



JOINT-STOCK FINANCIAL CORPORATION

SISTEMA

Sistema JSFC

Financial Results

1Q 2015

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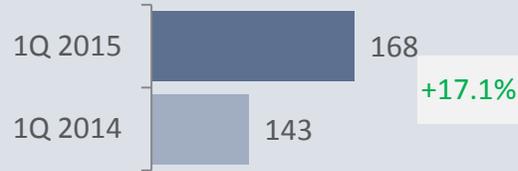
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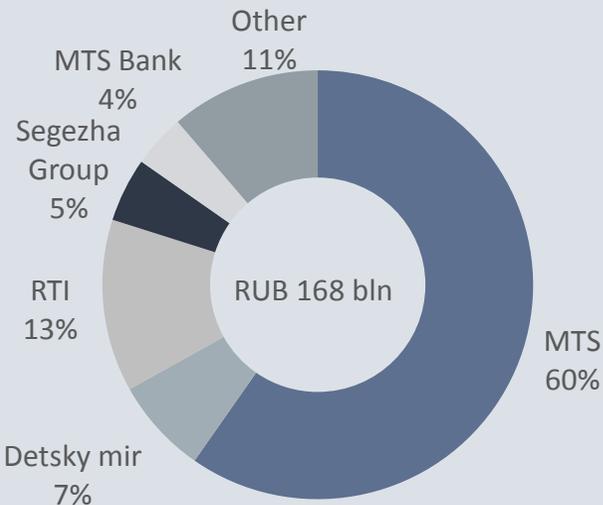
IFRS, RUB bln

KEY HIGHLIGHTS

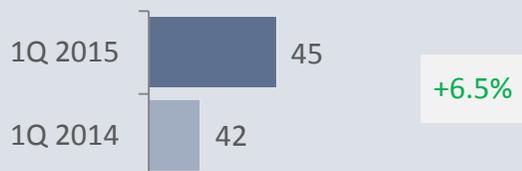
CONSOLIDATED REVENUE, RUB bln



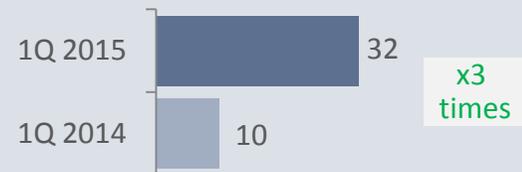
REVENUE BREAKDOWN BY ASSETS



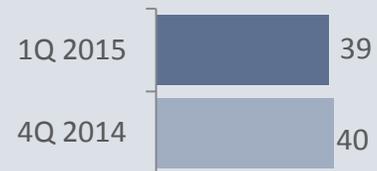
ADJUSTED OIBDA, RUB bln



NET INCOME, RUB bln



NET DEBT AT HOLD CO*, RUB bln



9 out of 13** Sistema's consolidated assets increased revenues in 1Q 2015 YoY

Share of developing assets in consolidated revenue grew from 32% in 1Q 2014 to 40% in 1Q 2015

Largest contributors to the growth are Detsky mir, RTI and Segezha Group (former LesInvest)

Sistema's net income tripled YoY due to a recognised gain of RUB 35.0 bln (fair value of the financial assets claimed after signing the settlement agreement with Ural Invest LLC in March 2015, net of the social investments).

In 1Q 2015, Sistema signed a settlement agreement with Ural-Invest LLC and received the right to claim RUB 48.7 bln of cash assets (including accrued interest).

After the reporting period, Sistema signed another agreement with Ural-Invest LLC, in accordance with which it is entitled to receive an additional RUB 12.9 bln of cash assets and financial instruments.

*Including highly liquid deposits and liquid financial investments

**13 assets include: MTS, Detsky mir, Segezha Group, Targin, BPGC, MTS Bank, SMM, Intourist, Medsi, RTI, SSTL, Binnopharm, real estate segment



IFRS, RUB bln

FINANCIAL REVIEW

CONSOLIDATED REVENUE ANALYSIS, RUB bln



Sistema's revenue grew due to:

RTI revenue growth supported by new long-term contracts

Detsky mir's successful expansion strategy

Consolidation of Segezha Group (former LesInvest) starting from 4Q'14

ADJUSTED OIBDA ANALYSIS, RUB bln



Sistema's OIBDA increased mainly as a results of:

Consolidation of Segezha Group (former LesInvest) starting from 4Q'14

Improved OIBDA at NVision (part of RTI)

Increased efficiency at Detsky mir

*Includes decrease in OIBDA of MTS in the amount of RUB 0.8 bln and growth of RUB 0.2 bln in other assets



