



JOINT-STOCK FINANCIAL CORPORATION

SISTEMA

Sistema JSFC

Financial Results

1Q 2014

June 03, 2014

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Disclaimer

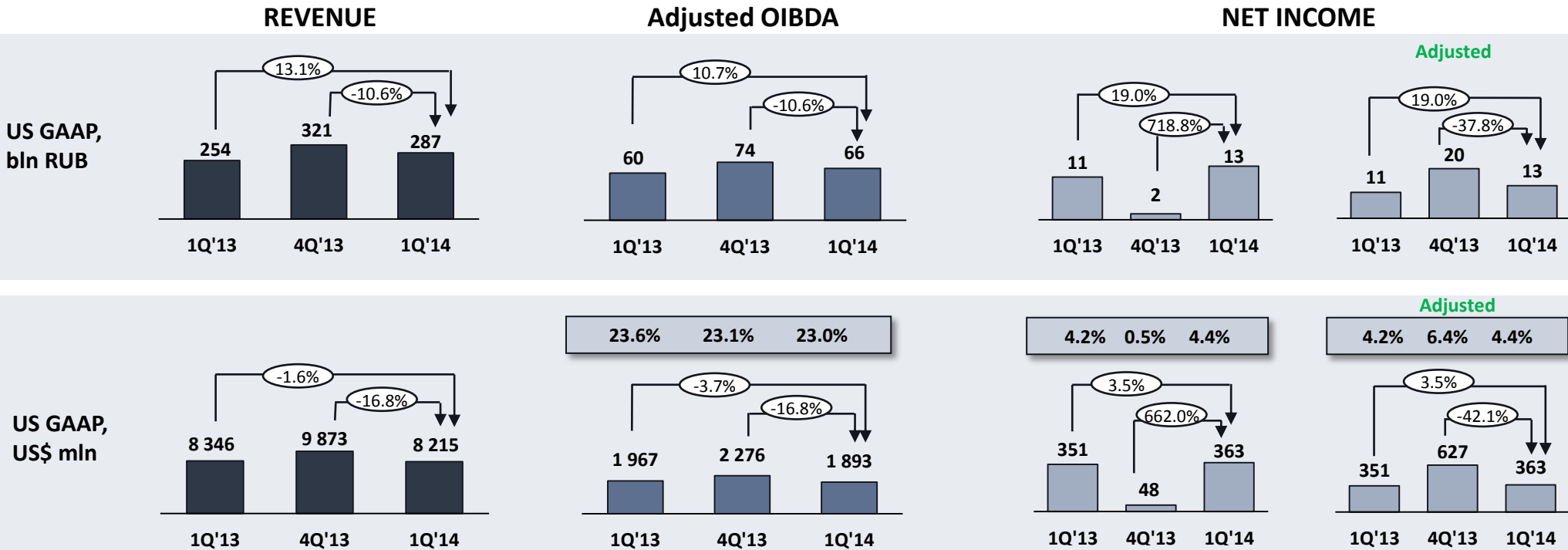
Certain statements in this presentation may contain assumptions or forecasts in respect to forthcoming events within JSFC Sistema. The words “expect”, “estimate”, “intend”, “will”, “could” and similar expressions identify forward-looking statements. We wish to caution you that these statements are only 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.



1Q 2014: Financial Results

FINANCIAL HIGHLIGHTS

- > Revenue in rouble terms grew by 13.1% YoY, revenue in US dollars decreased by 1.6% YoY to US\$ 8.2 billion
- > OIBDA in rouble terms increased by 10.7% YoY with an OIBDA margin of 23.0%; OIBDA in US dollars fell by 3.7% YoY to US\$ 1.9 billion
- > Net income attributable to Sistema amounted to US\$ 363.3 million, compared to US\$ 351.1 million in 1Q 2013
- > Corp Centre's net debt* amounted to US\$ 491 million as of March 31, 2014, cash position* amounted to US\$ 1,220 million



Double-digit growth of financial results in rouble terms YoY and a stable OIBDA margin of 23%

*Including highly liquid deposits and liquid financial investments



Main Events of 1Q 2014 and After the Reporting Period

New M&A and Partnerships

LesInvest*

- > Acquisition of pulp & paper assets
- > No external net debt; up to 50% LBO funded
- > Attractive valuation versus peer multiples

- > Revenue of RUB 20.9 bln; EBITDA of RUB 2.4 bln
- > 54% of revenues from export
- > Strong market and demand outlook

Binnopharm JV with Fresenius Kabi*

- > Strategic partner for Binnopharm
- > Sistema received 37% in the new JV plus cash
- > Further future liquidity events possible

Ozon

- > 10.8% stake for US\$ 75 mln along side parallel MTS investment
- > Entry into leading e-commerce business in Russia
- > Opportunity to strengthen online presence for several portfolio companies

Restructuring and portfolio add-ons

NVision

- > Acquired 38.75% in NVision taking the total stake to 88.75%. US\$ 82.5 mln consideration consisting of US\$ 37.5 mln cash and US\$ 45 mln in Sistema's shares
- > Increased oversight and management overhaul aimed at turning around operational underperformance

Business Nedvizhimost

- > Increased stake to 100% through the purchase of the remaining 49% from MGTS for RUB 3.1 bln
- > 76 real estate sites formerly used as ATS opportunity to redevelop into commercial and residential projects

Sistema Invest

- > Completed restructuring of Sistema Invest aimed at eliminating cross ownership within Bashneft
- > Sistema's effective stake in Bashneft now at 78.8%; Sistema's ownership in BPGC now at 91%

