



FOR IMMEDIATE RELEASE

April 26, 2012

FINANCIAL RESULTS FOR THE FOURTH QUARTER AND AUDITED FINANCIAL RESULTS FOR THE FULL YEAR ENDED DECEMBER 31, 2011

Moscow, Russia – April 26, 2012 – Sistema JSFC (“Sistema”, the “Group” or the “Company”) (LSE: SSA), the largest diversified public financial corporation in Russia and the CIS, today announces its unaudited consolidated US GAAP financial results for the fourth quarter and audited financial results for the full year ended December 31, 2011.

The Group’s consolidated results for the fourth quarter of 2011 and the full year were impacted mainly by non-cash one-off items (“one-offs”) primarily related to the US\$ 346 million loss from impairment of SSTL licences following India’s Supreme Court ruling to cancel 122 licences, including 21 licences of SSTL, and US\$ 349 million of SSTL goodwill write-off.

Full Year Highlights

- Consolidated revenues up 23.0% to US\$ 33 billion
- OIBDA without one-offs up 16.2% YoY to US\$ 8.3 billion, with an OIBDA margin of 25.1%
- Net income attributable to the Group of US\$ 218.0 million and without one-offs of US\$ 996.8 million
- Net cash position¹ at the Corporate Holding level amounted to US\$ 564.4 million compared to net debt of US\$ 684.5 million

Fourth Quarter Highlights

- Revenues up 15.3% YoY to US\$ 8.4 billion
- OIBDA without one-offs up 24.0% YoY to US\$ 2.1 billion, with an OIBDA margin of 25.3%
- Net loss attributable to Sistema of US\$ 530.2 million and without one-offs net income of US\$ 261.4 million

KEY CORPORATE HIGHLIGHTS FOR 2011

- Established OJSC RTI, with the participation of the Bank of Moscow, and sold Sistema’s stake of approximately 63% in SITRONICS to OJSC RTI.
- Reorganised OJSC Sistema-Invest by merging it into CJSC Bashkir Integrated Energy Systems, CJSC UNKH-EnergoInvest, CJSC UNPZ-EnergoInvest and CJSC Novoil-EnergoInvest, which were previously owned by the Bashkir Oil and Energy group of companies.
- Intourist and Thomas Cook Group Plc completed a transaction to establish a joint venture involving Intourist’s tour operating and retail business.
- In August and October completed two buyback programmes of MTS’ and Sistema’s shares for a total of approximately US\$ 90 million.
- Acquisition of 17.14% stake in SSTL by the Russian Government for c.US\$ 600 million.

¹ Including highly liquid deposits.

- Sold 100% stake in CJSC Sistema-Inventure (24.4% of the charter capital of MGTS) to MTS for RUB 10.56 billion.
- Approved new dividend policy with dividend payments to be equal to a minimum of 10% of the Company's consolidated net income under US GAAP and 10% minimal special dividend from cash proceeds from exits and disposals.
- Acquired 100% stake in OJSC Donskoe from the State for RUB 476.5 million. Donskoe is located in the Rostov region of the Russian Federation and occupies 25.4 thousand hectares of land.
- Acquired 100% stake in OJSC "First Cavalry Army Stud Farm" from the State for RUB 303 million. OJSC "First Cavalry Army Stud Farm" is located in the Rostov region of the Russian Federation and occupies 21.5 thousand hectares of agricultural land, including 17.5 thousand hectares of arable land.
- Approved a new management and organisational structure in line with the new investment company model.
- Appointed Mikhail Shamolin as President and CEO of Sistema.

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

«In 2011, Sistema began a transition to an investment company model aimed at strengthening our competitive advantage and improving returns on our investments. This was a milestone year in our development as we reshaped Sistema's structure, enhanced our investment approach, strengthened the management team and entered promising new investments.

Our investments have enjoyed a strong year, delivering a 23% increase in revenues and substantial growth in net income, excluding one-off effects. Foremost, these results are underpinned by excellent organic growth in our Core Assets portfolio, primarily in the oil and telecoms segments, where Bashneft increased production by 6.8% and benefited from stable oil prices, while MTS successfully implemented its strategy of monetizing the subscriber base, resulting in the strongest profitability in the sector.

In 2011 our Developing Assets focused on aggressive expansion of their operations, which led to a 17% increase in their revenues. These results reflect Sistema's objective of making these businesses a material part of our investment case. As such, RTI and Detsky mir now account for over 8% of our total revenues, while Medsi and Binnopharm delivered maiden annual and quarterly profits, respectively. In 2012 this strategy will be supported by a strong profitability drive as several of these companies expect to report substantial improvements in OIBDA by year end.

Recent newsflow with regards to SSTL licences has been a concern both to us and our shareholders. However, we are determined to resolve the situation and to that end are taking all necessary actions to protect our investment and minimize our exposure should the uncertainty remain. Moreover, we are currently working on a number of transactions to both develop our existing businesses and further broaden our portfolio and with latest events such as our joint venture with RZ Agro, Medsi's merger with Moscow Government's healthcare assets and RTI's possible acquisition of NVision, we are confident of Sistema's prospects for growth in 2012».

Conference call information

Sistema's management will host an analyst conference call today at 8 am (New York time) / 1 pm (London time) / 2 pm (CET) / 4 pm (Moscow Time) to present and discuss the fourth quarter and full year 2011 results.

The dial-in numbers for the conference call are:

UK/International: + 44 20 7190 1530
 US: + 1 480 629 9771

And quote the conference call title: "Sistema 4Q and Full year 2011 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 SUMMARY²

<i>(US\$ millions, except per share amounts)</i>	4Q 2011	4Q 2010	Year on Year Change	2011	2010	Year on Year Change
Revenues	8,377.9	7,269.0	15.3%	32,981.2	26,811.3	23.0%
OIBDA ³	1,108.7	1,401.7	(20.9%)	7,223.1	7,165.4	0.8%
<i>OIBDA without one-offs</i>	2,123.4	1,712.2	24.0%	8,280.1	7,125.7	16.2%
Operating income	296.1	666.5	(55.6%)	3,941.5	4,302.6	(8.4%)
<i>Operating income without one-offs</i>	1,310.8	977.1	34.2%	4,998.5	4,262.9	17.3%
Net (loss)/ income attributable to Sistema	(530.2)	221.5	-	218.0	918.7	(76.3%)
<i>Net income attributable to Sistema without one-offs</i>	261.4	90.7	188.1%	996.8	627.4	58.9%
Basic and diluted earnings per share (US cents)	(5.7)	2.4	-	2.4	9.9	(76.3%)

GROUP OPERATING REVIEW

In 2011, Sistema's consolidated revenues increased by 23.0% compared to 2010 reflecting strong performance across Sistema's Core Assets and Developing Assets portfolios. In the fourth quarter, the Group's revenues were up 15.3% year-on-year driven by Bashneft's strong results and organic growth in the Developing Assets portfolio.

Selling, general and administrative expenses increased by 5.0% to US\$ 3,936.6 million in 2011, mainly due to an increase in selling and marketing expenses in the Developing Assets portfolio.

Depreciation, depletion and amortisation expense increased by 14.6% to US\$ 3,281.6 million in 2011, mainly due to US dollar appreciation and significant CAPEX in 2010.

The Group's OIBDA without one-offs increased by 16.2% in 2011 and by 24.0% year-on-year in the fourth quarter, reflecting improved profitability at MTS and strong operational growth at Bashneft. In 2011, the OIBDA margin without one-offs, decreased to 25.1% from 26.6% in 2010, due to higher operating expenses in Developing Assets portfolio, but increased year-on-year in the fourth quarter to 25.3% from 23.6%.

Consolidated net income attributable to Sistema without one-offs increased by 58.9% to US\$ 996.8 million in 2011, compared to US\$ 627.4 million in 2010. Net income attributable to Sistema without one-offs grew to US\$ 261.4 million in the fourth quarter of 2011, from US\$ 90.7 million in the corresponding period of 2010.

² Financials for 4Q 2010 and FY 2010 were restated to show the effect of discontinued operations.

³ See Attachment A for definitions and reconciliation of OIBDA and OIBDA without one-offs to GAAP financial measures.