KEY PORTFOLIO ACHIEVEMENTS

Corporate Centre

- ✓ SG&A at Corporate Centre reduced by 36.6% YoY and 72.0% QoQ to RUB 1.3 bln in 1Q 2015
- ✓ Cash receivable from Ural-Invest supports Sistema's liquidity next two years
- ✓ Comfortable debt position with 88% share of long-term portion and 64% share of publicly-traded debt

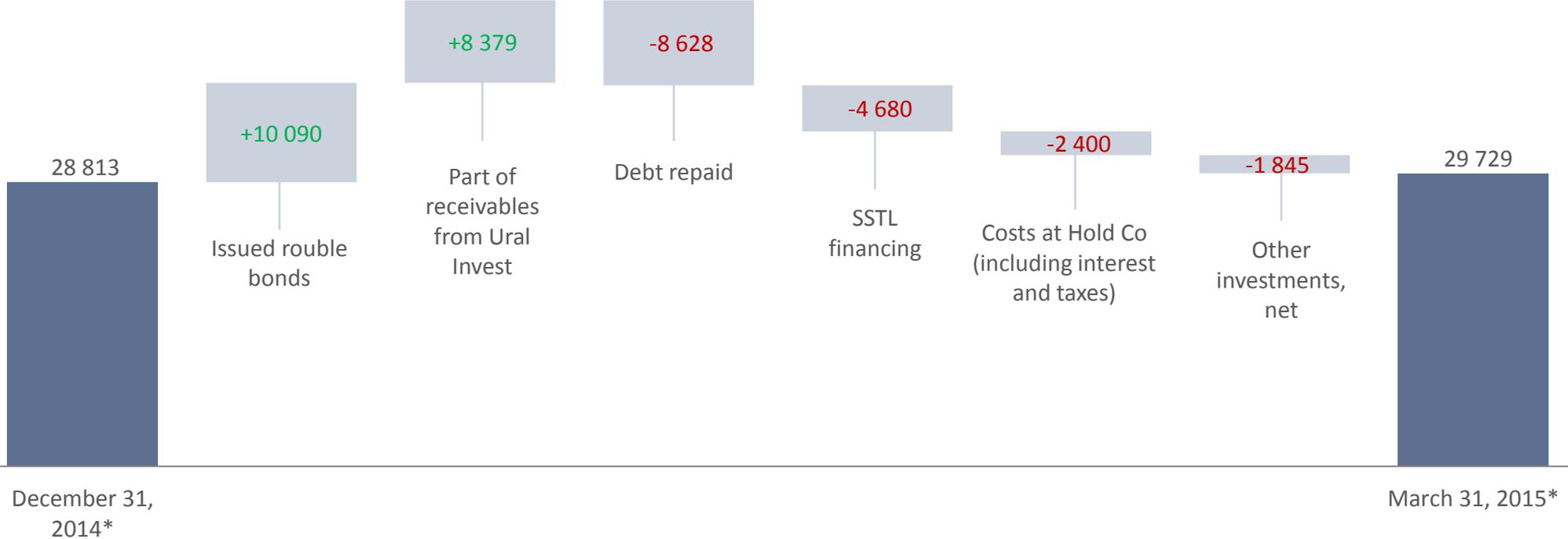
Portfolio performance

- ✓ **MTS:** stable 2.7% YoY revenue growth and leadership in Russia with a 26% YoY increase in data traffic revenues
- ✓ **Detsky mir:** 32.9% YoY growth in revenues with a 5.7% OIBDA margin already in 1Q 2015
- ✓ **Segezha Group:** 13.5% QoQ revenue growth and an OIBDA margin of 27.2% in 1Q 2015
- ✓ **RTI:** 81.6% YoY revenue growth, 64.7% QoQ and 43.8% YoY decrease in net debt
- ✓ **MTS Bank:** QoQ reduced loss, bank's capital adequacy ratio (N1) at 17.3%, one of the highest in Russia
- ✓ **SSTL:** revenues almost doubled YoY, achieved OIBDA breakeven in 5 circles



CASH FLOWS AT HOLD CO

Management accounts, RUB bln



As of the end of 1Q 2015, Sistema’s cash position was more than 50% denominated in foreign currencies.

In 1Q 2015, Sistema received the right to claim RUB 48.7 bln (including accrued interest) of cash and cash deposits from Ural-Invest; after the end of 1Q 2015, Sistema received the right to claim additional RUB 12.9 bln.

