



FOR IMMEDIATE RELEASE

August 27, 2015

Unaudited financial results for the second quarter ended June 30, 2015

Moscow, Russia – August 27, 2015 – Sistema JSFC (“Sistema” or the “Company”, together with its subsidiaries, “the Group”) (LSE: SSA), a publicly-traded diversified holding company operating primarily in Russia and the CIS, today announces its unaudited consolidated IFRS financial results¹ for the second quarter ended June 30, 2015.

SECOND QUARTER FINANCIAL HIGHLIGHTS

- Consolidated revenues up 10.8% YoY to RUB 164.0 billion
- Adjusted OIBDA² down 0.9% YoY to RUB 44.3 billion with an adjusted OIBDA margin of 27.0%
- Net income attributable to the Group of RUB 15.5 billion
- Net debt³ at the Corporate Holding level amounted to RUB 44.8 billion as at June 30, 2015
- As at June 30, 2015, cash position⁴ at the Corporate Holding level amounted to RUB 24.3 billion, excluding RUB 34.1 billion represented by deposits and financial instruments.

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

- In April, Sistema Finance Investments OJSC, Sistema’s wholly owned subsidiary, acquired 27,800,000 of Sistema’s ordinary shares for approximately RUB 456 million. The shares were purchased for general corporate purposes, including the employee incentive programme. As a result of this transaction, the number of Sistema shares held by the Group amounts to approximately 2.5% of Sistema’s total issued capital.
- In April, Sistema received an additional RUB 12.9 billion in cash assets and financial instruments for the recovery of damages from Ural-Invest LLC, suffered by Sistema as a result of the loss of the Bashneft shares.
- In June, the Annual General Meeting of Shareholders (“AGM”) approved a total dividend payment for Sistema’s shares at RUB 4.54 billion, representing a payment of RUB 0.47 per ordinary share or RUB 9.4 per GDR. The dividends were paid in full in July 2015.
- In June, Sistema entered into exclusive discussions with Reliance Communications (RCOM) on a potential merger between the Indian telecom business of Sistema Shyam TeleServices Ltd. and RCOM, through a stock swap.
- In July, Sistema’s subsidiaries LLC Sistema Telecoms Assets and JSC RTI (“sellers”) signed legally binding agreements to sell their respective stakes in JSC NVision Group to PJSC MTS. MTS will acquire 100% of NVision, including its debt obligations, for up to RUB 15 billion. The transaction was approved by the Boards of Directors of the sellers and MTS, and the Special Committee of independent directors under the MTS Board of Directors. Merrill Lynch International acted as financial adviser to the Special Committee to issue a Fairness Opinion on the transaction.

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

“Sistema has reported a solid set of quarterly results demonstrating healthy business development across our portfolio companies amid market headwinds. The delivery on our strategic objectives resulted in a double-digit year-on-year increase in consolidated revenues and stable OIBDA. Our second quarter numbers reflect growing data services consumption at MTS as it continues to strengthen its market leading position and develop its own retail chain, the consolidation of Segezha Group, the

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

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

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

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

successful implementation of Detsky mir's expansion strategy and growth at RTI. Furthermore, our Indian subsidiary SSTL delivered 11.9% year-on-year revenue growth in Indian rupees, while six out of nine circles where SSTL operates broke even.

In June, we entered into exclusive discussions with Reliance Communications (RCOM) on a potential merger with SSTL. After the end of the second quarter, we completed the restructuring of our high-tech assets with NVision being transferred to MTS. As a result, MTS will become the only operator in Russia to own its billing system, which helps it to further optimise its cost base and introduce new tariffs ahead of competitors.

Receiving the additional RUB 12.9 billion from Ural Invest was among the key highlights of the second quarter. Our cash position was further strengthened through a dividend inflow of approximately RUB 20.3 billion from the Group's subsidiaries after the reporting period. These accumulated resources provide us with a strong advantage to acquire undervalued assets and expand our portfolio of investments in the second half of 2015."

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 second quarter 2015 results.

The dial-in numbers for the conference call are:

UK/ International: **+44 (0)20 3364 5381**

US: **+1 646 254 3361**

Conference ID: **1570694**

Alternatively, you can quote the conference call title: "Sistema Second Quarter 2015 Financial Results".

