



JOINT-STOCK FINANCIAL CORPORATION

SISTEMA

Sistema JSFC

Financial Results

2Q 2015

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DISCLAIMER

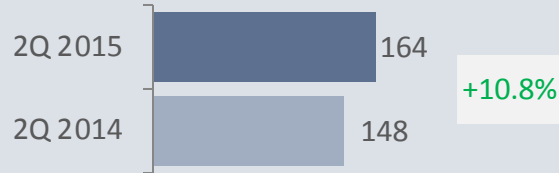
Certain statements in this presentation may contain assumptions or forecasts in respect to forthcoming events within JSFC Sistema. The words “expect”, “estimate”, “intend”, “will”, “could” and similar expressions identify forward-looking statements. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not intend to update these statements to reflect events and circumstances occurring after the above-mentioned date or to reflect the occurrence of unanticipated events. Many factors could cause Sistema’s actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, deteriorating economic and credit conditions, our competitive environment, risks associated with operating in Russia, rapid technological and market change in our industries, as well as many other risks specifically related to Sistema and its operations.



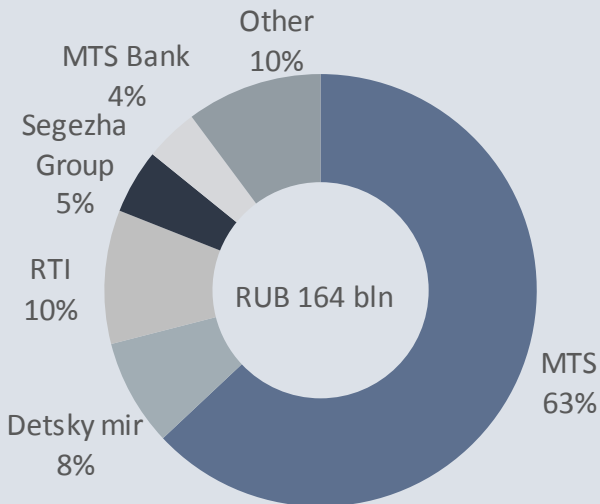
IFRS, RUB bln

KEY HIGHLIGHTS

CONSOLIDATED REVENUE, RUB bln



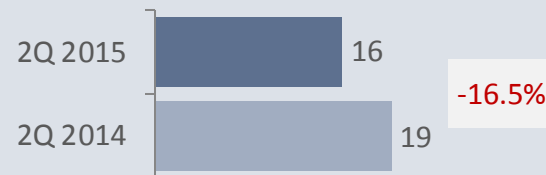
REVENUE BREAKDOWN BY ASSETS



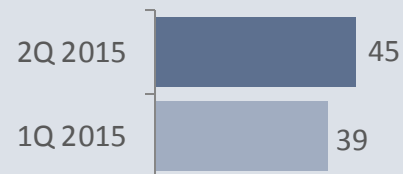
ADJUSTED OIBDA, RUB bln



NET INCOME, RUB bln



NET DEBT AT HOLD CO*, RUB bln



- Main contributors to the Group's revenue and its growth were MTS, RTI, Segezha Group and Detsky mir.
- SSTL also achieved strong results - increased its revenue by 11.9% in Indian rupees and reduced OIBDA loss to less than US\$ 5 mln in 2Q 2015.
- Sistema's adjusted OIBDA remained mostly flat – growth at non-public assets was eliminated with declined OIBDA at MTS and MTS Bank.
- In 2Q'15, Sistema received an additional RUB 12.9 bln of cash assets and financial instruments. Sistema recognised gain from settlement agreement in the amount of RUB 8.8 bln (net of accrued taxes).
- After the reporting period Sistema's subsidiary Sistema Telecoms Assets and RTI signed legally binding agreements to sell their respective stakes in NVision Group to MTS. MTS will acquire 100% of NVision for a cash consideration of RUB 5 bln.

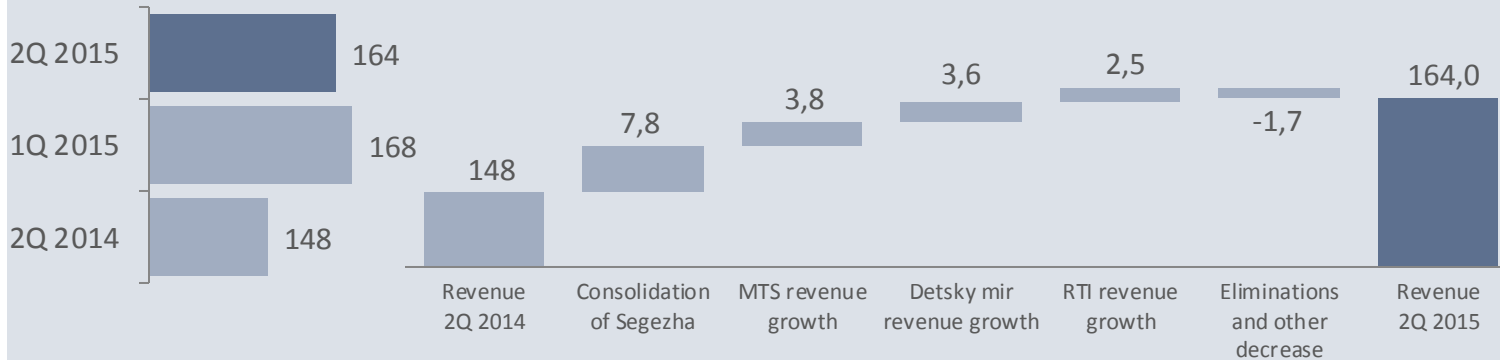
*Including highly liquid deposits and liquid financial investments