OPERATING REVIEW BY BUSINESS UNIT⁴

CORE ASSETS BUSINESS UNIT⁵

<i>(US\$ millions)</i>	4Q 2011	4Q 2010	Year on Year Change	2011	2010	Year on Year Change
Revenues	7,155.0	6,189.0	15.6%	29,242.3	23,358.2	25.2%
OIBDA	2,121.3	1,505.2	40.9%	8,617.0	7,598.0	13.4%
Operating income	1,417.2	843.5	68.0%	5,670.5	5,027.5	12.8%
Net income attributable to Sistema	427.9	148.6	187.9%	1,983.5	1,745.7	13.6%
Indebtedness ⁶	12,093.7	11,088.0	9.1%	12,093.7	11,088.0	9.1%

The Core Assets business unit comprises OJSC MTS (“MTS”), OJSC Bashneft (“Bashneft”) and OJSC Bashkirenergo (“Bashkirenergo”).

In line with Sistema’s plans to sell the power generation assets of Bashkirenergo and in accordance with US GAAP rules on reporting discontinued operations, Bashkirenergo results include operations from transmission and distribution grids only. All operations from power generation assets were excluded from consolidated results and reflected in the line “Income/loss from discontinued operations”. A decision with regards to the sale of the power generation assets will be announced after completion of discussions with interested parties, signing of legally binding documents, and shareholders’ approval.

The Core Assets portfolio’s revenues increased by 15.6% year-on-year in the fourth quarter and by 25.2% in 2011 as Bashneft continued to demonstrate strong operating results supported by high oil prices and a favourable market environment, while MTS delivered excellent organic growth despite strong market competition in 2011.

The business unit’s OIBDA increased by 40.9% year-on-year in the fourth quarter and by 13.4% in 2011 mainly as a result of the portfolio’s revenue growth and optimisation of operating expenses. The slight decline in OIBDA margin from 32.5% in 2010 to 29.5% in 2011, due to a recognised gain from Belkamneft’s revaluation in Bashneft’s 2010 results, was largely offset by MTS’ improved profitability.

The Core Assets business unit’s net income attributable to Sistema more than doubled year-on-year in the fourth quarter as a result of excellent net income growth in MTS.

MTS

<i>(US\$ millions)</i>	4Q 2011	4Q 2010	Year on Year Change	2011	2010	Year on Year Change
Revenues	2,981.7	2,995.1	(0.5%)	12,318.7	11,293.2	9.1%
OIBDA	1,287.3	1,025.2	25.6%	5,187.0	4,738.8	9.5%
Operating income	731.7	496.8	47.3%	2,851.8	2,738.3	4.1%

⁴ Here and from hereon, the comparison of period to period 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 Business unit’s financial results are presented with consolidation of holding company Sistema-Invest.

⁶ Here and thereafter intergroup debt is excluded.

Net income attributable to Sistema	208.5	85.6	143.6%	769.5	756.4	1.7%
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MTS' revenues increased by 9.1% in 2011, primarily due to growth in voice and data consumption. MTS' total subscriber base (including Belarus subscribers) exceeded 106.1 million customers as of December 31, 2011, resulting in a 0.4 million year-on-year growth in subscribers.

MTS' OIBDA was up 25.6% year-on-year in the fourth quarter and 9.5% in 2011, due to continued optimisation of operating, sales and marketing expenses, improvement of interconnect balance, and the growing contribution from data products. The OIBDA margin increased year-on-year to 43.2% in the fourth quarter of 2011 and 42.1% in 2011, compared to 34.2% in the fourth quarter of 2010 and 42.0% in 2010.

The average monthly service revenue per subscriber (ARPU) in Russia increased to RUB 284 in the fourth quarter of 2011, compared to RUB 262 in the corresponding period of 2010, as a result of the improved quality of the customer base and increased services consumption. Russian subscribers' monthly minutes of use (MOU) increased by 9.2% to 283 minutes in the fourth quarter of 2011, compared to 259 minutes in the fourth quarter of 2010, primarily due to MTS' continued focus on subscriber quality and efforts to stimulate on-net usage.

In the fixed broadband segment, the number of households passed increased by 15.6% year-on-year to 11.4 million in the fourth quarter of 2011. The Pay-TV customer base increased to 3.0 million subscribers in the fourth quarter of 2011, compared to 2.6 million customers in the fourth quarter of 2010. The number of broadband Internet subscribers increased from 1.8 million to 2.2 million year-on-year. Increase in Pay-TV and broadband Internet subscribers resulted from an expansion of fixed-line networks, M&A activity and the redefinition of subscribers in newly acquired companies.

In December 2011, MTS completed the acquisition of a 100% stake in CJSC Sistema-Inventure, which directly owns 24.4% of the charter capital of Moscow City Telephone Network (MGTS), from Sistema for RUB 10.56 billion.

In November 2011, MTS and Samsung, the world's leading supplier of consumer electronics, launched Samsung Smart TV sets and Blu-ray players with in-built access to the multimedia entertainment portal Omlet.ru.

In October 2011, MTS acquired 100% of OJSC Teleradiokompania TVT, a leading provider of cable TV and fixed broadband services in the Republic of Tatarstan, from a group of investors for US\$ 162.9 million.

Bashneft

<i>(US\$ millions)</i>	4Q 2011	4Q 2010	Year on Year Change	2011	2010	Year on Year Change
Revenues	4,083.0	3,131.2	30.4%	16,549.1	11,706.4	41.4%
OIBDA	835.2	574.5	45.4%	3,390.7	2,892.9	17.2%
Operating income	683.3	430.9	58.6%	2,778.8	2,301.4	20.7%
Net income attributable to Sistema	265.6	246.6	7.7%	1,220.7	1,184.6	3.1%

Bashneft's revenue increased by 30.4% year-on-year in the fourth quarter and by 41.4% in 2011, following an increase in production, higher oil prices, favourable market environment and consolidation of newly acquired companies – Orenburgnefteproduct and ASPEC LLC. Bashneft's share in the aggregated portfolio's revenue in 2011 increased to 57.0%.

Bashneft's OIBDA increased by 45.4% year-on-year in the fourth quarter and by 17.2% in 2011, on the back of solid revenue growth. The negative effects from "60-66" tax scheme were offset by efficient sales management and control over operating expenses.

In 2011, Bashneft's oil production increased by 6.8% year-on-year and reached 15.1 million tonnes of oil. This production increase was ahead of expectations and reached optimum level earlier than planned.

Bashneft exported 3.6 million tonnes of crude oil and 9.2 million tonnes of oil products in 2011, compared to 3.2 million tonnes and 7.8 million tonnes in 2010, respectively.

Refining volumes from the company's refinery increased by 1.5% year-on-year in the fourth quarter of 2011 and amounted to 5.3 million tonnes of crude oil. In 2011, capacity utilisation decreased to 87.4% from 87.9% in 2010, the average refining depth was 85.9% and light-product yield amounted to 60%.

At the end of 2011, Bashneft owned and operated a total of 460 petrol stations (including 20 leased stations).

In December 2011, Bashneft placed RUB 10 billion series BO-01 domestic bonds, maturing in three years, with a two-year put option. The bonds were placed on the Moscow Interbank Currency Exchange (MICEX).

In December 2011, Bashneft won auctions for the Elansk and Znamensk-1 subsoil blocks in the Republic of Bashkortostan.

In December 2011, Bashneft acquired a 100% stake in the SKON Group, owner of an oil depot and a chain of 25 petrol stations under the ERGO brand in the Yekaterinburg and Sverdlovsk regions.

In November 2011, Bashneft completed the acquisition of its non-convertible interest-bearing bonds for a total amount of RUB 40.4 billion (approximately US\$ 1.3 billion).

In October 2011, Bashneft won licences for exploration and production of three blocks near the Trebs and Titov oil fields in the Nenets Autonomous District for the total cost of RUB 292.2 million.

In October 2011, Bashneft approved the production testing project at the Trebs and Titov fields in partnership with the Central Development Commission of the Federal Agency on Mineral Resources (Rosnedra).

Bashkirenergo⁷

<i>(US\$ millions)</i>	4Q 2011	4Q 2010	Year on Year Change	2011	2010	Year on Year Change
Revenues	96.6	82.6	16.9%	387.7	371.2	4.4%
OIBDA	0.5	2.6	(79.1%)	99.3	94.7	4.9%
Operating (loss)/ income	(9.5)	(7.3)	-	57.7	55.9	3.3%
Net (loss)/ income attributable to Sistema	(2.3)	5.7	-	99.3	23.9	316.0%

In line with Sistema's plans to sell the power generation assets of Bashkirenergo and in accordance with US GAAP rules on reporting discontinued operations, Bashkirenergo results include operations from transmission and distribution grids only. All operations from power generation assets were excluded from consolidated results and reflected in the line "Income/loss from discontinued operations". A decision with

⁷ In accordance with US GAAP requirements all operations of the power generation segment were excluded from consolidation results and reflected in the line "Income/loss from discontinued operations". Bashkirenergo results include operations from transmission and distribution grids only.

regards to the sale of the power generation assets will be announced after completion of discussions with interested parties, signing of legally binding documents, and shareholders' approval.