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

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

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FINANCIAL SUMMARY AND GROUP OPERATING REVIEW

<i>(RUB millions)</i>	2Q 2015	2Q 2014	Change	1Q 2015	Change
Revenues	163,996	147,982	10.8%	167,708	(2.2%)
Adjusted OIBDA	44,265	44,648	(0.9%)	44,582	(0.7%)
Operating income	21,755	23,495	(7.4%)	18,757	16.0%
Net income attributable to Sistema	15,524	18,601	(16.5%)	32,099	(51.6%)
<i>Adjusted net income/ (loss) attributable to Sistema</i>	6,704	6,880	(2.6%)	(2,071)	-

In the second quarter of 2015, Sistema's consolidated revenues were up 10.8% year-on-year mainly driven by growing data services consumption and higher handset sales at MTS, the consolidation of Segezha Group, and the successful implementation of development strategies at Detsky mir and RTI's new state contracts. Sistema's Indian subsidiary, SSTL, also increased its revenue by 11.9% year-on-year in Indian rupees, while reducing its OIBDA loss further. A quarter-on-quarter revenue decline was mainly due to uneven revenue distribution throughout the year at RTI.

The Group's selling, general and administrative expenses (SG&A) remained at the first quarter level and increased by only 4.4% year-on-year to RUB 34.3 billion in the reporting quarter, mainly due to the consolidation of Segezha Group starting from the fourth quarter of 2014. The Group continued demonstrating improved efficiency with the SG&A/Revenue ratio decreasing year-on-year from 22.1% to 20.9%. RTI's SG&A/Revenue ratio reduced to 16.3% year-on-year from 21.9%, while SSTL's SG&A/Revenue ratio decreased to 35.1% from 53.0%. Detsky mir's SG&A expenses also declined as a percentage of revenues to 27.6% in the second quarter of 2015, compared to 30.0% in the corresponding period of last year. In the reporting quarter, SG&A at the Corporate Centre reduced by 38.9% year-on-year to RUB 1.6 billion. Depreciation and amortisation expenses increased by 6.4% year-on-year, but were down 6.7% quarter-on-quarter to RUB 22.5 billion.

Sistema's adjusted OIBDA remained largely stable quarter-on-quarter and year-on-year in the second quarter of 2015. The consolidation of Segezha Group, lower expenses at the Corporate Centre level and overall growth in OIBDA across non-public assets were offset by declined OIBDA at MTS and MTS Bank. The Group's adjusted OIBDA margin expanded to 27.0% for the reporting period from 26.6% in the first quarter of 2015.

Adjusted net income attributable to Sistema fell by 2.6% year-on-year reflecting a decrease in net income at MTS and MTS Bank. In the second quarter of 2015, Sistema recognised a RUB 8.8 billion gain from the second settlement agreement with Ural Invest LLC (net of income tax accrued).

OPERATING REVIEW⁵

MTS

<i>(RUB millions)</i>	2Q 2015	2Q 2014	Change	1Q 2015	Change
Revenues	102,690	98,879	3.9%	100,182	2.5%
Adjusted OIBDA	42,036	43,338	(3.0%)	41,304	1.8%
Operating income	21,815	25,012	(12.8%)	19,158	13.9%
Net income attributable to Sistema	9,129	11,636	(21.5%)	5,821	56.8%

In the second quarter of 2015, MTS generated a 3.9% year-on-year increase in revenues, mainly driven by growth in data traffic consumption, a surge in handset sales in Russia and the expansion of its retail footprint. MTS' subsidiary in Uzbekistan, where MTS relaunched operations in December 2014, also contributed to the operator's revenue growth. MTS' revenues were up 2.5% quarter-on-quarter, reflecting seasonally higher roaming revenues and an increase in handset sales. The total subscriber base increased by 1.0% quarter-on-quarter to 105.3 million as of June 30, 2015⁶.

Adjusted OIBDA decreased by 3.0% year-on-year in the reporting quarter, but it was up 1.8% quarter-on-quarter. The adjusted OIBDA margin declined year-on-year largely due to handset sales having an increasing share of MTS' overall revenues, the devaluation of the Ukrainian hryvnia and costs related to the development of operations in Uzbekistan.

In June 2015, MTS' AGM approved final dividend payments for 2014 of RUB 40.419 billion or RUB 19.56 per ordinary MTS share (RUB 39.12 per ADR). The dividends were paid in full in August 2015. Sistema received RUB 18.6 billion of dividends from MTS (net of tax).

Significant events after the end of the reporting period

In July 2015, MTS' Board of Directors called an EGM to be held on September 30, 2015. The Board recommended that the EGM approves semi-annual dividends of RUB 5.61 per ordinary MTS share (RUB 11.22 per ADR), or a total of RUB 11.592 billion, based on the financial results for the first half of 2015.