IFRS, RUB bln

FINANCIAL REVIEW

CONSOLIDATED REVENUE ANALYSIS, RUB bln



Sistema's revenue grew due to:

- Consolidation of Segezha Group starting from 4Q'14
- MTS revenue growth due to growing data services consumption and higher handset sales
- Detsky mir sales growth and RTI's new state contracts

ADJUSTED OIBDA ANALYSIS, RUB bln



Sistema's OIBDA decreased mainly as a results of:

- Decreased OIBDA at MTS Bank due to fewer new issued loans and ensuing reduction of interest income
- Decreased OIBDA at MTS due to higher contribution from sales of handsets to MTS' revenues, the devaluation of the Ukrainian hryvnia and costs related to the development of operations in Uzbekistan



KEY ACHIEVEMENTS in 2Q 2015

Strong financial position at Corporate Centre

- ✓ Accumulated cash position at the end of 2Q'15 of RUB 24.3 bln
- ✓ Other deposits and financial instruments, not included in liquid cash, amounted to RUB 34.1 bln
- ✓ After the end of the reporting period, Sistema also received RUB 20.3 bln of dividends from subsidiaries
- ✓ SG&A at Corporate Centre reduced by 38.9% YoY

Investment portfolio actions

- ✓ Launch of new storage and distribution center at Detsky mir - supply centralisation will increase to 80%, gross margin will grow through increased discounts from suppliers, SGA expenses will be optimised
- ✓ Sale of NVision to MTS - cash consideration of RUB 5 bln; MTS will save around RUB 8 bln of operating expenses annually; MTS will be able to introduce new tariffs and implement its market strategy ahead of competitors
- ✓ Recapitalisation of MTS Bank – proposed subordinated debt conversion and use of OFZ provided by DIA; will significantly increase bank's stability at no cash cost for Sistema

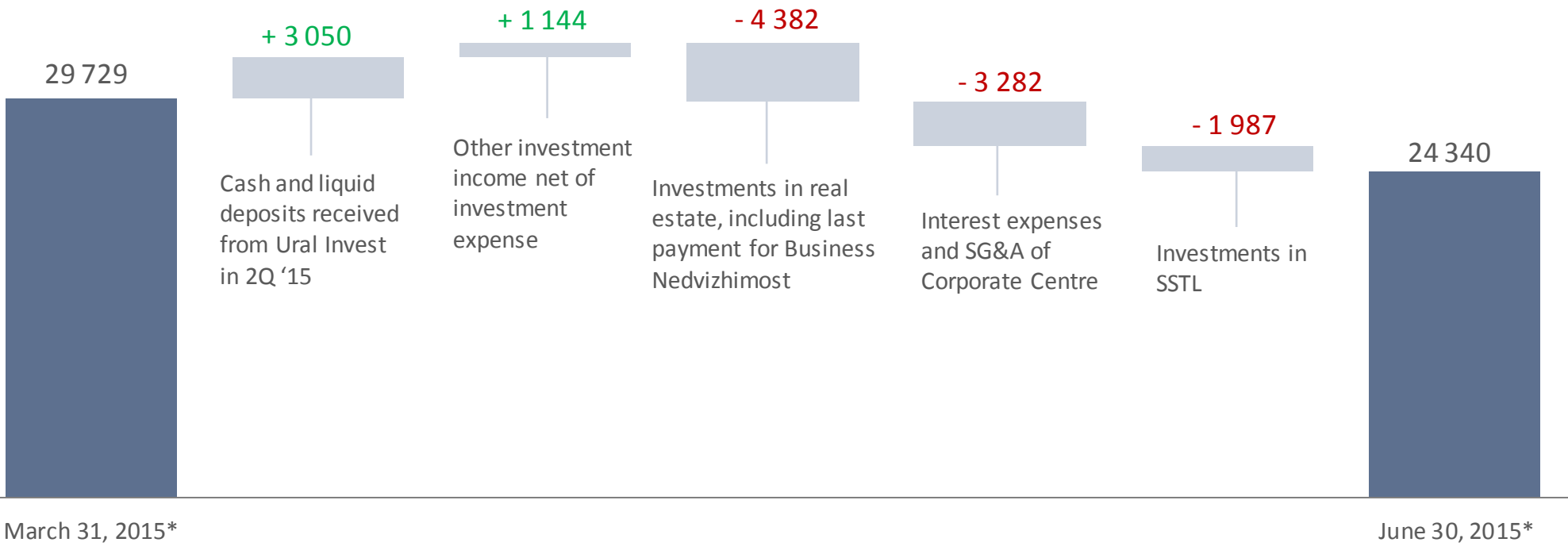
Key achievements at portfolio companies

- ✓ Detsky mir: LfL sales growth of 17.9% in 2Q'15 vs 12.0% in 2Q'14; LfL traffic growth of 6.7% vs 3.8% in 2Q'14; revenues increased by 40.3% YoY
- ✓ SSTL: OIBDA loss narrowed to less than US\$ 5 mln; data revenues exceeded 55% in total sales; 6 circles achieved OIBDA breakeven in 2Q'15
- ✓ Targin: strengthened OIBDA margin to 15% on the back of restructuring and cost optimisation programme
- ✓ Medsi: restored OIBDA margin QoQ from loss to 9.8% in 2Q'15 thanks to increased patient visits by 6.2% QoQ
- ✓ RTI: revenue grew by 17% YoY, OIBDA margin expanded to 7.3%