Bashkirenergo's revenues increased by 16.9% year-on-year in the fourth quarter and by 4.4% in 2011, due to increased distribution power supply and supply services tariffs.

Bashkirenergo's OIBDA increased by 4.9% in 2011 mainly as a result of rouble appreciation. The OIBDA margin expanded to 25.6% in 2011, compared to 25.5% in 2010.

In 2011, distribution grid losses grew by 0.33 p.p. due to an increase in power supply and changes in the compensation policy for consumer losses, while transmission grid losses were up 0.04 p.p. as a result of redistribution of power flows from transmission to distribution grid. In the fourth quarter of 2011, effective transmission supply reduced by 3% year-on-year, but effective distribution power supply demonstrated 5% year-on-year growth, mainly due to lower prices for electricity on the wholesale market.

In December 2011, Bashkirenergo commissioned a new 110/10 kV electric substation "Akberdino" to support construction in the region. Bashkirenergo also commissioned a high-voltage transmission line "Podymalovo-Kuraskovo" in December.

In December 2011, the Extraordinary General Meeting of shareholder approved the new Board of Directors structure and the dividend payment for the nine month period of 2011 in the amount of RUB 1,005,310 thousand or RUB 0.92 per ordinary and preferred share.

DEVELOPING ASSETS BUSINESS UNIT

<i>(US\$ millions)</i>	4Q 2011	4Q 2010	Year on Year Change	2011	2010	Year on Year Change
Revenues	1,556.9	1,311.8	18.7%	4,578.4	3,918.3	16.9%
OIBDA	(878.8)	26.0	-	(1,029.9)	(42.8)	-
Operating loss	(984.6)	(46.6)	-	(1,355.6)	(327.6)	-
Net loss attributable to Sistema	(888.3)	163.9	-	(1,286.4)	(222.6)	-
Indebtedness	3,069.9	2,541.1	20.8%	3,069.9	2,541.1	20.8%

The Developing Assets business unit is responsible for managing Sistema Shyam TeleServices Ltd. ("SSTL"), OJSC Sistema Mass Media ("SMM"), OJSC RTI ("RTI"), CJSC Binnopharm ("Binnopharm"), JSCB MTS Bank ("MTS Bank"), Detsky mir Group ("Detsky mir"), OJSC Intourist ("Intourist"), CJSC Medsi Group ("Medsi"), JSC "Navigation-Information Systems" ("NIS") and others.

The Developing Assets business unit's revenues increased by 16.9% in 2011 as a result of organic growth across most of its portfolio companies. The unit's revenues were up 18.7% year-on-year in the fourth quarter mainly, due to RTI's and Detsky mir's strong operating performance.

The unit reported an OIBDA loss in the fourth quarter and for the full year of 2011. OIBDA was significantly impacted by recognised impairment losses due to the Indian Supreme Court's ruling to cancel 122 licences, including 21 licences of SSTL.

SSTL

<i>(US\$ millions)</i>	4Q 2011	4Q 2010	Year on Year Change	2011	2010	Year on Year Change
Revenues	76.1	42.9	77.3%	262.3	114.6	128.8%
OIBDA	(437.4)	(81.6)	-	(730.0)	(329.0)	-
Operating loss	(463.3)	(103.6)	-	(828.1)	(410.8)	-
Net loss attributable to Sistema	(318.7)	(99.4)	-	(636.1)	(349.7)	-

SSTL's revenues increased by 77.3% year-on-year in the fourth quarter and by 128.8% in 2011. Strong revenue growth resulted from a substantial 78.0% increase in SSTL's mobile subscriber base which reached 15 million. The OIBDA loss year-on-year increased due to licence write-offs and the company's focus on expanding operations across all circles in the country.

Blended mobile ARPU for the fourth quarter and in 2011 reached US\$ 1.7 and US\$ 1.8, respectively.

The data card subscriber base more than doubled in 2011 and demonstrated a 23.5% growth in the fourth quarter amounting to 1.3 million.

Non-voice revenues from both data and mobile value-added services for the fourth quarter increased to US\$ 25 million. The share of non-voice revenue as a percentage of total revenue increased by 0.6 p.p. to 33% in the fourth quarter.

In October 2011, SSTL launched international roaming services for its prepaid subscribers enabling them to roam across 433 GSM networks in 231 countries. In addition, SSTL launched a dual-mode SIM card which would work both on GSM handsets while abroad and on OMH CDMA handsets while in India.

In October 2011, SSTL became the first telecom operator in India to launch High Speed Data (HSD) Connectivity on the 350 km National Highway between the two cities, Bengaluru and Chennai.

In September 2011, SSTL successfully launched the world's first CDMA EV-DO Rev. B Phase II network in the city of Jaipur.

In August 2011, SSTL launched India's most affordable Android smartphones – MTS MTAG 3.1 and MTS Livewire, which are based on Qualcomm Inc. - Snapdragon S1 processors.

In March 2011, the Russian Government made an equity investment into Sistema Shyam TeleServices Ltd. This transaction involved a share issuance in which SSTL increased its share capital by INR 28,894.5 million, with the Russian Government, represented by Rosimushchestvo (the Federal Agency for State Property Management), acquiring a 17.14% stake in SSTL for INR 26,988 million. Following the completion of the secondary share issue, Sistema's stake in SSTL is 56.68%, while Indian investors own 26.05%.

Sistema Mass Media

<i>(US\$ millions)</i>	4Q 2011	4Q 2010	Year on Year Change	2011	2010	Year on Year Change
Revenues	23.7	25.8	(8.3%)	101.9	94.5	7.9%
OIBDA	(56.8)	16.3	-	(32.0)	40.5	-
Operating (loss)/income	(74.1)	0.04	-	(73.7)	2.2	-

Net loss attributable to Sistema	(57.0)	(0.8)	-	(63.9)	(11.5)	-
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Sistema Mass Media's revenues increased by 7.9% in 2011 mainly due to an increase in revenues from content distribution and aggregation as a result of organic growth at Stream and double digit increase from advertising in Maxima. Revenues were down by 8.3% year-on-year in the fourth quarter, mainly due to the shift in demand from entertainment to political content during the pre-election period, which lowered RWS sales in the reporting period.

Sistema Mass Media's OIBDA was largely impacted by Russian World Studios' ("RWS") decreased revenue and the recognised impairment of RWS content library due to the revision of the secondary sales forecast.

The Stream-TV subscriber base increased by 15.8% in 2011 to 6.2 million subscribers. In 2011, RWS content library grew by 21.6% to 1,471 hours. RWS produced 261 hours of content in-house and sold 295 hours of content in the reporting year.

In November 2011, the Board of Directors of SMM appointed Peter Gerwe as CEO of the company.

In July 2011, ING Bank and the Moscow Bank of Sberbank of Russia signed an agreement to provide RWS with a 3-year secured club loan of RUB 1.2 billion with SMM acting as a guarantor. The loan was secured against RWS' library of video content.

OJSC RTI⁸

<i>(US\$ millions)</i>	4Q 2011	4Q 2010	Year on Year Change	2011	2010	Year on Year Change
Revenues	765.8	641.6	19.4%	2,093.0	1,631.8	28.3%
OIBDA	63.4	76.0	(16.6%)	154.4	180.6	(14.5%)
Operating income	30.5	55.6	(45.0%)	50.4	82.6	(39.0%)
Net (loss)/ income attributable to Sistema	(1.7)	7.2	-	(18.3)	(16.6)	-

RTI consolidates SITRONICS and RTI Systems and is comprised of five principal business units ("BU") – Defense Solutions BU, Comprehensive Security Systems BU, Telecom Solutions BU, Microelectronics Solutions BU and System Integration BU.

RTI revenues were up 28.3% in 2011, following successful completion of the first stage of the project to establish Moscow Intellectual Transport System (ITS) by the Comprehensive Security Systems BU, additional projects in the System Integration BU, and growth of government defense contracts in the Defense Solutions BU. Revenues in the fourth quarter increased by 19.4% year-on-year mainly due to the implementation of the ITS-1 project in Moscow, as well as growth in other business units.