Dividends

Sistema

- > RUB 19.879 bln dividends for 2013 recommended
- > Increase driven by higher regular dividend amount and one time contribution from Russneft disposal
- > Dividend yield of approximately 5%

Bashneft

- > RUB 37.48 bln dividends for 2013 recommended
- > Sistema's share in Bashneft's dividends is expected at around US\$ 800 mln

MTS

- > RUB 38.4 bln dividends for 2013 recommended
- > Sistema's share in MTS' dividends is expected at around US\$ 560 mln

New investments, active portfolio management and increased dividends



1Q 2014: Financial Review [1]

KEY HIGHLIGHTS

- > **Sistema's revenues were up 13.1% YoY in rouble terms**, reflecting increasing volumes of oil production and refining at Bashneft, the development of MTS' data services and Detsky Mir's business expansion. The top-line growth in rouble terms also reflects significant contributions from BPGC following increased electricity consumption, rise of MTS Bank's interest and commission income and increased patient visits at Medsi. Revenue in US dollars fell by 1.6% YoY. The average US dollar exchange rate vs. Russian rouble in 1Q 2014 grew by 14.9% YoY.
- > **Sistema's OIBDA in rouble terms was up 10.7% YoY**, mainly as a result of substantial contributions from MTS and Bashneft, reduced losses at SSTL, as well as improved margins at Detsky Mir and Medsi. The Group's OIBDA decreased by 3.7% YoY in US dollar terms.
- > **Net income grew by 3.5% YoY in US dollar terms and by 19.0% YoY in rouble terms** in 1Q 2014. This largely was driven by Bashneft's and Medsi's increased net income, and 44.9% YoY reduction in SSTL's net loss.
- > **Sistema reported a 16.8% QoQ decline in revenues and adjusted OIBDA in US dollar terms and a 10.6% QoQ decrease in rouble terms.** The Group reported a 42.1% QoQ decrease in adjusted net income in US dollar terms and a 37.8% QoQ decline in rouble terms. QoQ declines were driven by seasonal factors across most of the portfolio companies, such as reduced roaming revenue at MTS, and seasonal fluctuations in demand at Detsky Mir and RTI.
- > **OIBDA margin in 1Q 2014 amounted to 23.0%.** The average US dollar exchange rate vs. Russian rouble in 1Q 2014 grew by 7.5% QoQ.

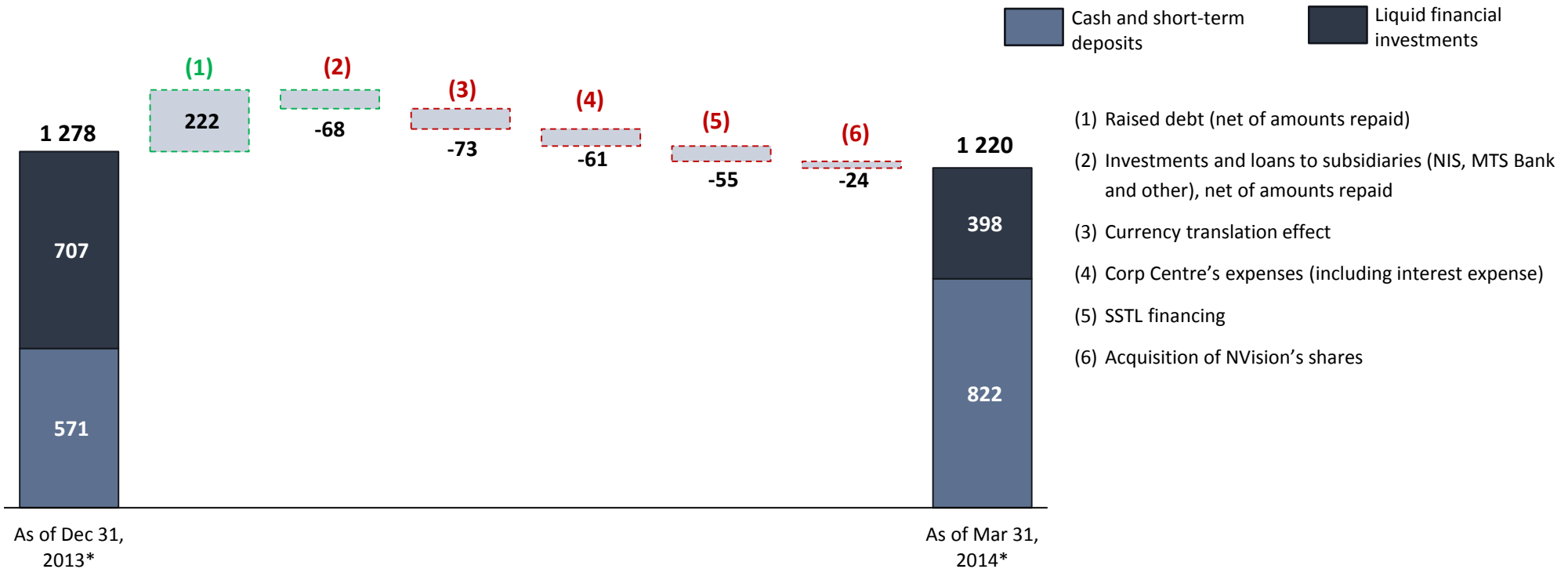
	1Q 2014	1Q 2013
TOTAL REVENUE	8 215	8 346
Cost of sales, exclusive of depreciation, depletion and amortization shown separately below	(3 037)	(3 160)
Cost related to banking activities, exclusive of depreciation and amortization shown separately below	(120)	(142)
Selling, general and administrative expenses	(978)	(1 065)
Depreciation, depletion and amortization	(738)	(812)
Transportation costs	(211)	(222)
Impairment of long-lived assets other than goodwill and provisions for other assets	(64)	(16)
Taxes other than income tax	(1 850)	(1 728)
Other operating expenses, net	(69)	(52)
Equity in results of affiliates	7	6
OPERATING INCOME	1 156	1 155
Interest income	84	52
Interest expense, net of amounts capitalized	(265)	(326)
Foreign currency transactions losses	(163)	(31)
Income tax expense	(207)	(241)
Non-controlling interest	(243)	(258)
NET INCOME attributable to Sistema	363	351