CASH FLOWS AT HOLD CO

Management accounts, RUB bln



As of the end of 2Q 2015, Sistema's cash position was by 38% denominated in foreign currencies

In 2Q 2015, interest expense paid at Corporate Centre amounted to RUB 2.2 bln, cash SG&A at Corporate Centre was RUB 1 bln

At the end of 2Q 2015, Sistema's cash position at Corporate Centre was RUB 24.3 bln and RUB 34.1 bln were represented by other deposits and financial instruments were not included in cash position

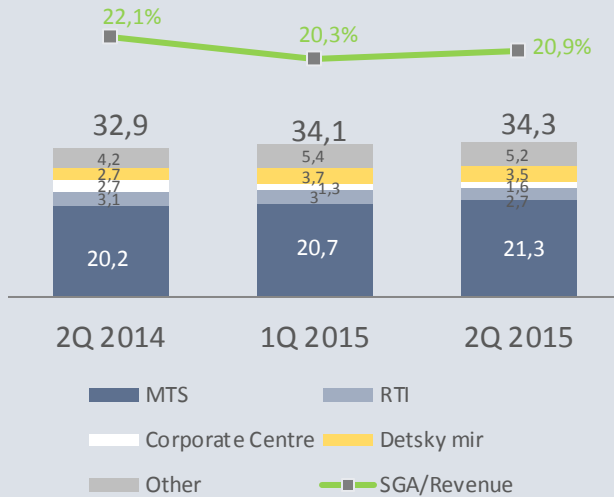
*Including highly liquid deposits and liquid financial investments



IFRS, RUB bln

SG&A AND CAPEX

GROUP'S SG&A, bln RUB



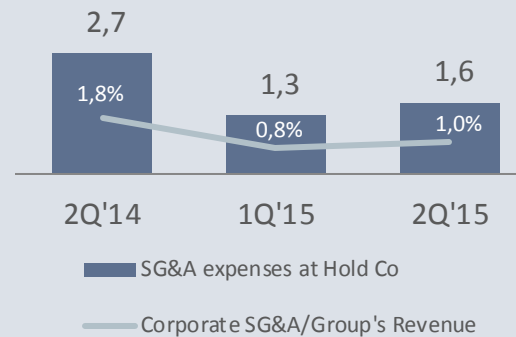
Group's SG&A/Revenue ratio decreased YoY, key areas of improved efficiency:

RTI's SG&A/Revenue reduced from 21.9% to 16.3% YoY

Detsky mir's SG&A/Revenue reduced from 30.0% to 27.6% YoY

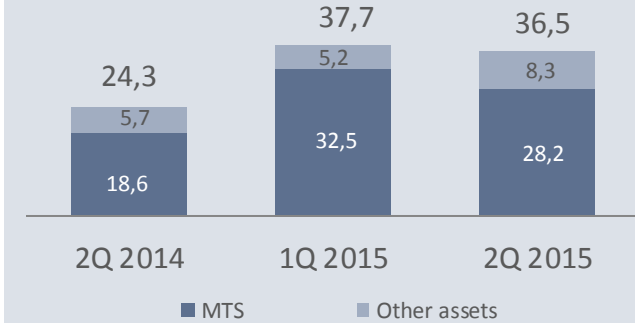
SSTL's SG&A/Revenue reduced from 53.0% to 35.1%

CORPORATE CENTRE'S SG&A, bln RUB



SG&A at Corporate Centre reduced by 38.9% YoY
Corporate SG&A/Revenue ratio decreased YoY from 1.8% to 1.0%

GROUP'S CAPEX, bln RUB



Group's CAPEX increased by 50% YoY largely due to growth of capital expenditures at MTS

Segezha's CAPEX grew to RUB 1.6 bln due to upgrading of machinery and construction of new paper sack production facilities in Karelia and Rostovskaya oblast