Segezha Group⁷

<i>(RUB millions)</i>	2Q 2015	1Q 2015	Change	4Q 2014	Change
Revenues	7,844	8,138	(3.6%)	7,171	9.4%
OIBDA	1,383	2,216	(37.6%)	1,077	28.4%
Operating income	901	1,736	(48.1%)	661	36.3%
Net income attributable to Sistema	406	971	(58.1%)	498	(18.5%)

Segezha Group ("Segezha") reported a 9.4% growth in revenues and a 28.4% increase in OIBDA in the second quarter compared to the fourth quarter of 2014, when the company's financials were first consolidated in Sistema's results. This was mainly due to the rouble depreciation, higher production and sales volumes of sack paper, as well as the significant cost reduction associated with increasing its own logging. A quarter-on-quarter decrease in revenue and OIBDA was largely a result of the strengthening of the Russian rouble and higher sales of low-margin lumber products. Export sales accounted for 54% of Segezha's total revenues in the second quarter.

During the second quarter, Segezha entered new export markets such as China, Taiwan, the Philippines, Saudi Arabia, UAE and New Zealand, to sell its sack paper, birch plywood and lumber products.

Detsky mir

<i>(RUB millions)</i>	2Q 2015	2Q 2014	Change	1Q 2015	Change
Revenues	12,592	8,974	40.3%	12,152	3.6%
OIBDA	628	633	(0.8%)	689	(8.9%)
Operating income	401	457	(12.4%)	507	(20.9%)
Net income attributable to Sistema	344	120	188.1%	24	1,326.6%

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

⁶ Including Belarus subscribers

⁷ Sistema acquired Segezha Group on September 30, 2014, and has consolidated its financials since the fourth quarter of 2014.

Detsky mir's revenues increased by 40.3% year-on-year and by 3.6% quarter-on-quarter in the second quarter of 2015. This increase was largely driven by the successful implementation of Detsky mir's strategy to expand its market share. In the second quarter of 2015, the retailer's like-for-like sales grew to 17.9%. Detsky mir opened 17 new stores during the reporting quarter, expanding its total selling space to 411,000 sq.m.

In the second quarter, Detsky mir's OIBDA remained largely stable year-on-year after introducing an aggressive pricing policy. As a result, Detsky mir reported a 6.7% increase in like-for-like average ticket in the reporting period, compared to a 3.8% rise in the corresponding quarter of 2014. Detsky mir's SG&A expenses declined as a percentage of revenues to 27.6% in the second quarter, compared to 30.4% in the second quarter of 2014.

Medsi

<i>(RUB millions)</i>	2Q 2015	2Q 2014	Change	1Q 2015	Change
Revenues	2,037	2,455	(17.0%)	1,938	5.1%
OIBDA	184	288	(36.0%)	(242)	-
Operating (loss)/ income	(2)	141	-	(463)	-
Net (loss)/ income attributable to Sistema	(89)	57	-	(390)	-

In the reporting quarter, Medsi's revenues declined by 17.0% year-on-year due to ending of certain state contracts. The contraction of the insurance market was also a contributing factor, leading to lower demand from insurance companies.

Revenue dynamics, however, started to recover and gained 5.1% quarter-on-quarter, driven by a 6% increase in the number of patient visits; patient traffic from insurance companies rose by 7% and the number of individual customers increased by 3%. Medsi's OIBDA also grew quarter-on-quarter due to higher revenues, as well as seasonally lower labour, utility and transportation costs.

Bashkirian Power Grid Company (BPGC)

<i>(RUB millions)</i>	2Q 2015	2Q 2014	Change	1Q 2015	Change
Revenues	3,287	3,180	3.4%	3,952	(16.8%)
OIBDA	1,059	1,136	(6.8%)	1,418	(26.6%)
Operating income	513	703	(27.0%)	882	(42.4%)
Net income attributable to Sistema	581	564	3.0%	806	(27.9%)

In the second quarter of 2015, BPGC's revenue grew by 3.4% year-on-year, mainly as a result of a 0.97% year-on-year increase in electricity consumption and a higher number of new connections. A quarter-on-quarter decrease in revenue reflects seasonal factors. The company's OIBDA declined year-on-year and quarter-on-quarter in the reporting period due to higher operating expenses associated with increased technological electricity losses, as well as the abolition of property tax relief for power grid companies.

RTI⁸

<i>(RUB millions)</i>	2Q 2015	2Q 2014	Change	1Q 2015	Change
Revenues	16,846	14,393	17.0%	21,838	(22.9%)
Adjusted OIBDA	1,222	644	89.8%	872	40.0%
Adjusted operating income ⁹	616	(164)	-	187	229.2%
Adjusted net income /(loss) attributable to Sistema	176	(1,517)	-	(1,215)	-

RTI's revenues were up 17.0% year-on-year in the reporting quarter, mainly as a result of a 63.0% year-on-year rise in revenue at the Defence Solutions BU. Revenue at the Microelectronics Solutions BU remained stable year-on-year and grew by 27.7% quarter-on-quarter. RTI's OIBDA increased by 89.8% year-on-year and by 40.0% quarter-on-quarter, largely reflecting revenue growth at the Defence Solutions BU.