Solid growth in rouble terms despite the volatile macroeconomic and FX environment



Corporate Centre's Cash Flows in 1Q 2014

Cash flows in 1Q 2014 (US\$ mln)*



Cash management in 1Q 2014

- > In 1Q 2014, Sistema drew down available one-year credit facilities to hedge against macroeconomic volatility.
- > Cash expenses of the Corp Centre include SG&A costs of US\$ 33 mln and interest expenses of US\$ 28 mln.

Disciplined and prudent cash management

*Including cash, highly liquid deposits and liquid financial investments, based on management accounts

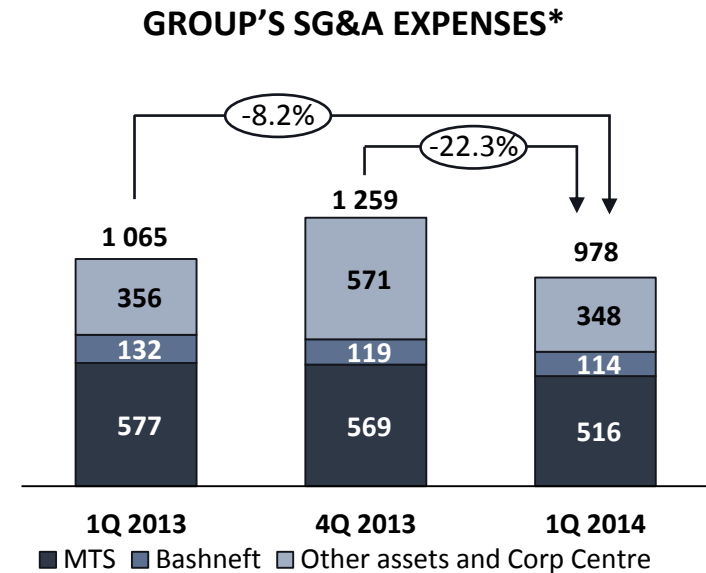
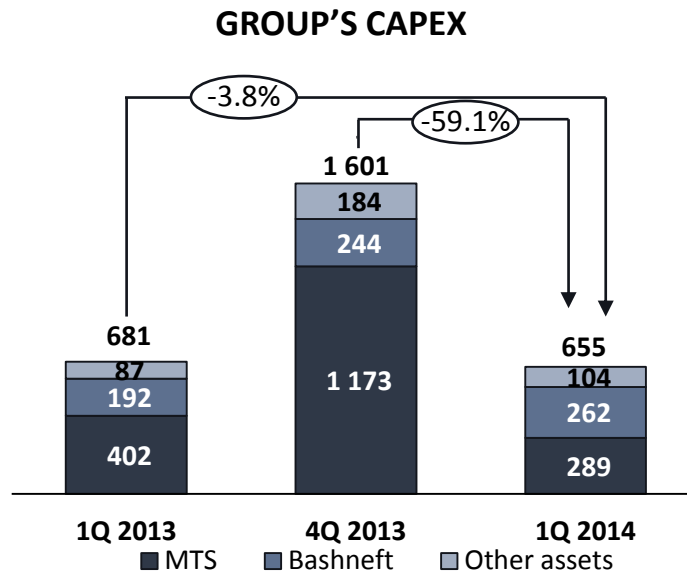


1Q 2014: Financial Review [2]

KEY HIGHLIGHTS

- > **Capital expenditures decreased by 3.8% YoY** in US dollars, and grew by 10.6% in rouble terms due to Bashneft's CAPEX growth.
- > **Group's SG&A decreased by 8.2% YoY** in US dollars and grew by 5.6% in rouble terms.
- > **Corp Centre's SG&A** increased to US\$ 59.8 mln in 1Q 2014, compared to US\$ 37.5 mln in 1Q 2013, as a result of a non-cash share award for Sistema's senior management (based on the share price as of the grant date - the end of 2013). Cash SG&A expenses amounted to US\$ 33 mln in 1Q 2014.