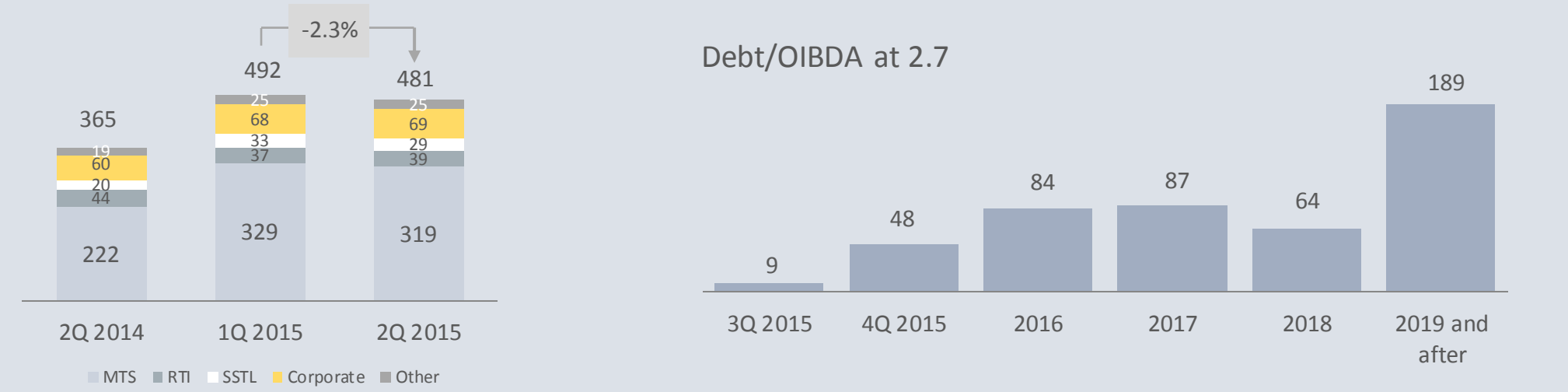
Medsi's CAPEX grew by 62% YoY and 33% QoQ to RUB 0.9 bln due to reconstruction of hospital «Otradnoe» and construction of clinic «Krasnaya Presnya».

Detsky Mir CAPEX grew YoY by 111%, but decreased QoQ by 27% to RUB 0.7 bln due to uneven distribution of Bekasovo warehouse costs