Sistema Shyam TeleServices Ltd. (SSTL)

⁸ RTI consolidates OJSC Concern RTI Systems, Mikron group of companies and CJSC NVision Group and comprises four principal business units ("BU") – Defence Solutions BU, Comprehensive Security Systems BU, Microelectronics Solutions BU and Information and Communication Technologies BU.

⁹ Financial measures for the second quarter were adjusted to exclude one-off item – gain from sale of non-core assets.

<i>(RUB millions)</i>	2Q 2015	2Q 2014	Change	1Q 2015	Change
Revenues	3,076	1,957	57.2%	3,575	(14.0%)
OIBDA	(283)	(797)	-	(1,387)	-
Operating loss	(447)	(1,056)	-	(1,621)	-
Net loss attributable to Sistema	(1,619)	(1,323)	-	(2,082)	-

In the second quarter, SSTL's revenues increased by 57.2% year-on-year in rouble terms and by 11.9% year-on-year in Indian rupees, driven by significant growth in the consumption of data services. The operator's revenues in rouble terms were down 14.0% quarter-on-quarter, but grew by 4.7% quarter-on-quarter in Indian rupee terms. Non-voice revenues from both data and VAS accounted for 55.3% of SSTL's total revenue in the reporting quarter, compared to 38.6% in the corresponding period of 2014.

SSTL's OIBDA loss substantially reduced year-on-year and quarter-on-quarter mainly as a result of the growing contribution of data revenues, continued optimisation of sales and marketing expenses and a reduction in interconnect charges. Six out of the nine circles where SSTL operates achieved OIBDA breakeven in the second quarter of 2015.

As of June 30, 2015, SSTL's wireless (voice and data) subscriber base totalled 8.7 million. The data subscriber base grew by 39.3% year-on-year in the reporting period to 1.95 million.

Sistema Mass Media (SMM)

<i>(RUB millions)</i>	2Q 2015	2Q 2014	Change	1Q 2015	Change
Revenues	591	623	(5.1%)	1,064	(44.4%)
OIBDA	312	137	128.1%	202	54.7%
Operating income	255	23	1,032.0%	139	83.9%
Net (loss)/ income attributable to Sistema	(298)	(3)	-	30	-

In the reporting quarter, SMM reported a year-on-year and quarter-on-quarter decrease in revenues. This decline mainly reflects the deconsolidation of Russian World Studios (RWS) in April. This deconsolidation, in turn, led to a 128.1% year-on-year and 54.7% quarter-on-quarter increase in SMM's OIBDA. SMM's other business segments demonstrated organic growth of 28.4% quarter-on-quarter.

Binnopharm

<i>(RUB millions)</i>	2Q 2015	2Q 2014	Change	1Q 2015	Change
Revenues	383	755	(49.3%)	350	9.3%
OIBDA	38	216	(82.5%)	(13)	-
Operating (loss)/income	(1)	165	-	(43)	-
Net (loss)/income attributable to Sistema	(5)	85	-	(79)	-

In the reporting quarter, Binnopharm's revenues fell by 49.3% year-on-year mainly due to lower sales volumes of the Regevak B vaccine as the state tenders for the supply of this vaccine were rescheduled. A year-on-year decline in OIBDA resulted from a decrease in revenues. In the second quarter, Binnopharm reported quarter-on-quarter revenue and OIBDA growth, largely as a result of increased sales of its own produced high-margin products.

MTS Bank

<i>(RUB millions)</i>	2Q 2015	2Q 2014	Change	1Q 2015	Change
Revenues	6,824	7,276	(6.2%)	7,097	(3.8%)
OIBDA	(2,346)	(381)	-	(819)	-
Operating loss	(2,530)	(552)	-	(1,001)	-
Net loss attributable to Sistema	(2,173)	(226)	-	(998)	-

MTS Bank's revenue and interest income decreased quarter-on-quarter and year-on-year in the second quarter of 2015, largely as a result of a cutback in the number of new issued loans, as well as the bank's continued management efforts to improve the quality of its borrowers.

MTS Bank's net income was down due to a drop in its assets with the subsequent reduction in interest income, as well as the growing cost of funding triggered by the current macroeconomic situation. MTS Bank's capital adequacy ratio (N1.0) of 16.1% is among the highest in the Russian banking sector.