RTI OIBDA was down in the fourth quarter and for the full year of 2011 as a result of aggressive market expansion of System Integration BU, increased operating expenses associated with the 90 nm project in the Microelectronics Solutions BU, and divestiture of Watt Drive.

In February 2011, Sistema established RTI with an investment from the Bank of Moscow. Sistema contributed its 97% stake in RTI Systems Concern, as well as RUB 2.88 billion (approximately US\$ 97 million) in cash to the new entity's charter capital, while the Bank of Moscow made a RUB 3 billion (approximately US\$ 100 million) cash contribution. As a result, the Bank of Moscow received a 15.4% stake in RTI, with Sistema owning a controlling stake of 84.6% of the new entity.

⁸ Financial results of OJSC "Concern "RTI Systems" and OJSC SITRONICS are consolidated into OJSC RTI financial results for all periods presented.

In July 2011, Sistema completed the sale of its 63.074% stake in SITRONICS to RTI.

In August 2011, Concern RTI Systems was again included in the Top 100 defense companies in the world, following the publication of the latest annual international ranking by Defense News.

In October 2011, SITRONICS, MTS and LUKOIL launched the “Express Filling” project, which enables MTS subscribers to use their mobiles to make payments at LUKOIL gas stations using NFC-enabled SIM cards, antennas and automated readers.

In December 2011, Sistema, RTI and the not-for-profit Foundation for the Development of the Centre of Research and Commercializing of New Technologies (the “Skolkovo Foundation”) signed a cooperation agreement to promote long-term strategic cooperation between Sistema and the Skolkovo project, aimed at developing Sistema’s high-tech assets.

In December 2011, Concern RTI Systems completed the sale of its 74.9% stake in Austrian WattDrive to Brazilian Corporation WEG.

In December 2011, RTI acquired 100% of the share capital of JSC “RTI Estate”.

In December 2011, RTI and the Bank of Moscow signed a long-term financing agreement, according to which the Bank of Moscow, a shareholder of RTI with 15.4% of the charter capital, provided RTI with long-term funds of US\$ 115 million and RUB 3.6 million for seven years, for business development.

Binnopharm

<i>(US\$ millions)</i>	4Q 2011	4Q 2010	Year on Year Change	2011	2010	Year on Year Change
Revenues	14.7	7.8	89.2%	38.5	32.1	19.9%
OIBDA	4.2	(27.6)	115.3%	1.3	(27.9)	104.8%
Operating income/ (loss)	3.0	(29.5)	110.3%	(3.6)	(34.1)	-
Net income/ (loss) attributable to Sistema	2.4	(30.4)	108.0%	(4.4)	(33.9)	-

Binnopharm’s revenues increased by 89.2% year-on-year in the fourth quarter and by 19.9% in 2011, mainly as a result of successful execution of public contracts for vaccine supplies, as well as increased distribution volumes in the second half of the year.

Binnopharm’s OIBDA demonstrated solid growth throughout the whole reporting period, largely due to an increase in gross income and a reduction of SG&A expenses. As a result, Binnopharm delivered maiden profits in the fourth quarter of 2011.

In November 2011, ViiV Healthcare and CJSC Binnopharm entered into a strategic alliance. ViiV Healthcare will supply raw materials and transfer technologies and expertise for producing medicines Combivir (lamivudine + zidovudine), Kivex (abacavir sulphate + lamivudine), Epivir (lamivudine), including secondary packaging, in accordance with international standards of Good Manufacturing Practice (GMP) at Binnopharm’s facilities.

In November 2011, Binnopharm and Pharmimex signed a cooperation agreement aimed at joint production and distribution of vaccines in Russia and the CIS.

NIS⁹

<i>(US\$ millions)</i>	2011	2010	Year on Year Change
Revenues	151.7	67.3	125.6%
OIBDA	8.4	4.6	82.7%

Navigation Information Systems is the only federal operator authorised by the Russian Government for the commercialisation of GLONASS (the Russian satellite navigation system).

NIS revenues increased 125.6% in 2011 to US\$ 151.7 million, mainly due to new large-scale projects. This resulted in an equally significant increase in OIBDA of 82.7% for the year to US\$ 8.4 million.

In 2011 NIS created a prototype of the ERA-GLONASS system and started testing procedures.

Other major projects include the creation of an Intelligent Transportation System in Moscow (2,200 equipped vehicles), the Sochi Logistics and Transportation Centre (more than 2,500 equipped vehicles), a transport monitoring system for Transneft (6,500 equipped vehicles). In 2011, NIS and its regional partners equipped around 150 thousand transport vehicles in 52 regions.

In 2011, M2M telematics sold 300,000 navigation devices (navigation systems, chip sets, navigation and communication equipment), of which 150,000 are GLONASS/GPS chipsets developed by the R&D Centre "GeoStar Navigation", a subsidiary of M2M telematics Group of companies. More than 52,000 units of GLONASS navigation and communication equipment were produced and sold under the M2M telematics brand.

In 2011, NIS jointly with M2M telematics established the largest affiliate network, comprising 74 existing regional dispatch centres and 16 authorised service centres. During 2011, NIS commenced large long-term projects, and the total amount of outstanding contracts was RUB 2.2 billion as of December 31, 2011.

In December 2011, NIS GLONASS registered a subsidiary, NIS GLONASS Private Limited in Mumbai, Maharashtra (the Republic of India). The new subsidiary will support localisation of equipment manufacturing and the development of software products for the Indian market.

MTS Bank

<i>(US\$ millions)</i>	4Q 2011	4Q 2010	Year on Year Change	2011	2010	Year on Year Change
Revenues	150.8	147.9	2.0%	560.8	613.7	(8.6%)
OIBDA	25.7	26.1	(1.5%)	(6.2)	39.9	-
Operating income/ (loss)	21.1	20.6	2.4%	(23.5)	21.3	-
Net income/ (loss) attributable to Sistema	16.8	12.7	32.3%	(19.9)	10.1	-

Following the end of the reporting period, in February 2012, OJSC MBRD changed its name to OJSC MTS Bank ("MTS Bank") and chose the MTS brand name as the basis for its further development.

MTS Bank's revenues increased by 2.0% year-on-year in the fourth quarter as a result of growth in corporate and retail lending portfolios, but declined by 8.6% in 2011 due to decreased interest rates charged on loans and US dollar appreciation against the Russian rouble. MTS Bank's OIBDA declined due to

⁹ The results are shown with consolidation of M2M telematics for presentation purposes.

recognised revaluation losses for financial instruments, increased loan portfolio reserves and changes in the provision policy in 2011.

MTS Bank's loan portfolio, excluding leases, increased by 3.6% to US\$ 5,004 million in 2011.

In 2011, MTS Bank and MTS launched a joint retail loan project to provide special-purpose loans in 2,400 MTS retail offices across Russia and credit cards "MTS Money". The loan portfolio from the joint project with MTS reached US\$ 16 million.

In December 2011, Dalcombank launched UnionPay banking cards.

Detsky mir

<i>(US\$ millions)</i>	4Q 2011	4Q 2010	Year on Year Change	2011	2010	Year on Year Change
Revenues	253.7	220.2	15.3%	782.9	659.9	18.6%
OIBDA	34.6	39.4	(12.3%)	27.4	40.9	(32.9%)
Operating income	30.4	35.4	(14.1%)	9.8	24.4	(60.0%)
Net income/ (loss) attributable to Sistema	18.6	21.7	(14.2%)	(5.6)	(3.1)	(78.2%)

Detsky mir's revenues increased by 15.3% year-on-year in the fourth quarter and by 18.6% in 2011 as a result of the regional store expansion and an increase in customer visits.

Detsky mir's OIBDA decreased year-on-year in the fourth quarter and in 2011, largely as a result of increased operational expenses for the regional development, effects from changes in the pricing policy, product line optimisation, and launch of a loyalty bonus programme.

Detsky mir's debt increased by 3.4% year-on-year to US\$ 125 million in 2011, while its rouble-denominated net debt was down more than 30%.

The network of retail outlets included 150 stores, whilst the aggregate retail space was 236 th.sq.m. as at December 31, 2011. In 2011, Detsky mir opened 21 new stores, including the first store in Astana, Kazakhstan.

In June 2011, Detsky mir approved its regional development programme up to 2013. In the next two years Detsky mir will open more than 50 new stores in dozens of Russian regions. The total floor space of the chain will increase by more than 70,000 sq. m. by 2013. The floor space of most shops will be from 1,500 to 3,000 sq. m. depending on the concept of the outlet, its location, and the expected flow of visitors. It is expected that new stores will be opened under a new concept using modern selling technologies with new visuals and merchandising elements and upgraded equipment.