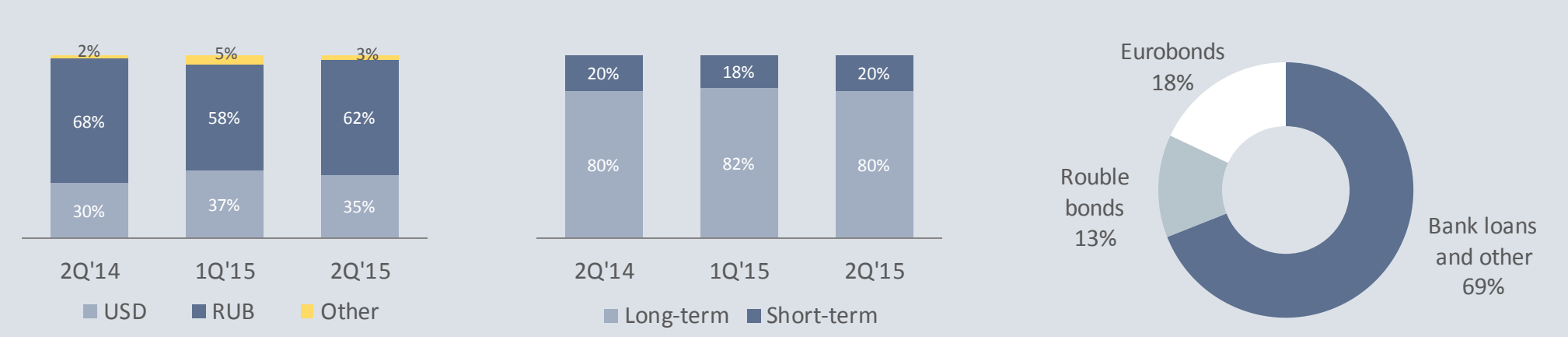


CONSOLIDATED DEBT

CONSOLIDATED DEBT AND MATURITY PROFILE*, bln RUB



CONSOLIDATED DEBT STRUCTURE*

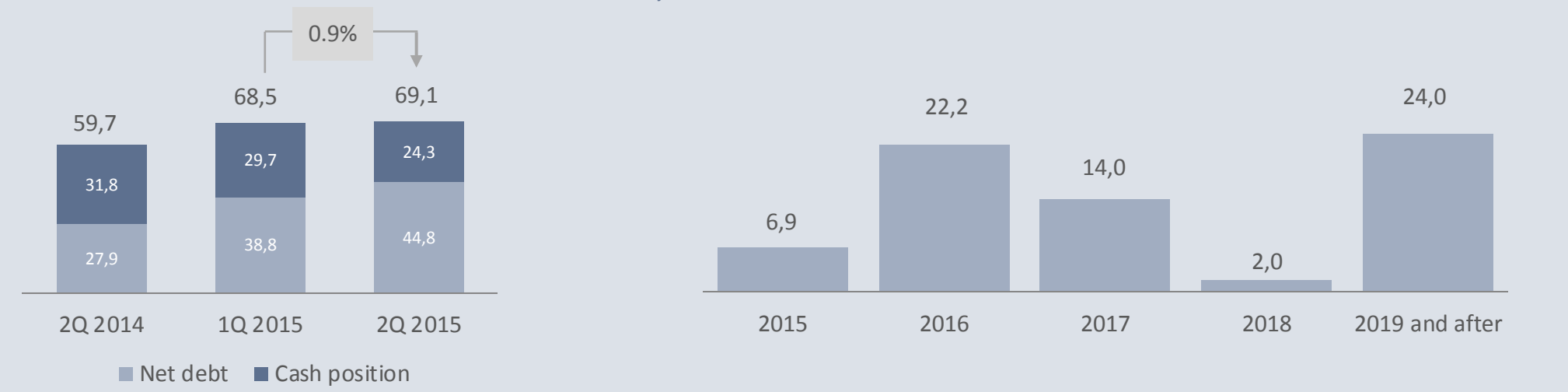


*Source: management accounts

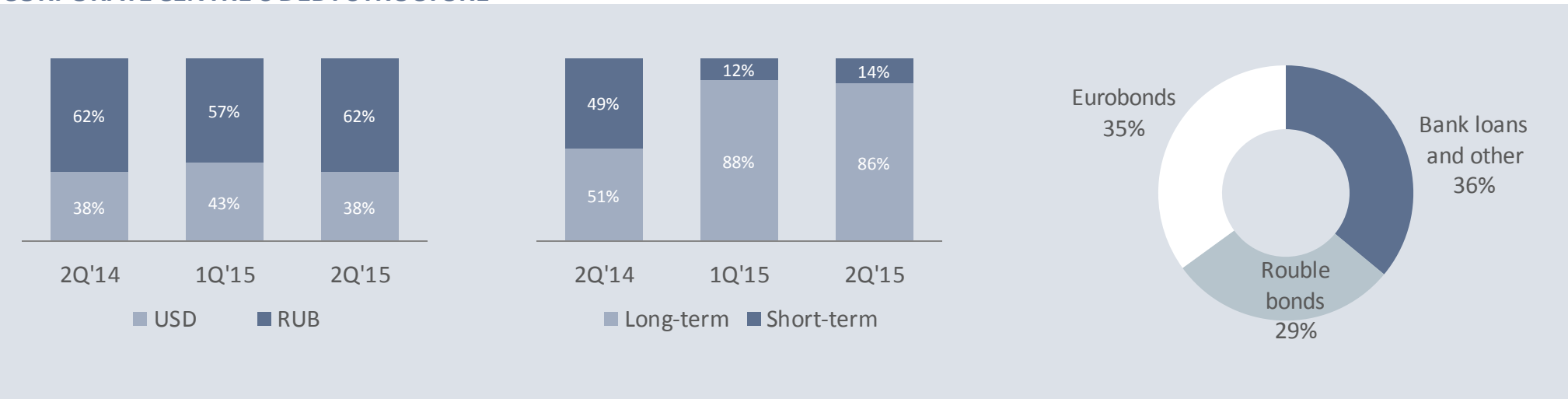


CORPORATE CENTRE'S DEBT

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



CORPORATE CENTRE'S DEBT STRUCTURE*



*Source: management accounts



Attachments

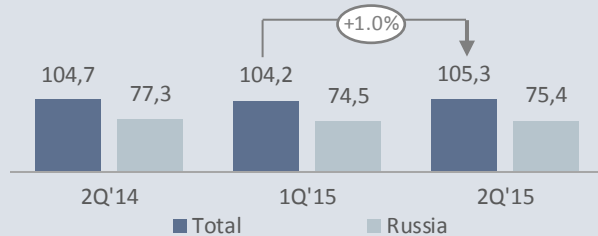


ASSETS OVERVIEW [1]

MTS

RUB bln	2Q'15	1Q'15	2Q'14	QoQ	YoY
Revenue	102.7	100.2	98.9	2.5%	3.9%
Adjusted OIBDA	42.0	41.3	43.3	1.8%	-3.0%
OIBDA margin	40.9%	41.2%	43.8%	n/a	n/a
Net income*	9.1	5.8	11.6	56.8%	-21.5%
Net debt	274.5	285.6	168.6	-3.9%	62.8%
Russian MOU, mln	388	367	373	5.7%	4.1%
Russian ARPU, RUB	324	315	336	2.6%	-3.5%
Number of households, mln	12.6	12.5	12.4	0.1%	1.2%
Fixed-line subscribers, mln	6.7	6.8	7.3	-1.0%	-8.0%

Subscribers, mln

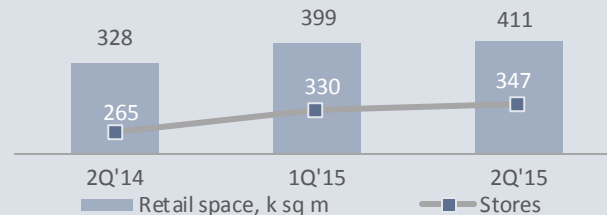


- > In 2Q 2015, MTS generated a YoY increase in revenues resulted from growth in data traffic consumption, surge in the sales of handsets in Russia and expanded retail footprint, as well as contribution from MTS' subsidiary in Uzbekistan, where MTS relaunched operations in December 2014.
- > MTS is a leader in terms of data revenue growth in the Russian market.
- > The adjusted OIBDA margin declined YoY largely due to higher contribution from sales of handsets to MTS' revenues, the devaluation of the Ukrainian hryvnia and costs related to the development of operations in Uzbekistan.