Intourist

<i>(RUB millions)</i>	2Q 2015	2Q 2014	Change	1Q 2015	Change
Revenues	588	738	<i>(20.3%)</i>	494	<i>19.1%</i>
OIBDA	105	133	<i>(21.1%)</i>	(66)	-
Operating income/ (loss)	54	83	<i>(35.1%)</i>	(124)	-
Net loss attributable to Sistema	(2)	(5)	-	(148)	-

In the second quarter of 2015, Intourist's revenues were down 20.3% year-on-year due to a decrease in the number of rooms owned, managed and rented. Intourist reported a 19.1% quarter-on-quarter rise in revenue, primarily driven by increased seasonal demand for its hotels abroad. Intourist's OIBDA and net income were up quarter-on-quarter, reflecting an increase in revenue.

Targin

<i>(RUB millions)</i>	2Q 2015	2Q 2014	Change	1Q 2015	Change
Revenues	6,116	6,218	<i>(1.6%)</i>	5,807	<i>5.3%</i>
OIBDA	917	690	<i>32.9%</i>	545	<i>68.3%</i>
Operating income	548	438	<i>25.0%</i>	157	<i>247.8%</i>
Net income/ (loss) attributable to Sistema	415	475	<i>(12.5%)</i>	(48)	-

Targin's revenues decreased by 1.6% year-on-year in the second quarter after disposing of its construction segment. In the reporting quarter, Targin's OIBDA grew by 32.9% year-on-year and by 68.3% quarter-on-quarter. This was largely due to the reorganisation of the business at the end of 2014, which allowed Targin to significantly optimise its cost base.

Corporate

<i>(RUB millions)</i>	2Q 2015	2Q 2014	Change	1Q 2015	Change
OIBDA	(1,554)	(2,717)	-	(919)	-
Net income/ (loss)	8,467	(2,666)	-	29,931	<i>(71.7%)</i>
Indebtedness	69,120	59,685	<i>15.8%</i>	68,498	<i>0.9%</i>

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

In June 2015, Sistema's AGM approved a total dividend payment for the Company's shares of RUB 4.54 billion, representing a payment of RUB 0.47 per ordinary share or RUB 9.4 per GDR. The dividends were paid in full in July 2015. The AGM also elected new Board members, while a new composition of the Management Board was approved at the first statutory Board meeting. In addition, the AGM approved a new edition of the Regulation on Remuneration and Compensation for the Board members, and new editions of the bylaws for the Annual General Meeting of Shareholders and for the Board of Directors of Sistema.

Following the end of the reporting period, Sistema received RUB 20.3 billion (net of taxes) in dividends from its subsidiaries.

FINANCIAL REVIEW

Net cash provided by operating activities in the second quarter of 2015 amounted to RUB 18,239.3 million, compared to RUB 62,488.0 million of cash provided by operating activities in the first quarter of 2015 and RUB 58,467.2 million of cash provided by operating activities, excluding Bashneft, in the second quarter of 2014. This decrease in net cash provided by operating activities resulted from changes in working capital.

Net cash used in investing activities in the second quarter of 2015 amounted to RUB 29,082.2 million, compared to RUB 84,098.2 million of cash used in investing activities in the first quarter of 2015 and RUB 33,198.0 million of cash used in investing activities, excluding Bashneft, in the corresponding quarter of 2014. The Group's capital expenditure increased in the reporting quarter by 50.5% year-on-year to 36,539.0 million, mainly driven by MTS' investment programme. The Group's capital expenditure in the second quarter slightly decreased by 3.0% quarter-on-quarter.

Net cash outflow from financing activities amounted to RUB 670.8 million in the second quarter of 2015, compared to RUB 24,518.3 million of cash inflow from financing activities in the first quarter of 2015 and RUB 2,582.2 million of cash outflow

from financing activities, excluding Bashneft, in the corresponding quarter of 2014. This was mostly due to net payments on borrowings (excess of principal payments over proceeds) of RUB 214.5 million, compared to net proceeds of RUB 25,655.4 million in the first quarter of 2015 and net payments of RUB 1,998.6 million in the corresponding quarter of 2014.

The Group's cash and cash equivalents stood at RUB 106,452.3 million as of June 30, 2015 (including RUB 21,875.6 million attributable to the Group's banking activities), compared to RUB 116,517.6 million as of March 31, 2015 (including RUB 36,329.6 million attributable to the Group's banking activities). The Group's short-term and long-term debt, less cash and cash equivalents, amounted to RUB 374,431.0 million as of June 30, 2015, compared to RUB 375,850.0 million as of March 31, 2015.