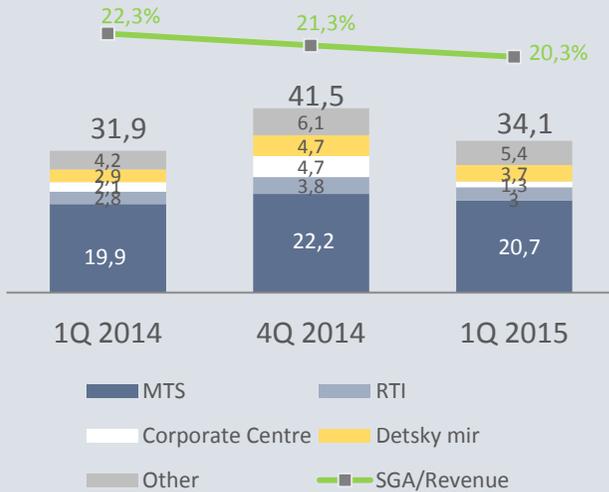
*Including highly liquid deposits and liquid financial investments



IFRS, RUB bln

SG&A AND CAPEX

GROUP'S SG&A, bln RUB



Group's SG&A/Revenue ratio decreased YoY and QoQ, key areas of improved efficiency:

RTI's SG&A/Revenue reduced from 23.7% to 13.5% YoY

Detsky mir's SG&A/Revenue reduced from 31.9% to 30.1% YoY

SG&A at Corporate Centre reduced by 36.6% YoY and 72.0% QoQ

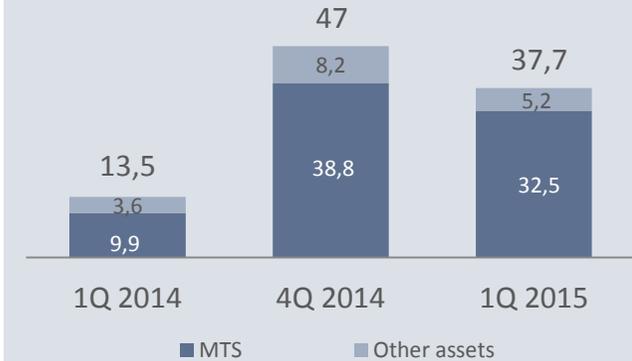
CORPORATE CENTRE'S SG&A, bln RUB



Corporate SG&A/Revenue ratio decreased YoY and QoQ and is now below 1% of Group's revenues

Corporate SG&A in absolute terms also decreased significantly YoY and QoQ

CAPEX, bln RUB



Group's CAPEX nearly tripled YoY as MTS paid for the invoices billed in 4Q 2014.

Key projects include the enhancement of 3G networks in Russia, roll out of LTE and ongoing deployment of GPON project in Moscow.

MTS also paid RUB 7 bln for the licence in Ukraine.

