	53	-
Net loss attributable to Sistema	(74)	(148)	-	(44)	-

Revenues at Intourist in the quarter increased 5.2% year-on-year, driven by growth of income from hotels outside Russia. The quarter-on-quarter decline in revenues and OIBDA was due to seasonal factors, as most conferences at Group hotels take place at the end of the calendar year.

As of 31 March 2016, Intourist Group comprised eight hotels in Russia, Italy, the Czech Republic and Namibia, with a total of 2,501 guest rooms.

Corporate

<i>(RUB millions)</i>	1Q 2016	1Q 2015	Change	4Q 2015	Change
Adjusted OIBDA	(2,434)	(1,220)	-	(6,484)	-
Adjusted net loss	(4,230)	(5,448)	-	(9,018)	-
Indebtedness	110,612	68,498	<i>61.5%</i>	116,806	<i>(5.3%)</i>

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

In the first quarter of 2016, the Corporate Centre's SG&A increased at a below inflation rate of 7.3% year-on-year and decreased by 68.7% quarter-on-quarter to RUB 1.7 billion.

KEY GROUP HIGHLIGHTS IN 1Q 2016 AND AFTER THE REPORTING PERIOD

In May 2016, Sistema adopted a programme for senior management of the Company to participate in the share capital of Sistema JSFC and Group companies ("the Programme"). Under the Programme, heads of Sistema's investment portfolios will have the obligation to make a one-off investment equal to a substantial part of their total annual income in shares and participatory interests of existing assets under their management. Heads of investment portfolios will also invest a portion of their total annual income in shares and participatory interests of each of new assets acquired under their management during a year. Heads of Sistema's functional subdivisions will have the obligation to invest a substantial part of their total annual income in shares of the Company annually.

In May 2016, Sistema's 100% subsidiary Agroholding Steppe signed legally binding agreements to acquire several companies in the Rostov and Stavropol regions controlling a total land bank of c. 110,000 hectares. As a result of completion of these transactions total land bank operated by Sistema's agroholding and its affiliates will almost double, reaching c. 247,000 hectares as compared to c. 137,000 hectares as of the end of 2015.

In April 2016, Sistema's Board of Directors approved a new dividend policy whereby the total dividend recommended by the Board for each reporting year will be, at a minimum, the higher of either an amount equivalent to a dividend yield of 4% per Sistema ordinary share or RUB 0.67 per Sistema ordinary share. Sistema will seek to distribute dividends twice per year. For 2015, the Board recommended that the Annual General Meeting of shareholders (AGM) approve a total dividend payment of RUB 6.47 billion, representing a payment of RUB 0.67 per ordinary share or RUB 13.4 per GDR.

In February 2016, Sistema's subsidiary LLC LesInvest (the parent holding company of Segezha Group) acquired a controlling stake in OJSC Lesosibirsk LDK No. 1, one of the largest vertically integrated wood processing enterprises in Russia, based in Krasnoyarsk region. OJSC Lesosibirsk LDK No. 1 is one of Russia's largest producers of lumber, fibre board, planed mouldings and furniture made from Angara pine. It processes more than 1 million cubic meters of logs annually. The total annual allowable cut comprises 2.9 million cubic metres.

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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 approximately 150 million customers in the sectors of telecommunications, high technology, pulp and paper, banking, retail, tourism and healthcare services. Founded in 1993, the Company reported revenues of RUB 708.6 billion for 2015, and total assets of RUB 1.3 trillion as at 31 December 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 STATEMENT OF PROFIT OR LOSS
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(Amounts in millions of Russian roubles, except for per share amounts)

	Three months ended March 31,	
	2016	2015
Revenue	173,320	167,708
Cost of sales	(88,384)	(86,175)
Selling, general and administrative expenses	(37,372)	(34,412)
Depreciation and amortisation	(24,363)	(24,316)
Impairment of financial assets	(938)	(2,512)
Taxes other than income tax	(2,151)	(2,044)
Share of the profit or loss of associates and joint ventures	862	1,048
Other expense	(1,064)	(1,015)
OPERATING INCOME	19,910	18,282
Finance income	3,369	3,169
Finance costs	(15,258)	(12,128)
Currency exchange gain/(loss)	5,338	(6,831)
PROFIT BEFORE INCOME TAX	13,359	2,492
Income tax expense	(4,789)	(3,017)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	8,570	(525)
Profit from discontinued operations	-	35,044
PROFIT FOR THE PERIOD	8,570	34,519
Non-controlling interests	(6,084)	(3,001)
PROFIT ATTRIBUTABLE TO SISTEMA JSFC	2,486	31,518
Earnings per share, basic and diluted, Russian roubles	0.26	3.34

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2016 AND DECEMBER 31, 2015
(Amounts in millions of Russian roubles)