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Sistema is a publicly-traded diversified holding company in Russia and the CIS, which invests in and is a major shareholder of companies serving over 100 million customers in the sectors of telecommunications, high technology, radars and aerospace, banking, retail, mass-media, tourism and healthcare services. Founded in 1993, the Company reported revenues of RUB 164.0 billion for the second quarter of 2015, and total assets of RUB 1,175.7 billion as at June 30, 2015. Sistema's global depository receipts are listed under the symbol "SSA" on the London Stock Exchange. Sistema's ordinary shares are listed under the symbol "AFKS" on the Moscow Exchange. Website: www.sistema.com

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

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

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE SIX AND THREE MONTHS ENDED JUNE 30, 2015 AND 2014
(Amounts in millions of Russian roubles, except for per share amounts)

	Six months ended June 30,		Three months ended June 30,	
	2015	2014	2015	2014
Revenue	331,704	291,147	163,996	147,982
Cost of sales	(169,595)	(134,039)	(83,401)	(68,304)
Selling, general and administrative expenses	(68,444)	(64,751)	(34,334)	(32,872)
Depreciation and amortisation	(46,637)	(41,973)	(22,510)	(21,153)
Impairment losses	(3,959)	(6,836)	(1,451)	(5,232)
Taxes other than income tax	(3,766)	(3,334)	(1,721)	(1,580)
Share of the profit or loss of associates and joint ventures	1,758	436	709	278
Other operating expenses	(548)	3,864	466	4,372
OPERATING INCOME	40,513	44,514	21,754	23,491
Finance income	7,993	3,619	4,824	1,486
Finance expense	(24,065)	(15,164)	(11,936)	(6,715)
Foreign currency transaction (loss)/gain	(223)	94	6,608	6,356
PROFIT BEFORE INCOME TAX	24,218	33,063	21,250	24,618
Income tax expense	(9,938)	(11,507)	(7,004)	(7,818)
PROFIT FROM CONTINUING OPERATIONS	14,280	21,556	14,246	16,800
Profit for the period from discontinued operations, net of tax effect	43,816	29,790	8,772	15,609
NET INCOME	58,096	51,346	23,018	32,409
Noncontrolling interests	(10,473)	(22,303)	(7,495)	(13,808)
NET INCOME ATTRIBUTABLE TO SISTEMA JSFC	47,623	29,043	15,523	18,601
Income per share, basic and diluted, Russian roubles	5.05	3.12	1.66	1.98

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2015 AND DECEMBER 31, 2014
(Amounts in millions of Russian roubles)

	June 30,	December 31,
	2015	2014
ASSETS		
NON-CURRENT ASSETS:		
Property, plant and equipment	389,960	396,431
Investments in associates and joint ventures	20,110	20,219
Goodwill	45,784	45,992
Other intangible assets	101,696	97,792
Deferred tax assets	23,863	26,058
Investment property	12,351	10,229
Other financial assets	158,779	126,798
Other assets	14,222	10,115
Total non-current assets	<u>766,765</u>	<u>733,634</u>
CURRENT ASSETS:		
Inventories	56,847	47,582
Trade and other accounts receivable	68,058	78,961
Advances paid and prepaid expenses	19,944	22,335
Current income tax receivable	4,489	8,723
Other taxes receivable	22,893	19,918
Other financial assets	128,177	102,794
Other assets	1,395	1,011
Cash and cash equivalents	106,452	119,967
	<u>408,255</u>	<u>401,291</u>
Assets held for sale	659	-
Total current assets	<u>408,914</u>	<u>401,291</u>
TOTAL ASSETS	<u>1,175,679</u>	<u>1,134,925</u>

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2015 AND DECEMBER 31, 2014 (CONTINUED)
(Amounts in millions of Russian roubles, except for share and per share amounts)

	June 30, 2015	December 31, 2014
LIABILITIES AND EQUITY		
SHAREHOLDERS' EQUITY:		
Share capital (9,650,000,000 shares issued; 9,408,102,596 and 9,435,902,596 shares outstanding with par value of 0.09 Russian Rubles, respectively)	869	869
Treasury stock (241,897,404 and 214,097,404 shares with par value of 0.09 Russian Rubles, respectively)	(7,370)	(6,913)
Additional paid-in capital	69,925	72,202
Retained earnings	132,912	89,719
Accumulated other comprehensive (loss)/income	(8,156)	724
Total Sistema JSFC shareholders' equity	188,180	156,601
Noncontrolling interests	64,344	76,380
TOTAL EQUITY	252,524	232,981
NON-CURRENT LIABILITIES:		
Borrowings	382,947	336,425
Put options over non-controlling interests	7,338	47,531
Bank deposits and liabilities	31,131	9,445
Deferred tax liabilities	39,139	38,291
Provisions	4,408	4,191
Other financial liabilities	19,765	23,180
Other liabilities	8,060	7,565
Total long-term liabilities	492,788	466,628
CURRENT LIABILITIES:		
Borrowings	97,936	126,008
Put options over non-controlling interests	44,165	3,192
Trade and other accounts payable	107,655	117,186
Bank deposits and liabilities	81,720	122,669
Advances received	33,284	23,294
Subscriber prepayments	17,304	20,424
Income tax payable	468	1,025
Other taxes payable	16,024	11,589
Dividends payable	23,328	75
Provisions	8,483	9,854
Total current liabilities	430,367	435,316
TOTAL LIABILITIES	923,155	901,944
TOTAL LIABILITIES AND EQUITY	1,175,679	1,134,925