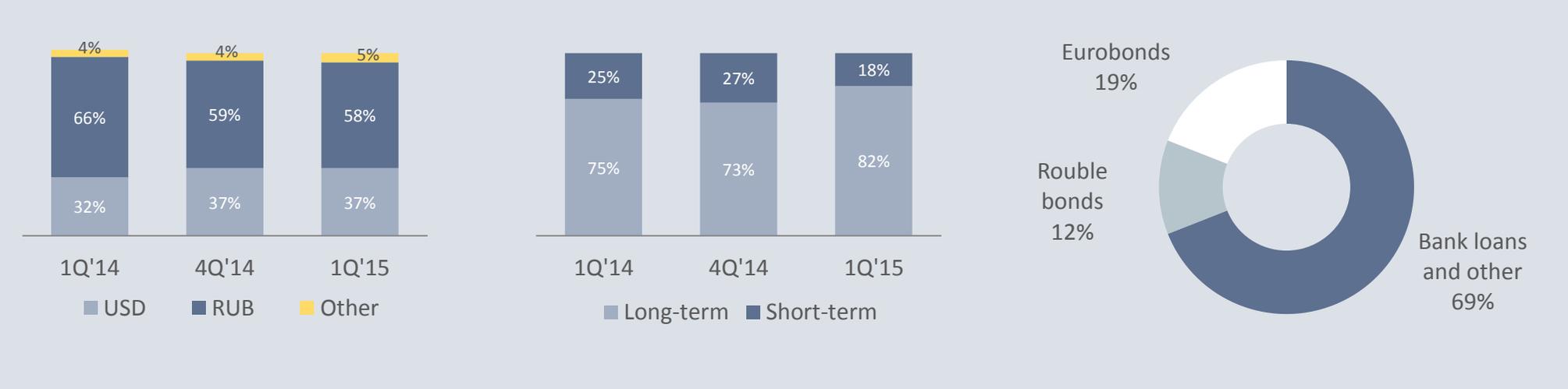


CONSOLIDATED DEBT

CONSOLIDATED DEBT AND MATURITY PROFILE*, bln RUB



CONSOLIDATED DEBT STRUCTURE*

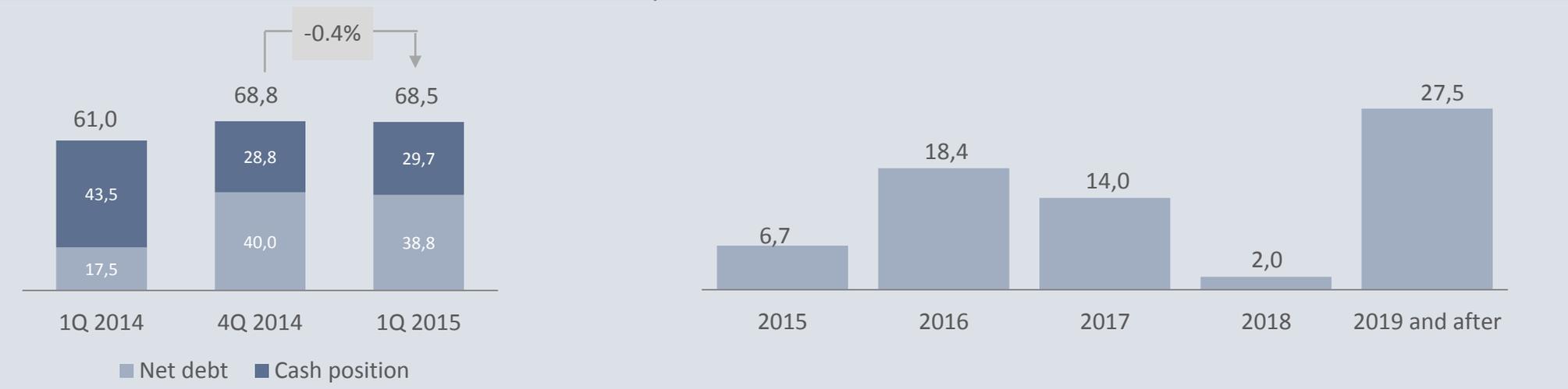


*Source: management accounts

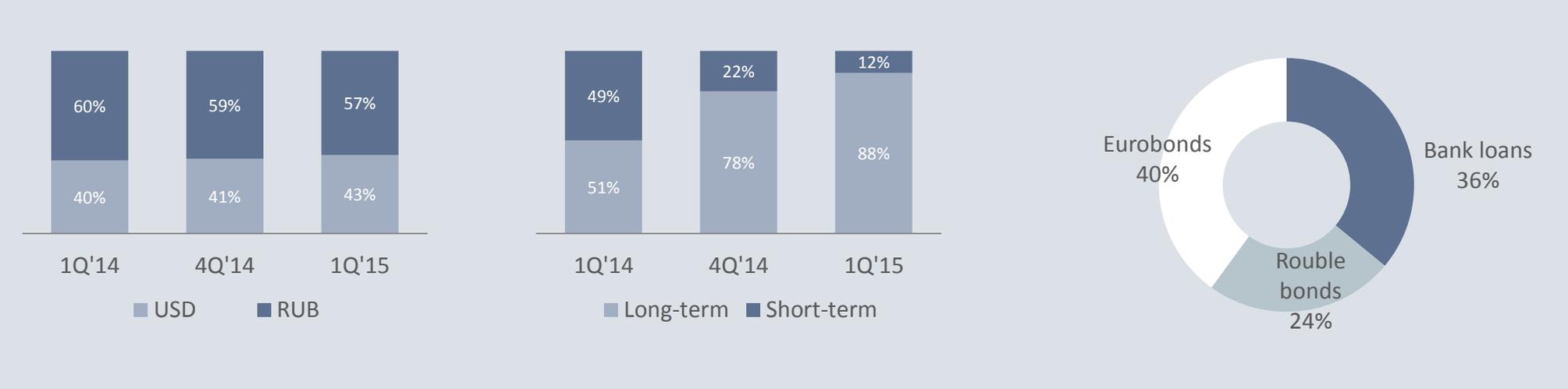


CORPORATE CENTRE'S DEBT

CORPORATE CENTRE'S DEBT AND MATURITY PROFILE*, bln RUB



CORPORATE CENTRE'S DEBT STRUCTURE*



*Source: management accounts



Attachments

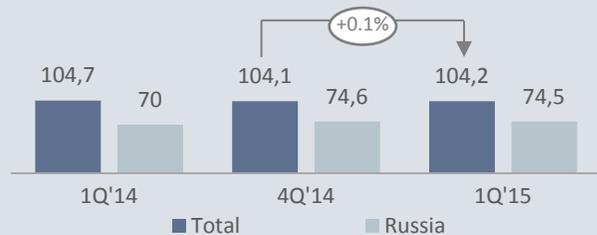


Assets Overview[1]

MTS

RUB bln	1Q'15	4Q'14	1Q'14	QoQ	YoY
Revenue	100.2	107.2	97.5	-6.5%	2.7%
Adj.OIBDA	41.3	38.1	42.1	8.5%	-1.8%
OIBDA margin	41.2%	35.5%	43.1%	n/a	n/a
Net income*	5.8	0.7	6.8	689%	-14.3%
Net debt	285.6	228.9	182.1	24.7%	56.8%
Russian MOU, min	367	393	353	-6.6%	-2.9%
Russian ARPU, RUB	315	337	325	-6.3%	-2.9%
Number of households, mln	12.5	12.5	12.3	0%	1.4%
Fixed-line subscribers, mln	6.8	7.1	7.4	-4.2%	-8.9%

Mobile subscribers, mln



- > MTS's revenue grew YoY, reflecting an increase in data services and Russia's subscriber base growth.
- > MTS's revenue decreased QoQ driven by seasonal factors, including a decrease in handset sales.
- > Adjusted OIBDA was down YoY, due to a decrease in roaming profitability as the Russian rouble depreciated, the devaluation of the Ukrainian hryvnia, and higher costs related to resuming operations in Uzbekistan.