US GAAP, US\$ mln



Group's SG&A growth maintained below inflation rate

*Total Group SG&A amount presented after intercompany eliminations

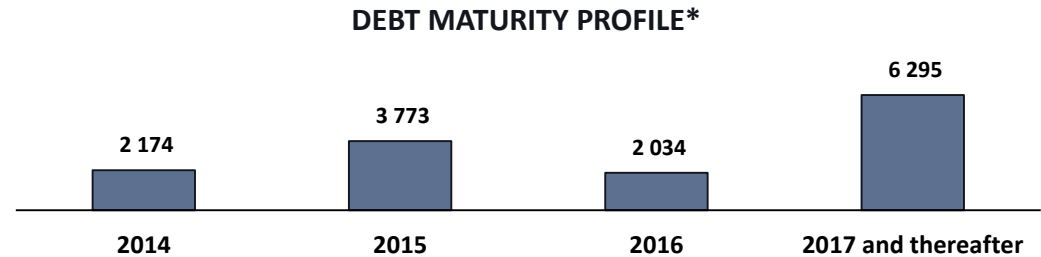
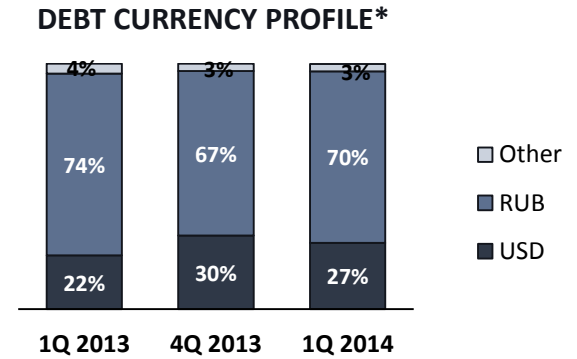
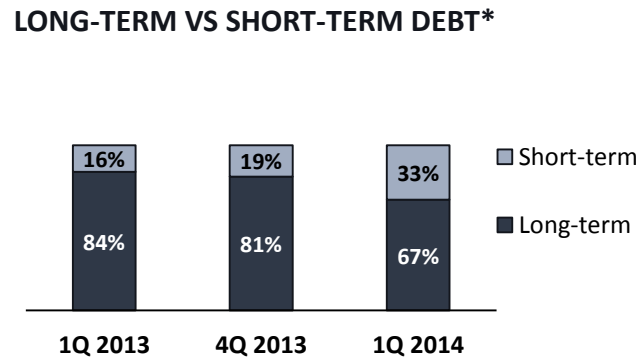
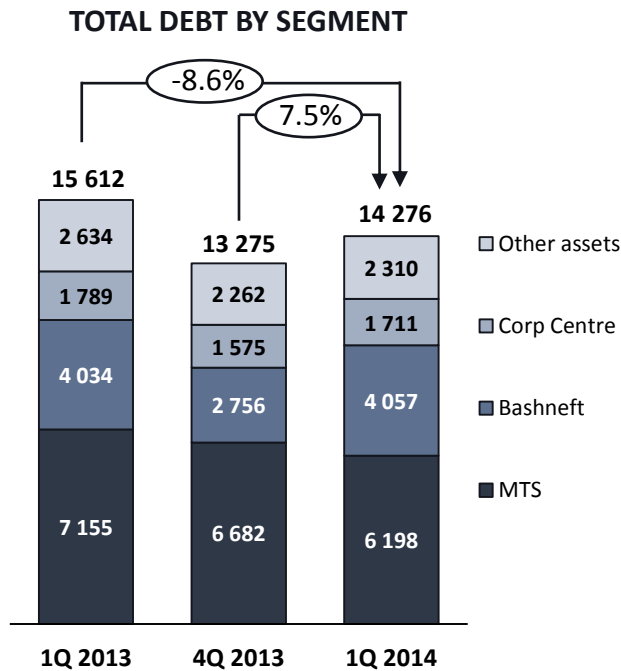


Consolidated Debt

KEY HIGHLIGHTS

- > **7.5% QoQ growth in consolidated debt** was mainly due to increased debt at Bashneft by 47.2%, as well as drawn down credit facilities at Corp Centre.
- > **The portion of rouble-denominated debt increased** from 67% to 70%.