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014
(Amounts in millions of Russian roubles)

	Six months ended June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net gain	58,096	51,346
Profit for the period from discontinued operations, net of tax effect	(43,816)	(29,790)
Income from continuing operations	14,280	21,556
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	46,637	41,973
Net gain/(loss) from fair value adjustment of financial instruments through profit or loss	18	(1,611)
Equity in net income of investees	(1,758)	(436)
Interest income	(7,993)	(3,619)
Interest expenses	24,065	15,164
Income taxes	9,938	11,507
Foreign currency transactions loss	223	(94)
Loss on disposal of property, plant and equipment	338	-
Gain on disposal of subsidiaries	(202)	(4,777)
Amortization of connection fees	(569)	(575)
Allowance for loan losses	6,863	5,209
Dividends received from affiliates	1,471	1,404
Non-cash compensation to employees	568	1,481
Impairment of long-lived assets other than goodwill and provisions for other assets (less impairment of cash in MTS of 1,697.8 mln RUR in 2015)	2,262	6,836
Other non-cash items	(376)	145
<i>Operating cash flows before working capital changes</i>	95,765	94,163
Movements in working capital:		
Net decrease in loans to customers and banks of the banking segment	18,573	25,649
Net decrease in deposits from customers of the banking segment	(19,264)	(45,953)
Decrease/(increase) in financial assets at fair value through profit or loss	3,032	5,061
Trade and other accounts receivable	9,133	(255)
Advances paid and prepaid expenses, net	2,017	19,364
Other taxes receivable	(2,975)	(20,198)
Inventories and spare parts	(9,669)	(57)
Trade and other accounts payable	(428)	(22,847)
Subscriber prepayments	(2,552)	(2,665)
Other taxes payable	4,445	849
Advances received and other accrued expenses	8,790	35,943
Interest paid	(19,177)	(13,082)
Income tax paid	(7,003)	(7,092)
Net cash provided by operating activities of continuing operations	80,687	68,880
Net cash provided by discontinued operations	-	47,122
NET CASH GENERATED FROM OPERATING ACTIVITIES	80,687	116,002

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014 (CONTINUED)
(Amounts in millions of Russian roubles)

	Six months ended June 30,	
	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchases of property, plant and equipment	(53,148)	(31,168)
Proceeds from sale of property, plant and equipment	1,479	316
Payments for purchases of intangible assets	(21,041)	(6,636)
Purchase of investments in affiliated companies	(1,323)	(6,138)
Purchase of financial assets, long-term	(46,363)	(16,292)
Proceeds from sale of financial assets, long-term	1,405	3,000
Increase in restricted cash	280	-
Purchase of financial assets, short-term	(25,026)	(39,735)
Proceeds from sale of subsidiaries, net of cash disposed	8	3,865
Proceeds from sale of financial assets, short-term	11,859	31,316
Interest received	7,868	3,697
Net cash used in investing activities of continuing operations	(124,002)	(57,775)
Net cash provided by/(used in) investing activities of discontinued operations	10,821	(54,058)
NET CASH USED IN INVESTING ACTIVITIES	(113,181)	(111,833)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	74,703	46,536
Principal payments on borrowings	(49,262)	(31,784)
Debt issued costs	(1,137)	-
Payments to purchase treasury stock	(456)	-
Acquisition of non-controlling interests in existing subsidiaries	-	(1,799)
Dividends paid	-	(56)
Proceeds from capital transactions with shares of existing subsidiaries	-	1,457
Net cash provided by financing activities of continuing operations	23,848	14,354
Net cash provided by discontinued operations	-	48,728
NET CASH GENERATED FROM FINANCING ACTIVITIES	23,848	63,082
Effect of foreign currency translation on cash and cash equivalents	(4,869)	(4,272)
Net (decrease)/increase in cash and cash equivalents	(13,515)	62,979
Cash and cash equivalents at the beginning of the period (including cash of discontinued operations in 2014)	119,967	104,464
Cash and cash equivalents at the end of the period (including cash of discontinued operations)	106,452	167,443
Cash and cash equivalents of discontinued operations at the end of the period	-	(50,832)
Cash and cash equivalents of continuing operations at end of the period	106,452	116,611