- > MTS's net income attributable to Sistema decreased YoY, due to currency revaluation of RUB 3.5 bln and provisions for deposits in Ukrainian banks.

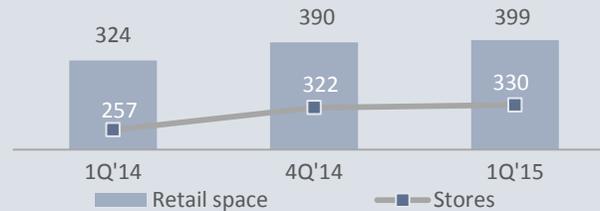
*Here and thereafter net income is presented in Sistema's share.

** As per management statements

Detsky mir

RUB bln	1Q'15	4Q'14	1Q'14	QoQ	YoY
Revenue	12.2	15.7	9.1	-22.4%	32.9%
OIBDA	0.7	2.6	0.07	-74.0%	936.4%
OIBDA margin	5.7%	16.9%	0.7%	n/a	n/a
Net income	0.02	1.4	-0.4	-98.3%	n/a
Net debt	11.3	7.9	6.6	43.2%	70.0%
Like-for-like growth	13.2%	12.4%	24.9%	n/a	n/a
Traffic growth	4.0%	2.7%	17.5%	n/a	n/a
Average ticket growth	9.0%	9.5%	6.3%	n/a	n/a
SG&A/Revenue	30.3%	29.4%	32.0%	n/a	n/a

Retail space ('000 m²) and stores

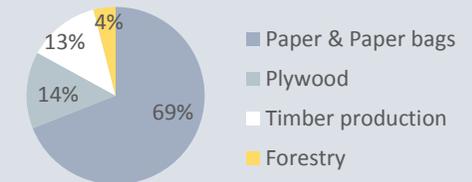


- > Detsky mir revenue growth was mainly driven by a 13.2% rise in like-for-like sales, 8 new store openings and increased traffic in the stores opened in 2013 and 2014 (89 stores).
- > Detsky mir's OIBDA and net income increased substantially YoY, reflecting revenue growth and continued efforts to improve operating efficiency.
- > In 2015, Detsky mir implemented a number of measures to support its development while minimising the currency risk, including focusing on rouble-based rental and import contracts and enhancing cooperation with domestic producers.
- > In 2015, Detsky mir is planning to open 60 stores, as well as a 70.5 '000 m² warehouse in Moscow.