US GAAP, US\$ mln



Decreased debt of non-public assets and defensive currency structure

*Source: management accounts

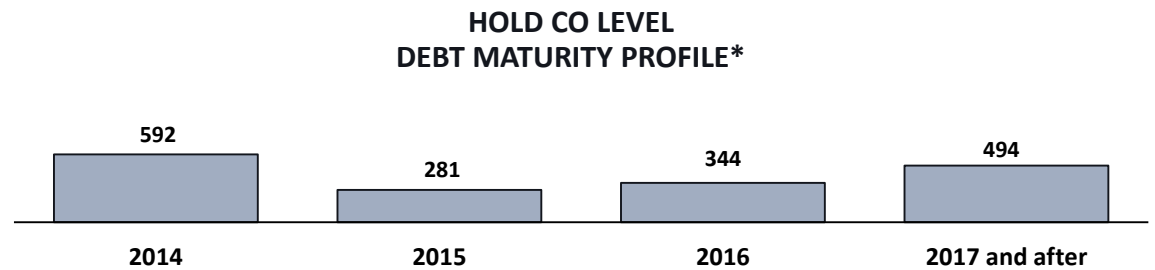
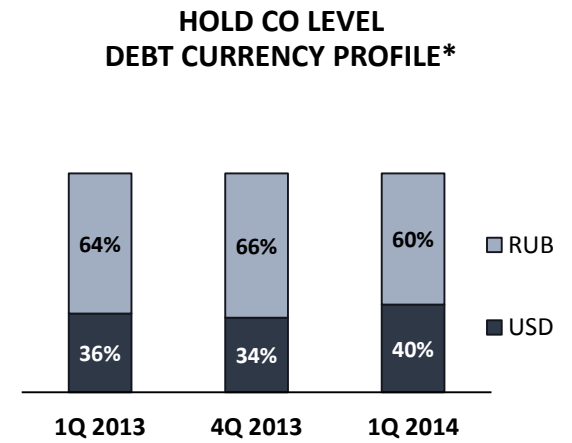
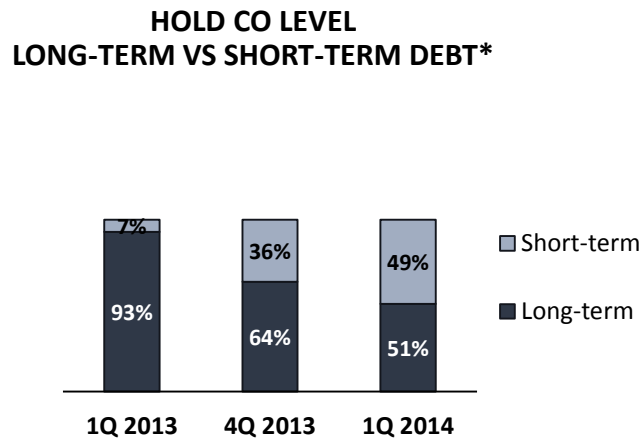
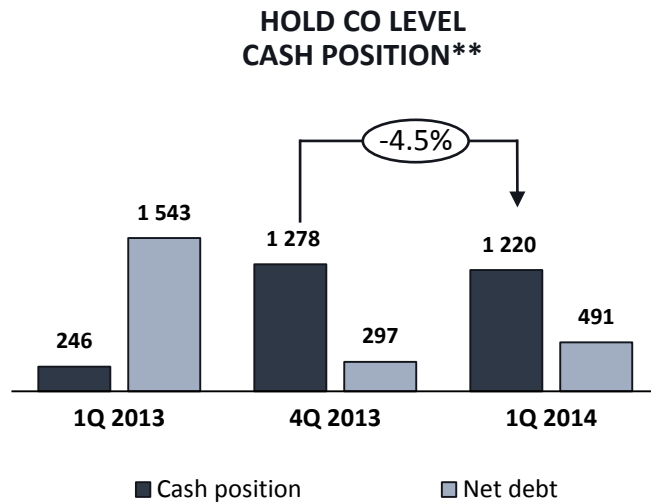


Corporate Centre's Debt

KEY HIGHLIGHTS

- > **Corp Centre's debt increased by 8.6% QoQ** to US\$ 1.7 bln due to drawn down credit facilities. Overall in 2014 Sistema intends to keep debt stable by paying off the second rouble bond issue and through the partial amortisation of the fourth rouble bond issue in 3Q 2014.

US GAAP, US\$ mln



Strong cash position, low debt and financial power for attractive M&A

*Source: management accounts

**Including highly liquid deposits and liquid financial investments



Attachments

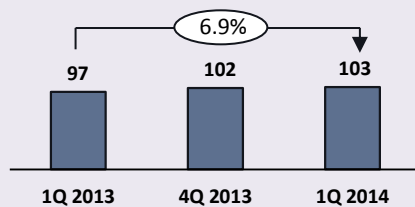


Assets overview [1]

MTS

US\$ mln	1Q'14	1Q'13	4Q'13	YoY	QoQ
Revenue	2 791	3 053	3 222	-8.6%	-13.4%
Adj OIBDA	1 202	1 303	1 451	-7.7%	-17.2%
OIBDA margin	43.1%	42.7%	45.1%	n/a	n/a
Debt	6 198	7 155	6 682	-13.4%	-7.2%

Mobile subscribers (mln)

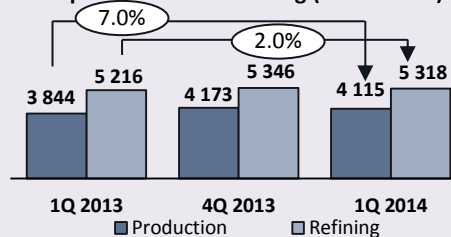


- The decreased in MTS' revenues and adjusted OIBDA was caused by a 14.9% depreciation of the average rouble exchange rate vs. US dollar. However, MTS' revenues in rouble terms were up 5.1% YoY, reflecting the continued increase in data services revenue and the number of subscribers in MTS' key operating regions. OIBDA in rouble terms was up 6.1% YoY, mainly as a result of revenue growth from high-margin data services and continued operating improvements. The QoQ decrease in MTS' revenues and adjusted OIBDA was largely impacted by seasonality.
- MTS' mobile subscriber base, excluding Belarus subscribers, expanded to 103.3 mln in 1Q 2014. The number of households passed increased by 3.5% YoY to 12.3 mln. The number of fixed services subscribers increased to 7.4 mln. ARPU in Russia grew by 2.4% YoY to RUB 299 in 1Q 2014. MOU was up 4.8% YoY in 1Q 2014 to 325 minutes.
- In April 2014, MTS' Board of Directors recommended annual dividends in the amount of RUB 38.435 bln.