Detsky mir

RUB bln	2Q'15	1Q'15	2Q'14	QoQ	YoY
Revenue	12.6	12.2	9.0	3.6%	40.3%
OIBDA	0.6	0.7	0.6	-8.9%	-0.8%
OIBDA margin	5.0%	5.7%	7.1%	n/a	n/a
Net income	0.3	0.02	0.1	x13.3	188.1%
Net debt	13.0	11.3	7.5	15.3%	73.9%
Like-for-like growth	17.9%	13.2%	12.0%	n/a	n/a
Traffic growth	6.7%	4.0%	3.8%	n/a	n/a
Average ticket growth	10.4%	9.0%	8.0%	n/a	n/a
SG&A/Revenue	27.6%	30.3%	30.4%	n/a	n/a

Retail space ('000 m²) and stores

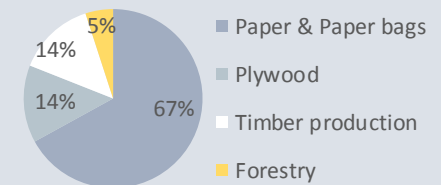


- > Detsky mir's revenues increased significantly YoY largely due to successful implementation of Detsky mir's strategy to expand its market share. In 2Q 2015, retailer's like-for-like sales grew to 17.9%. Detsky mir opened 17 new stores in 2Q 2015.
- > Detsky mir's OIBDA remained largely stable YoY 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.
- > E-commerce remains a strategic priority: in June hundreds of new pick-up points were opened in its own retail network.
- > Upon completion of the reporting period, Detsky mir paid RUB 800 mln of dividends to Sistema.

Segezha Group

RUB bln	2Q'15	1Q'15	2Q'14**	QoQ	YoY
Revenue	7.8	8.1	6.1	-3.6%	27.5%
OIBDA	1.4	2.2	1.0	-37.6%	34.6%
OIBDA margin	17.6%	27.2%	17.0%	n/a	n/a
Net income	0.4	1.0	0.1	-58.1%	x8
Net debt	0.5	0.02	n/a	x25	n/a
CAPEX	1.6	0.7	1.4	140%	19.0%
Share of export sales	54%	60%	45%	n/a	n/a
Own forestry consumption	52%	53%	46%	n/a	n/a
Total forestry, '000 m ³	704.1	930	470.4	-24.3%	49.7%

Revenue by business segments



- > Segezha Group increase in revenues and OIBDA YoY resulted from rouble depreciation, higher production and sales volumes of sack paper, as well as the significant cost reduction associated with increasing its own logging.
- > A QoQ decrease in revenue and OIBDA was mainly due to the strengthening of the Russian rouble, higher sales of low-margin lumber products.
- > CAPEX growth in 2Q 2015 was due to upgrading of machinery and construction of new paper sack production facilities in Karelia and Rostovskaya oblast.
- > 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.

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

** As per management statements

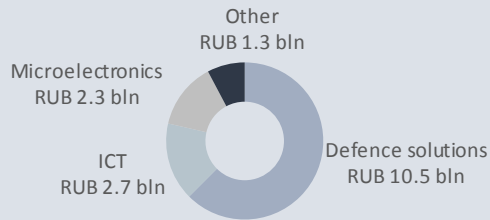


ASSETS OVERVIEW [2]

RTI

RUB bln	2Q'15	1Q'15	2Q'14	QoQ	YoY
Revenue	16.8	21.8	14.4	-22.9%	17.0%
Adj.OIBDA**	1.2	0.9	0.6	40.0%	89.8%
Adj.OIBDA margin	7.3%	4.0%	4.5%	n/a	n/a
Net income/(loss)	0.2	-1.2	-1.5	n/a	n/a
Net debt	19.4	13.4	17.7	45.2%	9.9%
Share of debt related to state defence contracts*	44%	46%	46%	n/a	n/a

Results by business segments



- > RTI's revenues increased YoY, mainly as a result of a 63.0% YoY rise in revenue at the Defence Solutions BU. Revenue at the Microelectronics Solutions BU remained stable YoY and grew by 27.7% QoQ.
- > RTI's OIBDA and net income increased YoY and QoQ, largely reflecting revenue growth at the Defence Solutions BU.
- > Increase in net debt YoY and QoQ was due to the change in cash and cash equivalents received as advance payment under government defence contracts in 1Q 2015.

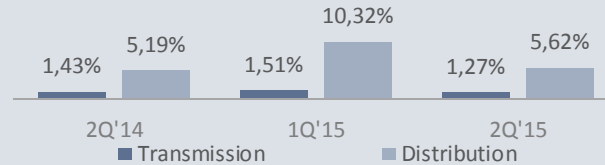
*Share of debt related to state defence contracts (with effectively zero interest rate).

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

BPGC

RUB bln	2Q'15	1Q'15	2Q'14	QoQ	YoY
Revenue	3.3	4.0	3.2	-16.8%	3.4%
OIBDA	1.0	1.4	1.1	-26.6%	-7.0%
OIBDA margin	31.6%	35.9%	35.2%	n/a	n/a
Net income	0.6	0.8	0.6	-27.9%	3.0%
CAPEX	1.1	0.6	0.7	82.4%	45.7%
New connections, '000	6 418	3 699	5 173	73.5%	24.1%
Connected power, kVt	119	98	76	21.4%	56.6%

Losses on distribution and transmission grids

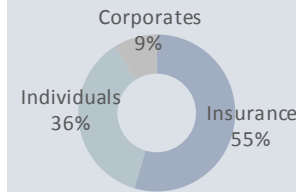


- > In 2Q 2015, BPGC's revenue grew mainly as a result of 0.97% increase in electricity consumption and a higher number of new connections.
- > A QoQ decrease in revenue reflects seasonal factors.
- > The company's OIBDA declined YoY due to higher operating expenses associated with increased technological electricity losses, as well as the abolition of property tax relief for power grid companies.
- > Upon completion of the reporting period, BPGC paid RUB 900 mln of dividends to Sistema.