Segezha Group

Financials in RUB bln	1Q'15	4Q'14	1Q'14**	QoQ	YoY
Revenue	8.1	7.2	5.2	13.5%	56%
OIBDA	2.2	1.1	0.7	105.7%	197%
OIBDA margin	27.2%	15.0%	14.2%	n/a	n/a
Net income	1.0	0.5	-3.7	95%	n/a
Net debt	0.02	-0.3	n/a	-1.5%	n/a
CAPEX	0.7	1.4	0.1	-50.5%	794%
Export sales	59%	59%	51%	n/a	n/a
Own forestry consumption	53%	44%	42%	n/a	n/a
Total forestry, '000 m ³	930	721	758	n/a	n/a

Revenue by business segments



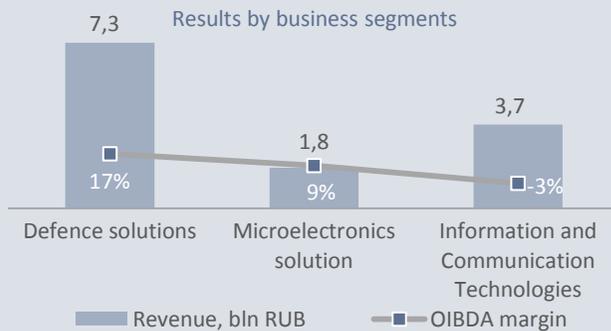
- > Segezha generated a QoQ increase in revenues as a result of higher prices for paper bags and increased volumes of plywood production, as well as the depreciation of rouble against US dollar and Euro. Export sales account for over 59% of Segezha's total revenues.
- > Segezha's OIBDA more than doubled QoQ as a result of higher production and sales volumes, as well as cost reduction associated with an increase in its own logging, which grew by 23% QoQ.
- > Segezha reported lower capital expenditure after implementing a programme aimed at expanding its timber logging segment and own feedstock security, which currently stand at 53%.



Assets Overview[2]

RTI **PTI**

RUB bln	1Q'15	4Q'14	1Q'14	QoQ	YoY
Revenue	21.8	38.9	12.0	-43.9%	81.6%
Adj.OIBDA	0.9	2.6	-0.03	-66.2%	n/a
Adj.OIBDA margin	4.0%	6.6%	n/a	n/a	n/a
Net loss	-1.2	-3.6	-1.4	n/a	n/a
Net debt	13.4	37.9	23.8	-64.7%	-43.8%
Share of debt related to state defence contracts*	46%	50%	44%	n/a	n/a

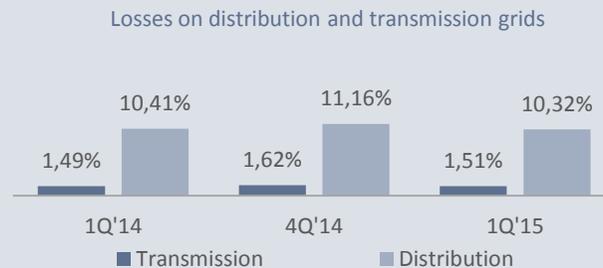


- > RTI's revenues increased YoY, mainly as a result of a 33.0% YoY rise in revenue at the Defence Solutions BU. Revenue at the Microelectronics Solutions BU remained stable YoY.
- > RTI reported significant OIBDA growth YoY due to revenue growth at the Defence Solutions BU and reduced losses at NVision Group (the Information and Communication Technologies BU). NVision's SG&A decreased by 17% YoY.
- > RTI's net debt decreased by three times QoQ, as a result of fulfilling its obligations on the state defence contracts, as well as receiving advanced payments on existing contracts.

*Share of debt related to state defence contracts (with effectively zero tax rate).

BPGC

RUB bln	1Q'15	4Q'14	1Q'14	QoQ	YoY
Revenue	4.0	4.0	3.8	0.0%	2.8%
OIBDA	1.4	1.1	1.5	26.9%	-7.4%
OIBDA margin	35.9%	28.3%	39.4%	n/a	n/a
Net income	0.8	0.5	0.7	48.6%	10.4%
CAPEX	0.6	1.4	0.3	-59.5%	92.0%
New connections, '000	3 699	6 418	3 515	-42.4%	5.2%
Connected power, kVt	97 702	119 147	84 430	-18.0%	15.7%

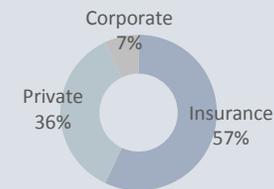


- > BPGC's revenue grew YoY, largely as a result of a 0.5% YoY and 1.3% QoQ increase in electricity consumption, a broader service offering and a higher number of new connections.
- > OIBDA declined YoY, mainly due to higher labour and technological consumption expenses.
- > BPGC's capital expenditure increased YoY as a result of the large-scale investment programme under the RAB regulation.