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED SEGMENTAL BREAKDOWN FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014
(Amounts in millions of Russian roubles)

For the six months ended June 30, 2015	<u>MTS</u>	<u>RTI</u>	<u>MTS Bank</u>	<u>SSTL</u>	<u>Corporate</u>	<u>Total reportable segment</u>	<u>Other</u>	<u>Total</u>
Net sales to external customers ^(a)	202,225	35,263	13,627	6,651	960	258,726	72,978	331,704
Intersegment sales	647	3,421	293	-	439	4,800	2,215	7,015
Share of the profit or loss of associates and joint ventures	839	22	-	-	-	861	897	1,758
Net interest expense ^(b)	-	-	(3,117)	-	-	(3,117)	-	(3,117)
Depreciation and amortization	39,914	1,291	366	399	269	42,239	4,398	46,637
Operating income/(loss)	41,728	803	(3,531)	(2,068)	(2,742)	34,190	5,616	39,806
Finance income	4,763	1,370	-	174	4,424	10,731	1,611	12,342
Finance expense	12,518	3,332	-	2,917	5,481	24,248	2,958	27,206
Income tax expense/(benefit)	9,248	(30)	111	-	(330)	8,999	939	9,938
Investments in associates and joint ventures	8,158	706	-	-	5,422	14,286	5,824	20,110
Segment assets	649,857	102,492	167,311	26,593	166,814	1,113,067	188,122	1,301,189
Indebtedness ^(c)	318,629	38,882	-	28,505	69,120	455,136	25,747	480,883
Capital expenditures ^(d)	60,685	1,769	255	750	1,348	64,807	9,382	74,189
For the six months ended June 30, 2014	<u>MTS</u>	<u>RTI</u>	<u>MTS Bank</u>	<u>SSTL</u>	<u>Corporate</u>	<u>Total reportable segment</u>	<u>Other</u>	<u>Total</u>
Net sales to external customers ^(a)	195,635	22,233	13,908	3,762	787	236,325	54,822	291,147
Intersegment sales	790	4,185	111	-	604	5,690	318	6,008
Share of the profit or loss of associates and joint ventures	794	-	-	-	-	794	(358)	436
Net interest expense ^(b)	-	-	(976)	-	-	(976)	-	(976)
Depreciation and amortization	35,674	1,414	333	1,033	294	38,748	3,225	41,973
Operating income/(loss)	49,731	4,327	(1,342)	(2,382)	(5,211)	45,123	(322)	45,445
Finance income	2,316	819	-	138	1,931	5,204	(1,585)	3,619
Finance expense	7,536	2,445	-	1,563	3,868	15,412	(248)	15,164
Income tax expense/(benefit)	9,671	1,044	(472)	-	238	10,481	1,026	11,507
Investments in associates and joint ventures	7,608	2	-	-	4,758	12,368	6,157	18,525
Segment assets	522,831	107,316	209,205	30,199	151,854	1,021,405	483,840	1,505,245
Indebtedness ^(c)	222,034	44,475	-	19,726	59,685	345,920	183,562	529,482
Capital expenditures ^(d)	28,854	1,753	431	515	983	32,536	5,268	37,804

(a) 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.

(b) 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.

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

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

Attachment A

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

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

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

<i>RUB millions</i>	2Q 2015	2Q 2014	1Q 2015
Operating income	21,755	23,495	18,757
Provision for cash and deposits in Ukrainian banks (MTS)	-	-	1,698
Depreciation and amortisation	22,510	21,153	24,127
Adjusted OIBDA	44,265	44,648	44,582

Adjusted net income attributable to Sistema can be reconciled to our consolidated statements of operations as follows:

<i>RUB millions</i>	2Q 2015	2Q 2014	1Q 2015
Net income	15,524	18,601	32,099
Second settlement agreement with Ural-Invest	(8,820)	-	-
First settlement agreement with Ural-Invest	-	-	(35,044)
Net income of Bashneft attributable to Sistema	-	(11,721)	-
Provision for cash and deposits in Ukrainian banks (MTS)	-	-	(874)
Adjusted net income/(loss)	6,704	6,880	(2,071)

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

<i>RUB millions</i>	2Q 2015	2Q 2014	1Q 2015
Indebtedness	69,120	59,685	68,498
Cash and cash equivalents	(19,107)	(19,085)	(21,997)
Liquid financial investments	(5,233)	(12,763)	(7,734)
Net debt	44,780	27,837	38,767