In May 2011, Gennady Levkin was appointed CEO of the Detsky mir Group.

Intourist

<i>(US\$ millions)</i>	4Q 2011	4Q 2010	Year on Year Change	2011	2010	Year on Year Change
Revenues	21.1	122.8	(82.9%)	276.6	518.2	(46.6%)
OIBDA	(2.0)	(1.7)	-	43.8	6.9	538.4%
Operating (loss)/ income	(3.6)	(4.4)	-	34.5	(4.0)	-

Net (loss)/ income attributable to Sistema	(2.6)	(7.9)	-	8.9	(15.5)	-
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Intourist's revenues decreased by 82.9% year-on-year in the fourth quarter and by 46.6% in 2011, as a result of the change in accounting for the company's tour operating and retail sales businesses following the transaction with Thomas Cook, and the sale of Pekin Hotel.

Intourist reported significant OIBDA growth in 2011 due to the recognised gain from the Thomas Cook transaction in the third quarter.

The tour operating and retail sales businesses serviced 725,000 customers in 2011. The hotel group's total number of rooms owned, managed and rented was 2,866 at the end of 2011, compared to 3,054 in 2010. This decrease reflects the sale of OJSC Pekin in March 2011.

In March 2011, VAO Intourist announced the divestiture of a 100% stake in OJSC Pekin Hotel.

In April 2011, Intourist reorganised by merging the two managing companies, Intourist and Intourist Hotel Group. This helped to optimise the management structure and eliminate duplication of functions, reducing costs by approximately 30% for both companies.

In July 2011, Intourist and Thomas Cook Group Plc ("Thomas Cook"), one of the world's largest travel groups, completed a transaction to establish a joint venture (JV) involving Intourist's tour operating and retail business. Thomas Cook acquired a 50.1% stake in the JV as per the earlier announced terms. The JV will capitalize on its partners' extensive experience as leading brands to expand the travel business in Russia and the other CIS countries.

Medsi

<i>(US\$ millions)</i>	4Q 2011	4Q 2010	Year on Year Change	2011	2010	Year on Year Change
Revenues	51.9	45.1	15.1%	199.0	156.5	27.2%
OIBDA	10.4	3.0	250.4%	31.1	17.1	81.4%
Operating income	7.5	0.2	3693.8%	19.6	8.1	143.0%
Net income/ (loss) attributable to Sistema	5.4	(2.8)	294.9%	6.7	(2.5)	370.8%

Medsi revenues increased by 15.1% year-on-year in the fourth quarter and by 27.2% in 2011, reflecting an increase in number of patient visits and services provided. In 2011, Medsi expanded its client base by conducting an intensive marketing campaign, offering new services and developing its product range.

Medsi's OIBDA more than tripled year-on-year in the fourth quarter and increased by 81.4% in 2011, mainly as a result of optimisation of operating expenses and lower SG&A.

In 2011, the number of patient visits and services provided increased by 19.9% and 24.6% respectively, with the average cheque increasing by 6.1%. In the fourth quarter of 2011, the number of provided services rose by 13.3% year-on-year, and the number of patient visits increased by 12.3% year-on-year with the rise in the average cheque of 2.5%. A key contributing factor to these results was an increase in brand awareness from 41% in 2010 to 56% in 2011 (Indeps, "Evaluation of the "Health" of the Medsi Brand" report).

In 2011, the largest family clinic was opened in Moscow and 40 medical facilities were opened in various regions of Russia. The floor space of clinics increased by 7.5% to 50,424 sq m. in 2011. As at December 31, 2011 Medsi's network consisted of 30 medical clinics and 89 aid stations.

In September 2011, Medsi opened the neurology centre led by V. Shakhnovich, Ph.D., in the facilities of a clinical and diagnostic centre on Belorusskaya.

CORPORATE AND OTHER

<i>(US\$ millions)</i>	4Q 2011	4Q 2010	Year on Year Change	2011	2010	Year on Year Change
OIBDA ¹⁰	(129.5)	(108.8)	-	(219.0)	(281.2)	-
Net loss	(72.2)	(161.3)	-	(380.6)	(538.6)	-
Indebtedness	1,246.8	1,749.5	(28.7%)	1,246.8	1,749.5	(28.7%)

The Corporate and Other category comprises the companies that control and manage the Group's interests in its subsidiaries.

The dividends received by Sistema's subsidiaries in 2011 which are due to Corporate and other category amounted US\$ 1,339.0 million.

Cash position, including liquid deposits, at the Corporate Holding level amounted to US\$ 1,827.4 million as of December 31, 2011.

SSTL may obtain waivers from lenders under certain of its loan agreements to eliminate defaults to the extent they arise out of the decision of the Supreme Court in India regarding telecom licences. Even in the absence of any such waivers to the extent defaults are determined to have arisen and the loans are accelerated, the Company believes it has sufficient liquidity to repay the amounts that would then come due, including SSTL debt.

In December 2011, Sistema completed the sale of a 100% stake in CJSC Sistema-Inventure to MTS. The sale was conducted in accordance with the terms set out in the indicative offer received from MTS and disclosed on September 6, 2011.

In December 2011, Sistema won an open auction to have the right to acquire a 100% stake in OJSC "First Cavalry Army Stud Farm" from the State for RUB 303 million. OJSC "First Cavalry Army Stud Farm" is located in the Rostov region of the Russian Federation and occupies 21.5 thousand hectares of agricultural land, including 17.5 thousand hectares of arable land.

In December 2011, the State Atomic Energy Corporation Rosatom and Rusnano Foundation for Infrastructure and Educational Programmes each acquired a 25% +1 share stake in CJSC Sarov Technopark, a subsidiary of Sistema, through an additional share issue for approximately RUB 200 million. As a result of this transaction, Sistema will retain a 50% -2 shares stake in the re-formed charter capital of Sarov Technopark.

In December 2011, Sistema signed a cooperation agreement with OJSC RTI and the not-for-profit Foundation for Development of the Centre of Research and Commercialising of New Technologies (the "Skolkovo Foundation"). The agreement, which is not legally binding, is intended to promote long-term strategic cooperation between Sistema and the Skolkovo project, facilitating the further development of Sistema's high-tech assets.

In November 2011, Sistema won an open auction for the right to acquire a 100% stake in OJSC Donskoe from the State for RUB 476.5 million. The auction was held in accordance with a decree of the Federal Agency for State Property Management. Donskoe is located in the Rostov region of the Russian Federation and occupies 25.4 thousand hectares of land. The transaction was completed in December 2011.

In November 2011, Sistema completed the acquisition of its own ordinary shares and GDRs and MTS' ADRs. A Sistema's subsidiary purchased 375,972 of Sistema's GDRs at an average price of US\$ 16.6; 8,745,100 of Sistema's local shares at an average price of RUB 20.97; and 4,311,019 of MTS' ADRs at an average price of US\$ 13.92.

¹⁰ Here and further, OIBDA and net income (loss) of the Corporate & Other category are shown without an effect of intragroup dividends.

In November 2011, the Board of Directors of Sistema approved a new dividend policy. The size of Sistema's dividend payments will be determined by the Board of Directors on the basis of the Company's annual financial results, with dividend payments to be equal to a minimum of 10% of the Company's consolidated net income under US GAAP (net of any special dividends paid). Furthermore, in the event of cash deals such as large asset sales, special dividends can be recommended by the Board of Directors of an amount of at least 10% of the net gain from such transactions, determined by the Board of Directors.

In October 2011, Sistema signed a non-binding agreement with the State Atomic Energy Corporation Rosatom and the Rusnano Foundation for Infrastructure and Educational Programmes to jointly develop a cluster for R&D and manufacturing, which will be based at the Sarov technology park. The agreement was signed at the Rusnanotech 2011 International Nanotechnology Forum.

FINANCIAL REVIEW

Net cash provided by operations in the fourth quarter and full year of 2011 increased by 77.0% in the fourth quarter year-on-year and by 37.3% for the full year of 2011 to US\$ 2,067.5 and US\$ 5,571.4 million, respectively, due to changes in working capital.

Net cash used in investing activities totaled US\$ 5,185.9 million in 2011, compared to US\$ 4,839.3 million in 2010, and totalled US\$ 2,203.6 million in the fourth quarter 2011 compared to US\$ 3,129.5 million in the fourth quarter 2010.

The Group spent US\$ 4,132.1 million on capital expenditure in the reporting year, compared to US\$ 4,179.6 million spent in 2010.