	March 31,	December 31,
	2016	2015
ASSETS		
NON-CURRENT ASSETS:		
Property, plant and equipment	430,207	429,163
Investment property	12,813	14,085
Goodwill	43,544	43,861
Other intangible assets	116,392	118,188
Investments in associates and joint ventures	24,279	22,219
Deferred tax assets	25,842	25,966
Loans receivable and other financial assets	104,776	112,236
Deposits in banks	42,516	45,696
Other assets	16,026	15,328
Total non-current assets	816,395	826,742
CURRENT ASSETS:		
Inventories	73,990	73,736
Accounts receivable	73,830	74,276
Advances paid and prepaid expenses	18,171	17,544
Current income tax assets	5,425	6,051
Other taxes receivable	21,016	20,993
Loans receivable and other financial assets	64,001	78,020
Deposits in banks	35,013	76,117
Other assets	2,052	2,101
Cash and cash equivalents	131,183	122,775
Restricted cash	10,022	-
Total current assets	434,703	471,613
TOTAL ASSETS	1,251,098	1,298,355

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2016 AND DECEMBER 31, 2015 (CONTINUED)
(Amounts in millions of Russian roubles)

	March 31, 2016	December 31, 2015
LIABILITIES AND EQUITY		
SHAREHOLDERS' EQUITY:		
Share capital	869	869
Treasury shares	(4,806)	(4,806)
Additional paid-in capital	79,659	80,778
Retained earnings	121,100	118,615
Accumulated other comprehensive loss	(11,088)	(7,079)
Total Sistema JSFC shareholders' equity	185,734	188,377
Non-controlling interests	67,312	62,013
TOTAL EQUITY	253,046	250,390
NON-CURRENT LIABILITIES:		
Borrowings	386,744	414,103
Bank deposits and liabilities	7,260	7,275
Deferred tax liabilities	46,253	43,599
Provisions	4,264	4,190
Other financial liabilities	23,962	28,224
Other liabilities	10,824	11,172
Total non-current liabilities	479,307	508,563
CURRENT LIABILITIES:		
Borrowings	134,269	142,657
Liabilities under put option agreements	63,714	65,684
Trade and other accounts payable	129,378	137,055
Bank deposits and liabilities	110,145	115,529
Advances received	29,997	24,953
Subscriber prepayments	16,958	20,955
Income tax payable	1,379	831
Other taxes payable	14,759	14,524
Dividends payable	197	210
Provisions	12,623	10,151
Other financial liabilities	5,326	6,853
Total current liabilities	518,745	539,402
TOTAL LIABILITIES	998,052	1,047,965
TOTAL LIABILITIES AND EQUITY	1,251,098	1,298,355

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(Amounts in millions of Russian roubles)

	Three months ended March 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the period	8,570	34,519
Adjustments to reconcile profit for the period to net cash provided by operations:		
Depreciation and amortisation	24,363	24,316
Share of the profit or loss of associates and joint ventures	(862)	(1,048)
Finance income	(3,369)	(3,169)
Finance costs	15,258	12,128
Income tax expense	4,789	3,017
Currency transactions (gain)/loss	(5,338)	6,831
Net (gain)/loss from fair value adjustment of financial instruments through profit or loss	(11)	366
Loss on disposal of property, plant and equipment	20	295
Gain from settlement with Ural-Invest, net of tax effect	-	(35,044)
Impairment loss on MTS Bank loans receivable	516	3,211
Dividends received from associates and joint ventures	661	576
Non-cash compensation to employees	301	284
Impairment of financial assets	938	2,512
Other non-cash items	1,124	(382)
	<u>46,960</u>	<u>48,412</u>
Movements in working capital:		
Bank loans to customers and interbank loans due from banks	8,009	8,417
Bank deposits and liabilities	(5,399)	(4,469)
Restricted cash	(10,022)	-
Financial assets at fair value through profit or loss	1,447	(3,565)
Accounts receivable	2,742	6,440
Advances paid and prepaid expenses	(104)	1,767
Other taxes receivable	385	(1,555)
Inventories	1,363	(4,266)
Accounts payable	(6,408)	12,103
Subscriber prepayments	(3,715)	(4,336)
Other taxes payable	154	1,595
Advances received and other liabilities	6,500	12,787
Interest paid	(13,023)	(6,596)
Income tax paid	(3,946)	(2,588)
	<u>24,943</u>	<u>64,146</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>24,943</u>	<u>64,146</u>

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(Amounts in millions of Russian roubles)

	Three months ended	
	March 31,	
	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchases of property, plant and equipment	(19,213)	(26,720)
Proceeds from sale of property, plant and equipment	1,203	1,309
Proceeds from settlement with Ural-Invest	-	8,379
Payments for purchases of intangible assets	(7,687)	(10,931)
Payments for businesses, net of cash acquired	(2,948)	-
Purchases of investments in associates and joint ventures	(1,600)	(652)
Purchases of financial assets, long-term	(4,745)	(40,299)
Proceeds from sale of financial assets, long-term	3,707	-
Decrease/(increase) in non-current restricted cash	752	(777)
Purchases of financial assets, short-term	(6,906)	(22,767)
Proceeds from sale of financial assets, short-term	46,894	5,254
Interest received	3,247	3,106
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES	12,704	(84,098)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	18,745	54,662
Principal payments on borrowings	(43,123)	(30,143)
Cash outflow under credit guarantee agreement related to foreign-currency hedge	(1,034)	-
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES	(25,412)	24,519
Impairment of cash and cash equivalents		(1,698)
Effect of foreign currency translation on cash and cash equivalents	(3,827)	(6,318)
Net increase/(decrease) in cash and cash equivalents	8,408	(3,449)
Cash and cash equivalents at the beginning of the period	122,775	119,967
Cash and cash equivalents at end of the period	131,183	116,518