BASHNEFT

US\$ mln	1Q'14	1Q'13	4Q'13	YoY	QoQ
Revenue	4 195	4 129	4 494	1.6%	-6.6%
Adj OIBDA	693	690	786	0.5%	-11.8%
OIBDA margin	16.5%	16.7%	17.5%	n/a	n/a
Debt	4 057	4 034	2 756	0.6%	47.2%

Oil production and refining ('000 tonnes)

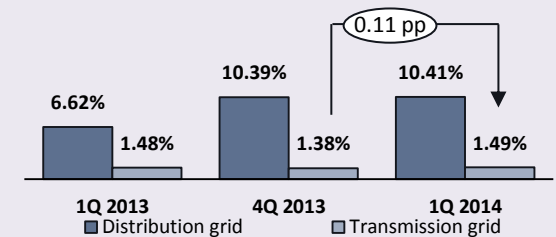


- Bashneft's revenues were up 1.6% YoY mainly as a result of increased sales of oil and a rise in exports of oil products, which reflect growing volumes of oil production and refining. A QoQ decrease in revenues and adjusted OIBDA resulted from a 2.8% seasonal fall in volumes of sales of oil and oil products, depreciation of rouble, as well as increased mineral extraction tax and excise duties.
- In 1Q 2014, Bashneft's oil production increased by 7.0% YoY to 4.1 mln tonnes, including 177,000 tonnes produced at the Trebs and Titov fields, while mature fields in Bashkortostan added 3.9 mln tonnes. The company sold 6.2 mln tonnes of oil and oil products in 1Q 2014, a 9.6% YoY increase, with exports amounting to 1.4 mln tonnes of crude oil and 2.4 mln tonnes of oil and petrochemical products. Bashneft reported a 2.0% YoY increase in refining volumes in 1Q 2014, reaching 5.3 mln tonnes of crude oil. The average refining depth in 1Q 2014 was 83.1% and light-product yield was 58.6%.

BPGC

US\$ mln	1Q'14	1Q'13	4Q'13	YoY	QoQ
Revenue	108	113	116	-4.0%	-7.2%
OIBDA	45	50	54	-10.5%	-17.7%
OIBDA margin	41.4%	44.4%	46.7%	n/a	n/a

Distribution and Transmission grid and losses, mln KWt



- In 1Q 2014, BPGC's revenues decreased by 4.0% YoY as a result of 14.9% rouble depreciation. In rouble terms, the revenues were up 10.3% YoY as a result of a 3.6% increase in net electricity supply, as well as a 10% growth in boiler tariffs effective from July 1, 2013. Despite revenues decreasing in US dollar terms, BPGC's revenues remained stable in rouble terms QoQ – 3.8% growth of electricity supply was offset by increased payments to territorial grid companies. BPGC's OIBDA in rouble terms grew by 2.9% YoY.
- The volume of electricity transmitted through distribution grids increased by 4.1% in 1Q 2014 YoY and QoQ reflecting consumption growth.
- The effective transmission grid output was up 6.1% YoY and 1.3% QoQ in 1Q 2014.

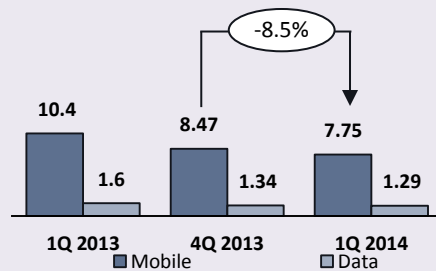


Assets Overview [2]

SSTL

US\$ mln	1Q'14	1Q'13	4Q'13	YoY	QoQ
Revenue	52	65	48	-20.6%	7.7%
OIBDA	-16	-39	-33	n/a	n/a
Debt	602	850	597	-29.2%	0.9%

Mobile subscribers (mln)

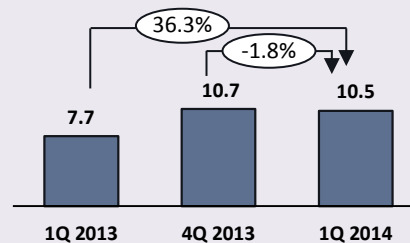


- SSTL's revenue grew by 7.7% QoQ on the back of increased minutes of usage and data services consumption. A YoY decrease in revenues resulted from SSTL ceasing its operations in 13 circles in the course of 1Q 2013.
- SSTL's OIBDA loss significantly narrowed both YoY and QoQ, reflecting SSTL's on-going cost optimisation.
- As of March 31, 2014, SSTL's total wireless (voice and data) subscriber base reduced by 7.9% QoQ to 9 mln customers, although the subscriber base quality continued to increase. Subscribers' monthly minutes of usage (MOU) increased by 10.9% QoQ to 414 min. Blended mobile ARPU in rupees in 1Q 2014 grew by 9.8% QoQ and amounted to US\$ 1.73. Non-voice revenues (from both data and VAS) accounted for 35.3% of the company's total revenues in the reporting period.
- In 1Q 2014, SSTL's HSD services covered over 600 towns across 9 circles in India.

SISTEMA MASS-MEDIA

US\$ mln	1Q'14	1Q'13	4Q'13	YoY	QoQ
Revenue	25	11	46	131.5%	-46.3%
OIBDA	7	-3	27	350.9%	-73.1%
OIBDA margin	29.6%	n/a	59.1%	n/a	n/a
Debt	22	27	27	-19.9%	-20.5%

Stream TV subscriber base (mln)

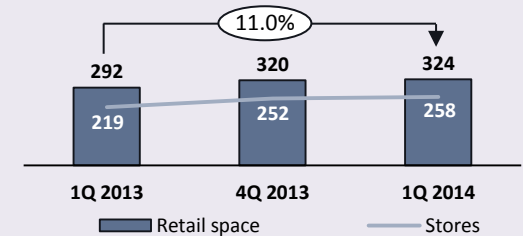


- SMM's revenues grew by 131.5% YoY in 1Q 2014, as a result of rescheduling RWS's TV series from the end of 2013, as well as a large one-off shooting order and the launch of the RBT service by Stream*. A QoQ revenue decrease was largely due to seasonality of key business segments.
- SMM's OIBDA demonstrated a significant YoY increase following revenue growth.
- The RWS content library grew by 10.0% YoY to 1,775 hours as of March 31, 2014.
- In the first quarter of 2014, the Stream-TV subscriber base increased by 36.3%, compared to 1Q 2013, reaching 10.5 mln subscribers. Compared to 4Q 2013, the subscriber base decreased by 1.8%, reflecting reduced subscribers in Ukraine.