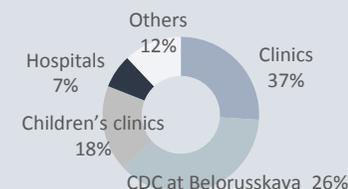
Medsi

RUB bln	1Q'15	4Q'14	1Q'14	QoQ	YoY
Revenue	1.9	2.5	2.5	-21.2%	-22.4%
OIBDA	-0.3	-0.3	0.4	n/a	n/a
OIBDA margin	n/a	n/a	16.9%	n/a	n/a
Net income/(loss)	-0.4	-0.4	0.2	n/a	n/a
Net debt/(cash)	-0.3	-1.0	-3.7	n/a	n/a
Patient visits, thousands	1 680	2 126	1 831	-21.0%	-8.2%
Services provided, '000	2 720	3 783	3 232	-28.1%	-15.8%

Revenue by clients



Revenue by assets



- > Medsi's revenues declined YoY and QoQ, which was largely a result of a lower number of patient visits, driven by reduced revenue from state contract after the state benefits monetisation programme for public sector workers was introduced. The contraction of the insurance market was also a factor as this led to lower demand from insurance companies.
- > OIBDA was down in the reporting quarter following the decrease in revenues. In addition, Medsi expanded its marketing activities to compensate for reduced state contracts.
- > Medsi's total debt amounted to RUB 2.3 bln as of March 31, 2015. All liabilities of the Group are denominated in roubles.



Assets Overview[3]

Targin

RUB bln	1Q'15	4Q'14	1Q'14	QoQ	YoY
Revenue	5.8	7.0	6.1	-16.7%	-5.0%
OIBDA	0.5	0.5	0.6	12.3%	-13.6%
OIBDA margin	9.4%	6.9%	10.3%	n/a	n/a
Net income/(loss)	-0.05	-0.3	0.3	n/a	n/a
Net debt	2.6	2.1	0.4	25.5%	535.2%
CAPEX	0.5	1.6	0.8	-70.3%	-38.7%

Results of the drilling segment

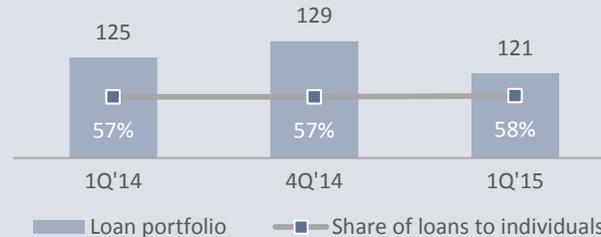


- > Targin's revenue decreased YoY following the disposal of the non-core construction segment.
- > Targin's SG&A decreased, due to the reorganisation of the business, whereby the nine companies of Targin Group were merged into four. As a result of this optimisation, Targin's OIBDA increased QoQ and its profitability improved.

MTS Bank

RUB bln	1Q'15	4Q'14	1Q'14	QoQ	YoY
Revenue	7.1	5.2	6.7	36.2%	5.3%
Net loss	-1.0	-8.0	-0.5	n/a	n/a
Interest income	5.5	6.3	6.0	-13.5%	-9.1%
Commission income	0.8	1.0	1.0	-26%	-27.1%
Net assets	30.6	32.2	23.3	-4.8%	31.5%
Capital Adequacy Ratio (N1)	17.3%	16.1%	11.1%	n/a	n/a

Loan portfolio, RUB bln*

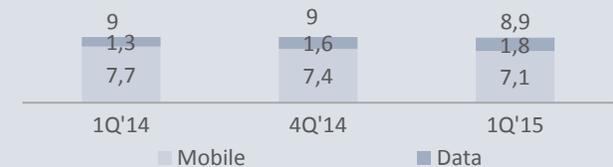


- > MTS Bank's revenue increased, as a result of the partial recovery of the Russian rouble and the revaluation of securities, despite a decline in interest and commission income.
- > Interest income decreased on the back of a reduced loan portfolio and stricter requirements regarding the quality of borrowers' profiles.
- > MTS Bank's net loss reduced significantly QoQ as a result of decreased provision accrual during the reporting quarter.
- > MTS Bank's capital adequacy ratio (N1) stood at 17.3% at the end of 1Q 2015, which is one of the highest in the Russian banking sector.