The Group paid US\$ 375.3 million for the acquisition of businesses, net of cash received, in 2011 including the purchase by MTS of TVT and Altair, the largest providers of cable TV and fixed broadband services in the Republic of Tatarstan and Tula, for US\$ 162.9 million and for RUB 680.0 million respectively; the purchase by Bashneft a 94% stake in Orenburgnefteproduct for US\$119.0 million; the rest – continued acquisition of regional fixed operators with a purchases of alternative operator in Kurgan and Altai Krai by MTS and the purchase by SMM of TV-channel Moscovia. In 2011, the Group also used US\$ 341.1 million to increase banking assets.

Net cash outflow from financing activities amounted to US\$ 481.9 million in 2011, compared to an outflow of US\$ 6.9 million in 2010. In the fourth quarter of 2011 cash inflow from financing activities amounted to US\$ 1,157.3 million compared to US\$ 1,841.7 million in the fourth quarter of 2010. The Group's proceeds from borrowings in 2011 totalled US\$ 6,421.0 million, whereas the principal payments on long-term and short-term borrowings amounted to US\$ 4,608.4 million.

The Group's cash balances of continuing operations stood at US\$ 2,924.0 million as of December 31, 2011 (excluding an amount of US\$ 1,315.1 million which comprises the Group's banking activities and cash and equivalents of discontinued operations US\$ 83.7 million) compared to US\$ 2,245.9 million as of December 31, 2010 (excluding an amount of US\$ 2,308.5 which comprises the Group's banking activities and cash and equivalents of discontinued operations US\$ 19.2 million). The Group's net debt (short-term and long-term debt less cash and cash equivalents and highly liquid deposits) amounted to US\$ 12,478.1 million as of December 31, 2011, compared to US\$ 13,138.1 million as of December 31, 2010.

SIGNIFICANT EVENTS FOLLOWING THE END OF THE REPORTING PERIOD

Core Assets

In April 2012, the Board of Directors of MTS set the date for the company's Annual General Meeting of shareholders for June 27, 2012. The Board also recommended that the AGM approve annual dividends of RUB 14.71 per ordinary MTS share (approximately US\$ 1.01 per ADR) for the 2011 fiscal year, amounting to a total of RUB 30.4 billion (approximately US\$ 1.04 billion or 72% of US GAAP net income).

In April 2012, Moody's Investors Service assigned a Ba2 corporate family rating (CFR) and probability of default rating (PDR) to Bashneft with a stable outlook.

In April 2012, the Board of Directors of Bashneft set the date for the Annual General Meeting of shareholders for June 29, 2012. The Board of Directors recommended that the AGM approve the dividend payment of RUB 99 per one ordinary registered and per one preferred registered share for 2011.

In March 2012, Bashneft announced its plans to consolidate downstream subsidiaries: Ufa Refinery, Novoil (Novo-Ufa Refinery), Ufaneftekhim, Bashkirnefteproduct and Orenburgnefteproduct.

In March 2012, MTS and Samsung Electronics signed an agreement to cooperate on retail projects, equipment sales and telecommunication services in Russia. Under the terms of the agreement, MTS and Samsung plan to open Samsung monobrand shops in ten of the largest cities in Russia and install Samsung "shop-in-shop" zones and promotional stands in 2,000 MTS retail stores across Russia.

In February 2012, Bashneft won actions for the Yangareiskiy and Sabriyaginskiy subsoil blocks in the Nenets Autonomous District.

In February 2012, MTS received the first licence in Russia to provide wireless communication services in the LTE TDD (time-division duplexing) standard in 2595-2620 MHz range in Moscow and the Moscow region.

In January 2012, MTS announced the commercial launch of the 3G network in the 900 MHz range in Moscow and the Moscow region. This will enable MTS to improve its 3G coverage and offer significantly faster speeds for subscribers.

In January 2012, Bashneft won auctions for the Priikskiy subsoil block in the Republic of Bashkortostan.

Developing Assets

In April 2012, Medsi commenced a merger of assets with the State Unitary Enterprise Medical Centre under the Administration of the Mayor of Moscow and the Moscow Government ("SUE"), a large group of healthcare institutions in Moscow. SUE will have 25% in the combined entity. Further 25% will be sold to a strategic investor.

In March 2012, SITRONICS announced its intention to sell a 3% stake in INTRACOM TELECOM. Following the completion of the sale, SITRONICS' ownership in INTRACOM TELECOM will decrease from 51% to 48%.

In March 2012, SSSL held an EGM where a resolution to increase its authorised capital from INR 60 billion to INR 120 billion (approximately US\$ 2.36 billion) by issuing Non-Convertible Redeemable Preference Shares to the extent of INR 60 billion (approximately US\$ 1.18 billion) was passed.

In March 2012, RTI announced its intentions to make a Voluntary Tender Offer to acquire up to 36.926% of JSC SITRONICS' common shares, representing all the shares that RTI does not already own, at a cash price of RUB 0.55 per common share of JSC SITRONICS. The price of the Offer represents a 37.5% premium to the closing price of SITRONICS' common shares on MICEX-RTS as of February 22, 2012 (the last trading day on MICEX-RTS before the day of filing the Offer with the FSFM) and a 66.7% premium to the three-month volume weighted average price as of February 22, 2012. GDR holders are entitled to participate in the Offer.

In February 2012, MBRD changed its name to OJSC MTS Bank and chose the MTS brand name as the basis for its further development.

In February 2012, the Supreme Court of India issued a judgment revoking 122 telecom licences of 8 telecom operators, including 21 of the 22 licences held by SSSL. The order was issued on the grounds that these licences were not granted in accordance with required procedures by the Department of Telecommunications. The court has further directed the Telecom Regulatory Authority of India (TRAI),

India's top telecom regulatory body, to make fresh recommendations on the granting of 2G licences and the re-allocation of spectrum via auction within four months by the Department of Telecommunications (DOT). In April 2012, the Supreme Court declined to hear review petition filed by SSTL and other operators seeking to overturn this judgment. In response to clarification petition filed by SSTL and other operators, in April 2012 the Supreme Court extended the date for cancellation of the licences until September 7, 2012 and ordered TRAI to conduct the new auctions by August 31, 2012.

In January 2012, SSTL raised a loan of INR 1,280 million through Non Convertible Debentures (NCD). Deutsche Bank is the lead banker of the issue.

In January 2012, Tatiana Sergeyeva was appointed new president of Medsi group.

Corporate

In April 2012, the Board of Directors of Sistema set the date for the Annual General Meeting of shareholders for June 30, 2012. Sistema's Board recommended to the AGM to set the total amount of dividend payment on Sistema's shares for 2011 at RUB 2.7 billion, representing a payment of RUB 0.28 per ordinary share. The total proposed dividend payment has been determined on the basis of Sistema's full year 2011 US GAAP net income and the corporate centre's net gain from the sale of CJSC Sistema-Inventure to OJSC MTS in December 2011. The Board of Directors also convened an Extraordinary General Meeting of shareholders to approve a related party transaction involving the swap of the assets of OJSC Bashkirenergo between Sistema JSFC and OJSC INTER RAO UES.

In April 2012, Sistema announced a joint venture with RZ Agro Ltd, in the agricultural sector. RZ Agro Ltd. was created in 2009 and is affiliated with the Sierentz Group, both controlled by certain members of the Louis-Dreyfus family.

In February 2012, Sistema sent a formal notice to the Republic of India notifying it of a dispute under the Bilateral Investment Treaty (BIT) between the Government of the Russian Federation and the Government of the Republic of India arising from the decision of the Supreme Court of India issued on February 2, 2012, regarding the cancellation of 122 telecom licences, including 21 licences belonging to SSTL.

In February 2012, Sistema increased its stake in OJSC Navigation Information Systems from 51% to 70% through an acquisition of an additional issue of NIS' shares. Sistema paid for the shares by contributing its 51% stake in M2M telematics LLC to the charter capital of NIS.

In January 2012, Sistema signed a framework agreement with OJSC RTI and NVision Group Managing Company LLC. Within the framework of the agreement, RTI will acquire a 50% stake in CJSC NVision Group from the company's shareholders. Furthermore, NVision Group's shareholders will swap the remaining 50% of the company through an additional share issue by RTI. As a result of the transaction, NVision Group's shareholders will receive a total cash consideration of up to US\$ 200 million and a significant stake in RTI's charter capital, as well as representation on RTI's Board of Directors, which will enable them to participate in key Board decisions.