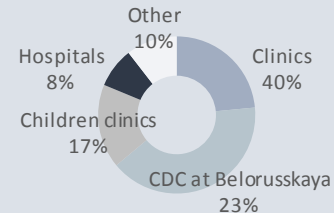
MEDSI

RUB bln	2Q'15	1Q'15	2Q'14	QoQ	YoY
Revenue	2.0	1.9	2.5	5.1%	-17.0%
OIBDA	0.2	-0.2	0.3	176.1%	-36.0%
OIBDA margin	9.8%	n/a	11.7%	n/a	n/a
Net income/(loss)	-0.1	-0.4	0.06	n/a	n/a
Net debt/(cash)	-0.1	-0.3	-1.2	n/a	n/a
Patient visits, thousands	1 783	1 679	1 894	6.2%	-5.9%
Services provided, '000	2 806	2 719	3 290	3.2%	-14.7%

Revenue by clients



Revenue by assets



- > Medsi's revenues declined YoY due to ending of certain state contracts. The contraction of the insurance market was also a factor as this led to lower demand from insurance companies.
- > Revenue trend started to recover QoQ due to a 6% increase in the number of patient visits, while patient traffic from insurance companies rose by 7% and the number of individual customers increased by 3%.
- > Medsi's OIBDA also grew QoQ due to higher revenues, as well as seasonally lower labour, utility and transportation costs.

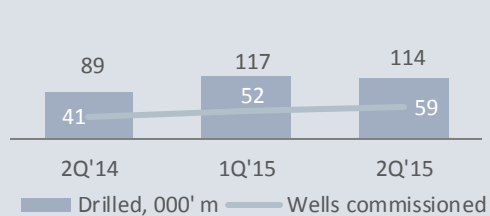


ASSETS OVERVIEW [3]

TARGIN ТАРГИН

RUB bln	2Q'15	1Q'15	2Q'14	QoQ	YoY
Revenue	6.1	5.8	6.2	5.3%	-1.6%
OIBDA	0.9	0.5	0.7	68.3%	32.9%
OIBDA margin	15.0%	9.4%	11.1%	n/a	n/a
Net income/(loss)	0.4	-0.05	0.5	n/a	-12.5%
Net debt	3.0	2.6	1.2	15.8%	155.6%
CAPEX	1.1	0.5	0.8	125.7%	26.6%

Results of the drilling segment

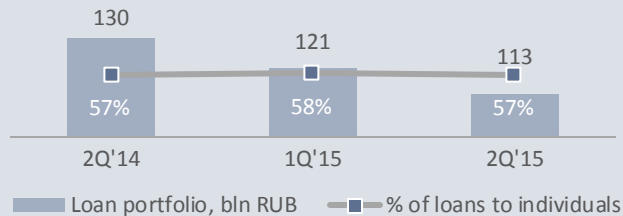


- > Targin's revenues decreased YoY after disposing of its construction segment.
- > OIBDA margin continue its growth on a YoY basis largely due to the reorganisation of the business at the end of 2014, which allowed Targin to significantly optimise its cost base.
- > Reduction of net income YoY was due to additional financing raised at higher interest rates.
- > CAPEX doubled vs. 1Q 2015 owing to the purchase of a mobile drilling rig, drilling instruments and equipment for Targin Drilling, and 38 vehicles for Targin Logistics under the investment programme.

MTS Bank МТС Банк

RUB bln	2Q'15	1Q'15	2Q'14	QoQ	YoY
Revenue	6.8	7.1	7.3	-3.8%	-6.2%
Net loss	-2.2	-1.0	-0.2	n/a	n/a
Interest income	4.9	5.5	6.4	-10.0%	-22.6%
Commission income	0.9	0.8	1.0	12.9%	-14.7%
Net assets	31.7	30.6	30.2	4.5%	4.9%
Capital adequacy ratio (N1.0)	16.1%	17.3%	12.1%	n/a	n/a

Loan portfolio

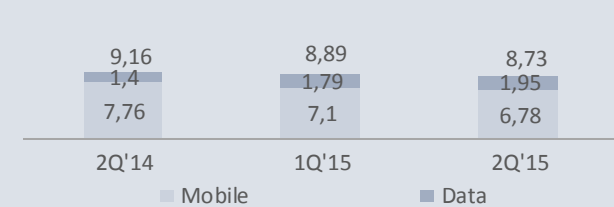


- > Interest income is down as a result of a cutback in new issued loans and a continued management efforts to improve the quality of its borrowers.
- > MTS Bank's net income was down due to a drop in its assets with the subsequent reduction in interest income, as well as the growing cost of funding triggered by the current macroeconomic situation.
- > Accrued provisions for the loan portfolio remained stable QoQ.
- > The capital adequacy ratio (N1.0) of 16% remains among the highest in the Russian banking segment.