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED SEGMENTAL BREAKDOWN FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(Amounts in millions of Russian roubles)

	<u>External revenues</u>		<u>Inter-segment revenue</u>		<u>Segment operating income</u>	
	<u>3m2016</u>	<u>3m2015</u>	<u>3m2016</u>	<u>3m2015</u>	<u>3m2016</u>	<u>3m2015</u>
MTS	107,861	99,841	229	341	20,378	19,309
RTI	8,705	19,688	17	2,150	233	187
MTS Bank	5,123	7,048	250	48	(148)	(1,001)
SSTL	3,964	3,575	-	-	(196)	(1,621)
Corporate	420	434	240	316	(2,577)	(1,355)
Other	47,248	37,122	478	605	1,627	1,395
	173,320	167,708	1,215	3,461	19,317	16,914
Inter-segment eliminations					593	1,368
Operating income					19,910	18,282
Finance income					3,369	3,169
Finance costs					(15,258)	(12,128)
Foreign currency exchange loss					5,338	(6,831)
Profit before tax					13,359	2,492

	<u>Additions to non-current assets</u>		<u>Depreciation and amortisation</u>	
	<u>3m2016</u>	<u>3m2015</u>	<u>3m2016</u>	<u>3m2015</u>
MTS	20,941	32,469	20,249	20,449
RTI	694	727	574	685
MTS Bank	47	119	174	182
SSTL	42	495	243	234
Corporate	12	128	144	136
Other	5,163	3,713	2,979	2,630
	26,899	37,651	24,363	24,316

Attachment A

Operating Income Before Depreciation and Amortisation (OIBDA) and OIBDA margin. OIBDA represents operating income before depreciation and amortisation. 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 under IFRS and should be considered in addition to, but not as a substitute for, the information contained in our consolidated statement of profit and loss. 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 IFRS, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. OIBDA 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/(loss) attributable to Sistema shareholders. The Company uses adjusted OIBDA, adjusted operating income and adjusted net income/(loss) attributable to Sistema shareholders to evaluate financial performance of the Group. These represent underlying financial measures adjusted for a number of one-off gains and losses. 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 one-off gains and losses.

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

<i>RUB millions</i>	1Q 2016	1Q 2015	4Q 2015
Operating income / (loss)	19,910	18,282	1,216
Impairment of goodwill (MTS Armenia)	-	-	3,516
Impairment of goodwill (Detsky Mir)	-	-	363
Impairment of long-lived assets (SG-trading and other)	-	-	3,609
Impairment of other financial assets	-	-	1,273
Provision for cash and deposits in Ukrainian banks (MTS)	-	1,698	-
Other non-recurring expenses	-	-	2,016
Adjusted operating income	19,910	19,980	11,993
Depreciation and amortisation	24,363	24,316	23,619
Adjusted OIBDA	44,273	44,296	35,612

Adjusted net income / (loss) attributable to Sistema shareholders can be reconciled to our consolidated statements of profit and loss as follows:

<i>RUB millions</i>	1Q 2016	1Q 2015	4Q 2015
Net income / (loss) attributable to Sistema	2,486	31,518	(13,580)
Impairment of goodwill (MTS Armenia)	-	-	1,880
Impairment of goodwill (Detsky Mir)	-	-	363
Impairment of other long-lived assets (SG-trading and other)	-	-	3,609
Impairment of other financial assets	-	-	1,273
Provision for cash and deposits in Ukrainian banks (MTS)	-	875	-
Other non-recurring expenses	-	-	2,016
Reversal of impairment on deposits (related to deposits received from Ural-Invest)	-	-	(5,136)
Profit from discontinued operations	-	(35,044)	-
Gain from settlement agreement with Ural-Invest	-	-	-
Adjusted net loss attributable to Sistema	2,486	(2,651)	(9,537)

Net debt at the Corporate Centre level. We define net debt as indebtedness less cash, cash equivalents and other 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 Centre level provides useful information to investors because we use this measure in our management of the Corporate Centre's liquidity, financial flexibility, capital structure and leverage. The IFRS financial measure most directly comparable to net debt at the Corporate Centre level is the indebtedness of our Corporate segment as reported in our segment disclosures. Net debt at the Corporate Centre level can be reconciled to the indebtedness of our Corporate segment as follows:

<i>RUB millions</i>	1Q 2016	1Q 2015	4Q 2015
Indebtedness	110,612	68,498	116,806
Cash and cash equivalents	(12,738)	(21,997)	(28,716)
Liquid financial investments	(21,082)	(7,734)	(21,864)
Net debt	38,767	38,767	66,226