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Sistema is the largest diversified public financial corporation 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, oil and energy, radars and aerospace, banking, retail, mass-

media, tourism and healthcare services. Founded in 1993, the company reported revenues of US\$ 33.0 billion for the full year of 2011, and total assets of US\$ 43.9 billion as at December 31, 2011. 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 MICEX-RTS Stock Exchange, and under the symbol "SIST" on the Moscow Stock Exchange (MSE). Sistema was ranked number 342 in the 2010 edition of the Fortune Global 500 list. Website: www.sistema.com

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
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Amounts in thousands of U.S. dollars except per share amounts)

	Year ended December 31,		Three months ended December 31,	
	2011	2010	2011	2010
Sales	\$ 32,452,236	\$ 26,222,373	\$ 8,240,024	\$ 7,137,681
Revenue from banking activities	529,012	588,946	137,916	131,329
TOTAL REVENUES	32,981,248	26,811,319	8,377,940	7,269,010
Cost of sales, exclusive of depreciation, depletion and amortization shown separately below	(13,021,173)	(10,716,816)	(3,382,311)	(3,193,818)
Cost related to banking activities, exclusive of depreciation and amortization shown separately below	(310,332)	(374,036)	(52,946)	(78,235)
Selling, general and administrative expenses	(3,936,588)	(3,747,805)	(1,007,425)	(1,095,677)
Depreciation, depletion and amortization	(3,281,629)	(2,862,754)	(812,604)	(735,162)
Transportation costs	(789,785)	(535,391)	(187,457)	(111,152)
Provision for doubtful accounts	(135,967)	(161,519)	(44,382)	(67,479)
Loss from impairment and provisions of other assets	(1,031,262)	(313,381)	(970,327)	(222,874)
Taxes other than income tax	(6,257,642)	(4,106,338)	(1,546,572)	(1,103,082)
Other operating expenses, net	(458,852)	(260,271)	(94,450)	(36,715)
Equity in results of affiliates	120,929	92,235	9,381	41,682
Gain upon adoption of equity method	-	477,400	-	-
Gain on disposal of interests in subsidiaries and affiliates	62,514	-	7,254	-
OPERATING INCOME	3,941,461	4,302,643	296,101	666,498
Interest income	176,584	131,534	46,076	32,322
Change in fair value of derivative instruments	(2,268)	(2,062)	(587)	(3,091)
Interest expense	(1,742,690)	(1,597,244)	(420,461)	(359,321)
Foreign currency transaction (losses)/ gains	(326,415)	26,151	(98,788)	1,499
Income from continuing operations before income tax	2,046,672	2,861,022	(177,659)	337,907
Income tax expense	(1,088,546)	(1,065,480)	(289,003)	(286,287)
Income from continuing operations	958,126	1,795,542	(466,662)	51,620
Gain/(loss) from discontinued operations	71,233	(2,999)	(1,199)	28,630
Gain on disposal of discontinued operations	161,817	324,656	12,337	324,656
NET INCOME	\$ 1,191,176	\$ 2,117,199	\$ (455,524)	\$ 404,906
Non-controlling interest	(973,174)	(1,198,502)	(74,708)	(183,452)
NET INCOME attributable to JSFC Sistema	\$ 218,002	\$ 918,697	\$ (530,232)	\$ 221,454
Earnings per share, basic and diluted (US cent per share):	2.35	9.90	(5.72)	2.39

SISTEMA JSFC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2011 AND 2010

(Amounts in thousands of U.S. dollars, except share amounts)

	December 31, 2011	December 31, 2010
	<u> </u>	<u> </u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,923,957	\$ 2,245,884
Assets from banking activities, current portion (including cash and cash equivalents of \$1,315,075 and \$2,308,488)	4,204,961	5,502,729
Short-term investments	763,631	879,680
Accounts receivable, net	1,756,278	1,780,423
VAT receivable	709,099	531,127
Inventories and spare parts	1,659,653	1,455,897
Deferred tax assets, current portion	311,891	357,821
Disposal group held for sale	1,409,064	1,370,142
Other current assets	1,722,844	1,685,336
	<u>15,461,378</u>	<u>15,809,039</u>
NON-CURRENT ASSETS:		
Property, plant and equipment, net	18,360,826	18,022,199
Advance payments for non-current assets	264,709	1,312,053
Goodwill	1,601,260	1,872,520
Other intangible assets, net	2,251,166	3,021,918
Investments in affiliates	1,382,651	1,147,694
Assets from banking activities, net of current portion	2,303,120	1,799,620
Debt issuance costs, net	171,951	159,803
Deferred tax assets, net of current portion	348,589	304,761
Long-term investments	1,294,687	469,742
Other non-current assets	461,684	246,699
	<u>28,440,643</u>	<u>28,357,009</u>
TOTAL ASSETS	<u>\$ 43,902,021</u>	<u>\$ 44,166,048</u>

SISTEMA JSFC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2011 AND 2010 (CONTINUE)

(Amounts in thousands of U.S. dollars, except share amounts)

	December 31, 2011	December 31, 2010
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,189,019	\$ 1,741,712
Liabilities from banking activities, current portion	3,152,989	4,191,836
Taxes payable	794,117	649,194
Deferred tax liabilities, current portion	168,545	168,982
Subscriber prepayments, current portion	605,545	579,952
Accrued expenses and other current liabilities	2,362,768	3,277,693
Short-term loans payable	299,610	1,074,081
Current portion of long-term debt	4,097,076	2,103,405
Disposal group held for sale	248,317	295,805
	<u>13,917,986</u>	<u>14,082,660</u>
LONG-TERM LIABILITIES:		
Long-term debt, net of current portion	12,013,197	12,206,515
Subscriber prepayments, net of current portion	106,586	129,515
Liabilities from banking activities, net of current portion	1,644,478	1,444,783
Deferred tax liabilities, net of current portion	1,412,199	1,580,518
Asset retirement obligation	214,121	258,382
Postretirement benefits obligation	77,591	58,732
Property, plant and equipment contributions	86,081	89,067
	<u>15,554,253</u>	<u>15,767,512</u>
	<u>29,472,239</u>	<u>29,850,172</u>
TOTAL LIABILITIES		
Commitments and contingencies		
Redeemable non-controlling interests	723,819	107,343
SHAREHOLDERS' EQUITY:		
Share capital (9,650,000,000 shares issued; 9,267,985,025 and 9,281,827,594 shares outstanding as of December 31, 2011 and December 31, 2010, respectively, with par value of 0.09 Russian Rubles)	30,057	30,057
Treasury stock (382,014,975 and 368,172,406 shares as of December 31, 2011 and December 31, 2010, respectively, with par value of 0.09 Russian Rubles)	(467,198)	(463,733)
Additional paid-in capital	2,575,601	2,553,563
Retained earnings	6,418,649	6,471,327
Accumulated other comprehensive loss	(518,354)	(171,149)
	<u>8,038,755</u>	<u>8,420,065</u>
Total JSFC Sistema shareholders' equity	8,038,755	8,420,065
Non-redeemable non-controlling interests in equity of subsidiaries	5,667,208	5,788,468
	<u>13,705,963</u>	<u>14,208,533</u>
TOTAL EQUITY		
TOTAL LIABILITIES AND EQUITY	<u>\$ 43,902,021</u>	<u>\$ 44,166,048</u>

SISTEMA JSFC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Amounts in thousands of U.S. dollars)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,191,176	\$ 2,117,199
Gain on disposal of discontinued operations	(161,817)	(324,656)
(Income)/loss from discontinued operations	(71,233)	2,999
Income from continuing operations	958,126	1,795,542
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation, depletion and amortization	3,281,629	2,862,754
Equity in results of affiliates	(120,929)	(92,235)
Deferred income tax (benefit)	(14,934)	(24,097)
Change in fair value of derivative financial instruments	2,268	2,062
Foreign currency transactions loss/(gain)	326,415	(26,151)
Debt issuance cost amortization	49,179	89,244
Non-cash compensation to employees of subsidiaries	51,037	70,978
Accretion expense - asset retirement obligation	29,475	8,925
Loss from impairment and provisions of other assets	1,031,262	313,381
Loss on disposal of property, plant and equipment	24,160	32,124
Gain on disposal of interests in subsidiaries and affiliates	(62,514)	-
Gain upon adoption of equity method	-	(477,400)
Amortization of connection fees	(96,676)	(95,706)
Provision for doubtful accounts	135,967	161,519
Allowance for loan losses	10,563	29,052
Dividends received from affiliates	42,328	34,937
Changes in operating assets and liabilities, net of effects from purchase of businesses:		
Trading securities	(121,253)	120,236
Accounts receivable	(186,070)	(417,639)
VAT receivable	(167,414)	(464,537)
Other current assets	(144,852)	(298,271)
Inventories and spare parts	(190,841)	(395,067)
Accounts payable	574,602	226,193
Subscriber prepayments	99,340	132,105
Taxes payable	97,105	(54,119)
Accrued expenses and other liabilities	(198,047)	406,003
Postretirement benefits obligation	(5,650)	55,331
Net cash used in operating activities of continuing operations	5,404,276	3,995,164
Net cash used in operating activities of discontinued operations	167,132	61,588
Net cash provided by operations	<u>\$ 5,571,408</u>	<u>\$ 4,056,752</u>