SSTL МТС

RUB bln	2Q'15	1Q'15	2Q'14	QoQ	YoY
Revenue	3.1	3.6	2.0	-14.0%	57.2%
OIBDA	-0.3	-1.4	-0.8	n/a	n/a
Net loss	-1.6	-2.1	-1.3	n/a	n/a
Net debt	27.2	30.4	17.2	-10.5%	58.5%
Revenue from data services, %	55.3%	51.1%	38.6%	n/a	n/a

Subscriber base, mln



- > SSTL's revenues in rouble terms were down QoQ, but grew by 4.7% QoQ in Indian rupee terms, driven by significant growth in the consumption of data services.
- > 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 2Q 2014. SSTL's revenues increased YoY, driven by significant growth in the consumption of data services.
- > SSTL's OIBDA loss substantially reduced YoY and QoQ 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 nine circles operations of SSTL achieved OIBDA breakeven in 2Q 2015.

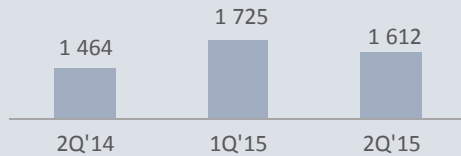


ASSETS OVERVIEW [4]

Binnopharm

RUB bln	2Q'15	1Q'15	2Q'14	QoQ	YoY
Revenue	0.4	0.4	0.8	9.3%	-49.3%
OIBDA	0.04	-0.01	0.2	n/a	-82.5%
OIBDA margin	9.9%	n/a	28.7%	n/a	n/a
Net income/(loss)	-0.005	-0.08	0.09	n/a	n/a
Net debt	1.1	0.9	0.8	19.3%	30.9%

Production of finished pharmaceutical products, thousands units

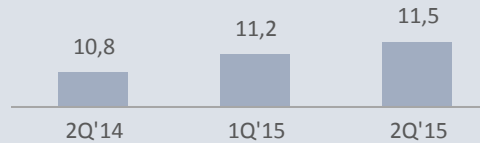


- > Binnopharm's revenues YoY mainly due to lower sales volumes of the Regevak B vaccine as the state tenders for the supply of this vaccine were rescheduled.
- > A YoY decline in OIBDA resulted from a decrease in revenues.
- > Binnopharm reported QoQ OIBDA margin growth largely as a result of increased sales of its own produced high-margin products.
- > In 2Q 2015, Binnopharm was included in the list of systemically important enterprises, which makes it possible to obtain state subsidies.
- > Binnopharm launched production of a new product in the form of aerosol (Bedomethasonum), and Alium commenced contract-based production of hydroxyethyl starch ReoHES.

Media assets

RUB bln	2Q'15	1Q'15	2Q'14	QoQ	YoY
Revenue	0.6	1.1	0.6	-44.4%	-5.1%
OIBDA	0.3	0.2	0.1	54.7%	128.1%
OIBDA margin	52.8%	19.0%	22.0%	n/a	n/a
Net income/(loss)	-0.3	0.03	-0.03	n/a	n/a
Net debt/(cash)	-0.5	-0.6	0.04	n/a	n/a

STREAM's subscribers, mln

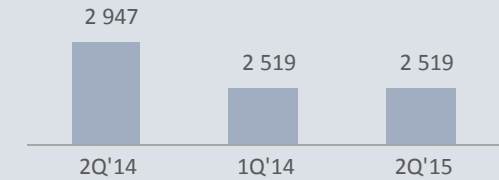


- > SMM reported a YoY and QoQ decrease in revenues. This decline mainly reflects the deconsolidation of Russian World Studios (RWS) in April. This one off, in turn, led to YoY and QoQ increase in SMM's OIBDA. Other business segments of SMM demonstrated organic growth of 28.4% QoQ.
- > The one-off effect from deconsolidation of RWS at the level of net income was negative, which caused a net loss in quarterly results.
- > TVC Stream retains leadership in average annual coverage of the audience in most niche groups, and remains a high-margin business generating a stable cash flow for the group. Stream was actively developing the services launched in partnership with MTS and demonstrated an improvement in its main financial indicators at the end of the quarter.

Intourist

RUB bln	2Q'15	1Q'15	2Q'14	QoQ	YoY
Revenue	0.6	0.5	0.7	19.1%	-20.3%
OIBDA	0.1	-0.07	0.1	n/a	-21.1%
OIBDA margin	17.8%	n/a	18.0%	n/a	n/a
Net loss	0.002	-0.1	-0.005	n/a	n/a
Net debt	1.2	1.2	1.3	-0.6%	-6.4%

Rooms owned, rented and managed



- > Intourist's revenues were down YoY due to a decrease in the number of rooms owned, managed and rented.
- > OIBDA and net income were up QoQ reflecting an increase in revenue. QoQ rise in revenue primarily driven by increased seasonal demand for its hotels abroad.
- > The total number of rooms reduced YoY due to expiry of leases on Maxim Resort (Turkey, 330 rooms) and Moscow and Moskovskiy Trakt hotels (Russia, 98 rooms in total).



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