DETSKY MIR

US\$ mln	1Q'14	1Q'13	4Q'13	YoY	QoQ
Revenue	261	222	369	17.6%	-29.1%
OIBDA	2	-15	57	n/a	-96.7%
OIBDA margin	1%	n/a	15.5%	n/a	n/a
Debt	243	105	181	130.3%	34.1%

Retail space ('000 sq.m.) and number of outlets



- Detsky Mir's revenues grew by 17.6% YoY in 1Q 2014 driven by a 24.9% increase in like-for-like revenue in rouble terms, new store openings and high revenue growth dynamics in stores opened in 2013. Detsky Mir's own-label portfolio generated 20% of the company's revenues, with 67% and 57% in the "clothing" and "footwear" categories respectively. The QoQ decrease in revenues and OIBDA resulted from seasonal factors and rouble depreciation.
- Following the implementation of a programme to optimise costs and improve operational efficiency, Detsky Mir's SG&A expenses declined as a percentage of revenue to 31.9% in 1Q 2014, compared to 37.3% in 1Q 2013. Detsky Mir's like-for-like average ticket increased by 5.6% year-on-year in rouble terms in 1Q 2014, while like-for-like traffic was up 18.3%.
- Detsky Mir's debt increased YoY due to attracted loan to repurchase its 25%+1 share from Sberbank in July 2013, as well as seasonal procurement of funds to finance working capital.

* Stream CJSC is owned by Sistema (55%) and MTS (45%). For the reporting purposes, the financial results of Stream CJSC were allocated to SMM segment.

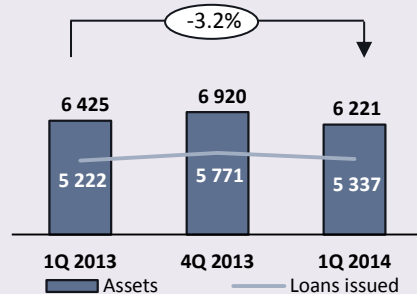


Assets Overview [3]

MTS BANK MTS Bank

US\$ mln	1Q'14	1Q'13	4Q'13	YoY	QoQ
Revenue	193	207	262	-6.7%	-26.5%
Net loss/income	-15	-14	22	n/a	n/a

Assets and issued loans (US\$ mln)

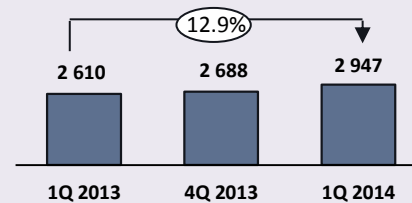


- MTS Bank's revenues decreased by 6.7% YoY in 1Q 2014, mainly as a result of rouble depreciation. In rouble terms, MTS Bank's revenues grew by 7.2%. The interest income increased by 3.6% YoY to US\$ 172.7 mln. The interest income from transactions with individuals in rouble terms was up 48.4% YoY. Interest income on the retail loan portfolio accounts for 60.4% of the total interest income.
- A QoQ decrease of 26.5% in revenues resulted from increased share of loans to banks with lower interest rates, and a decrease in the corporate loan portfolio as well as due to seasonal factor.
- In 1Q 2014, MTS Bank reported net loss, largely due to the decreased revenue and recognised loss from the revaluation of the bonds portfolio, which is expected to be reversed after the maturity in 2014.
- MTS Bank's gross loan portfolio to individuals increased by 43.2% YoY and by 3.9% QoQ in rouble terms. The loan portfolio from joint projects with MTS in roubles grew by 12.9% QoQ to US\$ 583 mln. The loan provisions to loan portfolio ratio was 9.5%.

INTOURIST

US\$ mln	1Q'14	1Q'13	4Q'13	YoY	QoQ
Revenue	17	16	20	5.3%	-15.8%
OIBDA	-2	0.6	3	n/a	n/a
OIBDA margin	n/a	3.8%	16.0%	n/a	n/a
Debt	68	76	73	-10.5%	-7.0%

Rooms owned, managed and rented

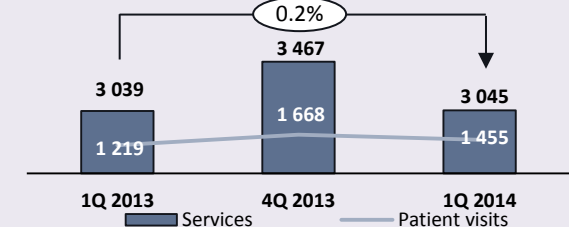


- In 1Q 2014, Intourist's revenues increased by 5.3% compared to 1Q 2013 driven by the operational success of the company's hotels abroad, as well as the cooperation with the Leading Hotels of the World Association. The proactive work with travel agencies also facilitated sales in the winter period. A QoQ revenue and OIBDA decrease resulted from seasonal demand fluctuations.
- As of March 31, 2014, Intourist owned, managed and rented 2,947 rooms.
- In March 2014, Intourist signed a management services agreement with one more hotel in Moscow - the Intourist-Kolomenskoe hotel, which has 259 rooms.