SSTL

RUB bln	1Q'15	4Q'14	1Q'14	QoQ	YoY
Revenue	3.6	2.7	1.8	33.7%	98.1%
Adj. OIBDA	-1.4	-1.2	-0.6	n/a	n/a
Net loss	-2.1	-10.5	-1.1	n/a	n/a
Net debt	30.4	30.0	18.9	1.5%	61.0%
Revenue from data services, %	51.1%	46.9%	35.3%	n/a	n/a

Subscriber base, mln



- > SSTL's revenues almost doubled YoY, reflecting data revenue growth. For the first time, data services generated more revenues than SSTL's voice services. In addition, ARPU increased by 19.0% YoY.
- > SSTL's adjusted OIBDA loss in rouble terms increased QoQ due to rouble devaluating against Indian rupee. SSTL's adjusted OIBDA loss in Indian rupees substantially reduced QoQ, mainly as a result of lower marketing expenses. These expenses, however, increased YoY as SSTL continued to develop its data services segment.
- > The data subscriber base grew by 9% in 1Q 2015.
- > SSTL's high speed data services (CPA) are now available in 850 cities across nine circles.

*Stand alone loan portfolio of MTS Bank

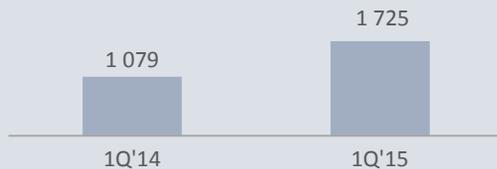


Assets Overview[4]

Binnopharm

RUB bln	1Q'15	4Q'14	1Q'14	QoQ	YoY
Revenue	0.4	0.7	0.5	-46.8%	-33.2%
OIBDA	-0.01	-0.06	0.1	n/a	n/a
OIBDA margin	n/a	n/a	20.9%	n/a	n/a
Net income/(loss)	-0.08	-0.09	0.03	n/a	n/a
Net debt	0.9	1.0	0.8	-11.4%	17.9%

Production of finished pharmaceutical products, thousands units



- > Binnopharm's revenue declined YoY and QoQ in the first quarter of 2015 due to tenders for the supply of the Regevak B vaccine being moved to the second quarter of 2015.
- > The decrease in OIBDA mainly resulted from lower revenues due to significant fixed costs.
- > In 1Q 2015, Binnopharm completed licensing of the new drugs, Beclomethasone and Aminocaproic acid, sales of which are scheduled to begin in 3Q 2015.

Media assets

RUB bln	1Q'15	4Q'14	1Q'14	QoQ	YoY
Revenue	1.1	1.1	0.9	0.0%	23.2%
OIBDA	0.2	0.3	0.3	-33.5%	-21.2%
OIBDA margin	19.0%	28.5%	29.6%	n/a	n/a
Net income/(loss)	0.03	0.07	-0.04	-56.4%	n/a
Net debt/(cash)	-0.5	0.3	0.06	n/a	n/a

STREAM's subscribers, mln



- > SMM's revenues remained stable QoQ and increased YoY, as a result of a higher number of Stream-TV subscribers and rising revenue from the mobile entertainment service 'MTS Pulse' at Stream LLC.
- > SMM's OIBDA decreased YoY and QoQ after changes to the accounting estimates were introduced (production costs are now expensed through the profit and loss account; earlier they were recognised as capital expenditures).
- > To reduce risks related to film production activities, on April 1, 2015, SMM fully disposed of its Russian World Studios (RWS) business, while growing its controlling stake in the studio business (Joint Russian Studio) to 70%.

Intourist

RUB bln	1Q'15	4Q'14	1Q'14	QoQ	YoY
Revenue	0.5	0.7	0.6	-29.6%	-17.5%
OIBDA	-0.07	-0.3	-0.08	n/a	n/a
OIBDA margin	n/a	n/a	n/a	n/a	n/a
Net loss	-0.1	-0.4	-0.1	n/a	n/a
Net debt	1.2	2.1	1.2	-42.7%	-1.0%

Rooms owned, rented and managed



- > Intourist's revenues were down due to a decrease in the number of rooms owned, managed and rented after leases for Intourist's hotels in Turkey and Russia expired. A QoQ decline in revenue was mainly a result of seasonal factors.
- > As of March 31, 2015, Intourist owned and managed eight hotels across Russia, Italy, the Czech Republic and Namibia.
- > The number of rooms owned, managed and rented in the reporting quarter decreased to 2,519 rooms in 1Q 2015, following the termination of leases for the 'Moscow' hotel (Uglich, Yaroslavl region) and 'Moscow Tract' (Rostov).



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