SISTEMA JSFC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010 (CONTINUE)
(Amounts in thousands of U.S. dollars)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchases of property, plant and equipment	(3,680,939)	(3,486,468)
Payments for purchases of intangible assets	(451,151)	(693,106)
Payments for purchases of businesses, net of cash acquired	(375,245)	(364,532)
Payments for purchases of long-term investments	(929,097)	(478,530)
Payments for purchases of short-term investments	(893,682)	(851,325)
Payments for purchases of other non-current assets	(173,816)	(78,286)
Increase in restricted cash	(45,299)	(16,445)
Proceeds from sale of subsidiaries, net of cash disposed	184,596	307,358
Proceeds from sale of property, plant and equipment	170,178	18,782
Proceeds from sale of long-term investments	165,629	140,979
Proceeds from sale of other non-current assets	-	92,430
Proceeds from sale of short-term investments	1,184,068	461,882
Net (decrease)/ increase in loans to customers and banks	(341,126)	107,917
Net cash used in investing activities	<u>\$ (5,185,884)</u>	<u>\$ (4,839,344)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Principal payments on)/proceeds from short-term borrowings, net	(276,885)	460,617
Net (decrease)/increase in deposits from customers of the banking division	(651,101)	597,888
Net (decrease) in debt securities issued and other liabilities	(457,867)	(225,504)
Advance received for shares of SSTL	-	602,276
Proceeds from long-term borrowings, net of debt issuance costs	6,421,015	5,459,359
Debt issuance costs	(69,860)	(86,522)
Principal payments on long-term borrowings	(4,331,488)	(5,302,634)
Principal payments on capital lease obligations	(19,122)	(10,420)
Acquisition of noncontrolling interests in existing subsidiaries	(261,295)	(787,434)
Dividends declared by subsidiaries	(960,486)	(823,616)
Proceeds from capital transactions of subsidiaries	153,710	109,112
Purchases of treasury shares	(28,559)	-
Net cash used in financing activities	<u>\$ (481,938)</u>	<u>\$ (6,878)</u>
Effect of foreign currency translation on cash and cash equivalents	<u>\$ (154,384)</u>	<u>\$ (10,110)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	<u>\$ (250,798)</u>	<u>\$ (799,580)</u>
CASH AND CASH EQUIVALENTS, beginning of the period - including cash of discontinued operations	4,573,556	5,373,136
CASH AND CASH EQUIVALENTS, end of the period	4,322,758	4,573,556
Less: cash and cash equivalents of discontinued operations at end of the period	(83,726)	(19,184)
CASH AND CASH EQUIVALENTS of continuing operations at end of the period	<u><u>\$ 4,239,032</u></u>	<u><u>\$ 4,554,372</u></u>
CASH PAID DURING THE PERIOD FOR:		
Interest paid, net of amounts capitalized	<u>\$ (1,802,826)</u>	<u>\$ (1,643,973)</u>
Income taxes paid	<u>(1,069,790)</u>	<u>(987,696)</u>
<i>* Cash and cash equivalents at the end of the period comprised of the following:</i>		
Non-banking activities	<u>\$ 2,923,957</u>	<u>\$ 2,245,884</u>
Banking activity	<u>1,315,075</u>	<u>2,308,488</u>
	<u><u>\$ 4,239,032</u></u>	<u><u>\$ 4,554,372</u></u>

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED SEGMENTAL BREAKDOWN FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Amounts in thousands of U.S. dollars)

For the year ended December 31, 2011	Core Assets			Developing Assets			Corporate and other	Total
	MTS	Bashneft	SSTL	MTS Bank	RTI	Other		
Net sales to external customers ^(a)	12,312,501	16,537,117	262,264	529,012	1,355,363	1,947,440	37,551	32,981,248
Intersegment sales	6,187	11,969	-	31,894	737,676	27,537	26,998	842,261
Equity in net income of investees	49,443	75,245	-	-	-	(3,759)	-	120,929
Interest income	62,559	74,021	34,152	-	13,028	74,310	102,685	360,755
Interest expense	656,898	559,806	162,442	-	83,403	110,684	274,569	1,847,802
Net interest revenue/(expense) ^(b)	-	-	-	(1,912)	-	-	-	(1,912)
Depreciation, depletion and amortization	2,293,021	611,876	99,424	17,339	104,010	146,560	9,399	3,281,629
Operating income/(loss)	2,893,938	2,778,789	(1,196,084)	(23,510)	50,382	(129,373)	(228,712)	4,145,430
Income tax expense/(benefit)	613,681	527,117	(6,747)	(5,118)	28,854	12,984	(82,225)	1,088,546
Investments in affiliates	176,659	937,601	-	-	214,625	16,527	37,239	1,382,651
Segment assets	15,919,243	13,530,524	1,113,191	6,978,934	2,629,665	4,079,014	3,135,691	47,386,262
Indebtedness ^(c)	8,700,407	3,393,314	1,573,523	-	1,126,471	369,382	1,246,786	16,409,883
Capital expenditures	2,584,467	877,442	178,156	34,360	127,166	321,702	8,797	4,132,090

For the year ended December 31, 2010	Core Assets			Developing Assets			Corporate and other	Total
	MTS	Bashneft	SSTL	MTS Bank	RTI	Other		
Net sales to external customers ^(a)	11,295,251	11,705,968	114,615	588,946	1,169,343	1,898,620	38,576	26,811,319
Intersegment sales	3,805	772	-	24,799	462,473	3,926	24,736	520,511
Equity in net income of investees	70,649	36,074	-	-	1,389	(15,877)	17,883	110,118
Interest income	84,396	74,511	4,971	-	7,774	4,145	90,494	266,291
Interest expense	777,288	327,852	91,982	-	87,923	120,654	335,484	1,741,183
Net interest revenue/(expense) ^(b)	-	-	-	24,444	-	-	-	24,444
Depreciation, depletion and amortization	2,000,495	591,477	81,822	18,571	97,950	64,895	7,544	2,862,754
Operating income/(loss)	2,744,107	2,301,342	(410,789)	21,329	82,604	84,251	(288,791)	4,534,053
Income tax expense/(benefit)	566,339	417,154	-	11,727	29,327	42,218	(1,285)	1,065,480
Investments in affiliates	230,130	666,969	-	-	220,755	-	29,840	1,147,694
Segment assets	14,388,217	12,354,042	1,788,876	7,849,704	2,378,495	5,773,667	3,466,480	47,999,481
Indebtedness ^(c)	7,160,611	3,927,161	1,245,856	-	917,435	383,411	1,749,527	15,384,001
Capital expenditures	2,647,117	1,088,772	169,000	19,151	91,236	105,344	58,954	4,179,574

(a) Interest income and expenses of the banking division are presented as revenues from financial services and cost of financial services, correspondingly, in the Group's consolidated financial statements.

(b) The banking division derives a majority of its revenue from interest. In addition, management primarily relies on net interest revenue, not the gross revenue and expense amounts, in managing that division. Therefore, only the net amount is disclosed.

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

Attachment A

Non-GAAP financial measures. This press release includes financial information prepared in accordance with accounting principles generally accepted in the United States of America, or US GAAP, as well as other financial measures referred to as non-GAAP. The non-GAAP financial measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with US GAAP.

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. OIBDA can be reconciled to our consolidated statements of operations as follows:

	4Q 2011	4Q 2010	2011	2010
Operating Income	296.1	666.5	3,941.5	4,302.6
Depreciation, depletion and amortization	812.6	735.2	3,281.6	2,862.8
OIBDA	1,108.7	1,401.7	7,223.1	7,165.4
Non-recurring items	1,014.7	310.5	1,057.0	(39.7)
OIBDA without one-offs	2,123.4	1,712.2	8,280.1	7,125.7