MEDSI

US\$ mln	1Q'14	1Q'13	4Q'13	YoY	QoQ
Revenue	71	75	78	-4.4%	-8.1%
OIBDA	12	10	13	21.1%	-7.1%
OIBDA margin	16.9%	13.4%	16.8%	n/a	n/a
Debt	67	81	73	-17.6%	-8.6%

Services and patient visits ('000)



- Medsi's revenues decreased by 4.4% YoY in 1Q 2014, mainly as a result of the rouble depreciating by 14.9%. Medsi's revenues in rouble terms were up 9.9% YoY. OIBDA grew by 21.1% YoY in 1Q 2014 as a result of the decreased administrative expenses after completing the integration with the Medical Centre for the Mayor and Government of Moscow (SUE). The SG&A expenses to revenue ratio declined to 13.1%, compared to 16.8% in 1Q 2013.
- Medsi's revenues and OIBDA decreased QoQ, reflecting seasonality factors.
- Following a successful marketing campaign in 1Q 2014, the number of patient visits increased by 19.4% YoY. The number of services provided was up 0.2%. The average bill was up 18.9% QoQ in rouble terms and totalled RUB 1,884.
- As of March 31, 2014, Medsi's network consisted of 28 medical clinics, a clinical and diagnostic centre, 3 hospitals, an ambulance service, 3 wellness centres and 3 sanatoriums.



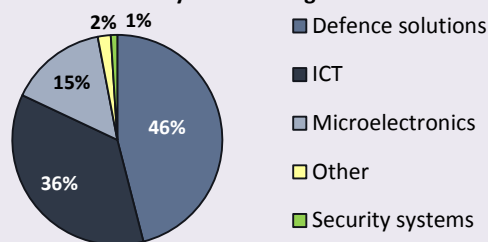
Assets Overview [4]

OJSC RTI

RTI consolidates OJSC Concern RTI Systems, Mikron group of companies, CJSC NVision Group and is comprised of 4 principal business units (“BU”) – Defence Solutions BU, Comprehensive Security Systems BU, Microelectronics Solutions BU and Information and Communication Technology (ICT) BU.

US\$ mln	1Q'14	1Q'13	4Q'13	YoY	QoQ
Revenue	344	481	792	-28.5%	-56.6%
Adj. OIBDA*	-1	10	63	n/a	n/a
OIBDA margin	n/a	2.0%	8.0%	n/a	n/a
Debt	1 182	1 308	1 229	-9.6%	-3.8%

Revenue by business segments

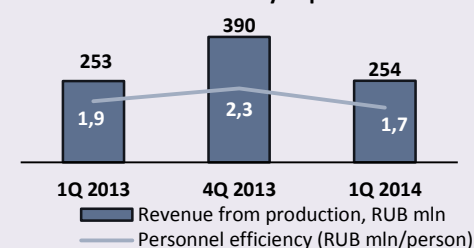


- In 1Q 2014, RTI’s revenues and OIBDA decreased YoY and QoQ, mainly due to reduced sales in ICT BU. A QoQ revenues and adjusted OIBDA decrease was also impacted by seasonality factor due to unequal allocation of revenues over the course of the year. Defence Solutions BU demonstrated YoY revenue growth of 14.0% YoY on the back of increased volumes of the state defence order, its OIBDA grew by 8.3% YoY, with an OIBDA margin of 18.2%.
- 9.6% decrease in debt resulted from the company’s successful cooperation with counterparties, reducing its financing of working capital, as well as from rouble depreciation, which led to the decrease of the company’s rouble liabilities in US dollar terms. The share of debt on the state defence order was 45% in 1Q 2014.
- In January 2014, NVision Group modernised the hardware and software complex of the Healthcare Ministry of the Novosibirsk region’s Call Processing Centre to enhance its productivity.
- In February 2014, Mikron completed the development of its proprietary technology for creating integral circuits using the 65nm topology. The company plans to start serial production of microchips using this topology in 2014.
- In March 2014, Mikron obtained from Cadence Design Systems, a global leader in electronic design innovations, a licence for software for optimisation of integral circuits in the 90nm technology.

BINNOPHARM

US\$ mln	1Q'14	1Q'13	4Q'13	YoY	QoQ
Revenue	15	20	30	-24.5%	-50.7%
OIBDA	3	4	7	-23.3%	-52.2%
OIBDA margin	20.9%	20.6%	21.6%	n/a	n/a
Debt	24	22	22	7.3%	8.2%

Personnel efficiency in production



- Binnopharm’s QoQ and YoY revenue decrease in 1Q 2014 resulted mainly from lower revenues generated from the distribution business following the transition of the Government to the Federal contract system. Revenue from own products remained stable YoY.
- A YoY and QoQ decline in the company’s OIBDA in 1Q 2014 resulted from the revenue decrease, as well as an increase in R&D expenses. The OIBDA margin expanded to 20.9% YoY.
- After winning a government tender for Hepatitis B vaccines, Binnopharm will supply 5.4 mln vaccine dosages under a state contract in 2014.
- Sistema signed binding agreements with a German pharmaceutical company, Fresenius Kabi, and Zenitco Finance Management, another shareholder of Binnopharm, to establish a pharmaceuticals JV for operations in Russia and the CIS. The JV will combine 100% of Binnopharm and 100% of Fresenius Kabi’s Russian and CIS business. Upon completion, Sistema will own 37% of the JV.

*RTI results do not include the results of SITRONICS-N for all periods presented.



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