



FOR IMMEDIATE RELEASE

December 14, 2011

## **SISTEMA ANNOUNCES UNAUDITED FINANCIAL RESULTS FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2011**

**Moscow, Russia** – December 14, 2011 – 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 third quarter ended September 30, 2011.

### **THIRD QUARTER HIGHLIGHTS**

- Revenues up 23.4% YoY to US\$ 9.0 billion
- OIBDA up 16.8% YoY to US\$ 2.2 billion, with an OIBDA margin of 24.4%
- Operating income up 21.2% YoY to US\$ 1.4 billion, with an operating margin of 15.2%
- Net income attributable to Sistema increased by 74.9% YoY to US\$ 319.5 million from US\$ 182.7 million in the third quarter of 2010.
- Net debt at the Corporate Holding level reduced by 77.6% YoY to US\$ 433.2 million as of September 30, 2011 from US\$ 1,937.0 million as of September 30, 2010.

### **KEY CORPORATE HIGHLIGHTS FOR THE THIRD QUARTER**

- Completed the sale of 63% stake in OJSC SITRONICS to OJSC RTI.
- Intourist and Thomas Cook Group Plc completed a transaction to establish a joint venture involving Intourist’s tour operating and retail business. Sistema’s share proceeds from the transaction are hedged against the recent volatility in Thomas Cook’s share price.
- Executed buyback of 17,813,600 ordinary shares of Sistema JSFC, through Sistema Finance OJSC, a 100% owned subsidiary of Sistema.
- Appointed Rafael Nagapetians as Senior Vice-President, Head of Developing Assets business unit.
- Approved changes to the composition of the Board’s Committees and changes made to their provisions.
- Received an indicative offer from MTS to purchase a 100% stake in Sistema-Inventure CJSC, a wholly-owned subsidiary of Sistema, for RUB 10.56 billion. Transaction completed post period end.

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

*“Sistema has delivered a strong set of quarterly results reflecting solid performance from our Core assets and improving operating and financial results of Developing investments.*

*MTS’ focus on stimulating usage and customer retention boosted profitability, delivering a turnaround of OIBDA margins. At Bashneft, production increased by 2.7% QoQ and is on track for around 5% growth in 2011.*

*In the Developing assets portfolio, our consumer orientated businesses continue to perform strongly, with Detsky Mir reporting double digit revenue and like-for-like sales growth; Medsi and SMM achieving 154% and 165% YoY OIBDA growth respectively and MBRD commencing full scale mobile banking and credit operations following exceptional demand for its PoS-credits and MTS Money products. The Developing Assets portfolio overall has shown positive OIBDA also, as Intourist completed their transaction with Thomas Cook and the newly enlarged RTI delivered strong growth in contracts in the telecom and defense solutions business units.*

*Over the course of the last three years Sistema has taken active steps to diversify its portfolio and today’s results reflect the significant transformation that has since taken place. With a balanced revenue stream, higher dividend inflows, prudent debt management and substantial cash reserves Sistema is in one of the strongest financial positions compared to its Russian peers. This has allowed us to steadily execute our strategy of diversification by securing partnership in the petrochemical sector; establishing a foothold in agriculture and identifying a number of potential future opportunities which we are confident will create significant shareholder value in the near and medium term.”*

### **Conference call information**

Sistema’s management will host an analyst conference call today at 9 am (New York time) / 2 pm (London time) / 3 pm (CET) / 6 pm (Moscow Time) to present and discuss the third quarter results.

The dial-in numbers for the conference call are:

UK/International: +44 20 7190 1530  
US: +1 480 629 9692

And quote the conference call title: “Sistema 3Q 2011 Financial Results”.

A replay of the conference call will be available on the Company’s website [www.sistema.com](http://www.sistema.com) for 7 days after the event.

**For further information, please visit [www.sistema.com](http://www.sistema.com) or contact:**

Investor Relations  
Evgeniy Chuikov  
Tel: +7 (495) 692 11 00  
[ir@sistema.ru](mailto:ir@sistema.ru)

Public Relations  
Vsevolod Sementsov  
Tel: +7 (495) 730 1705  
[pr@sistema.ru](mailto:pr@sistema.ru)

## **FINANCIAL SUMMARY**<sup>1</sup>

<i>(US\$ millions, except per share amounts)</i>	<b>3Q 2011</b>	<b>3Q 2010</b>	<b>Year on Year Change</b>	<b>2Q 2011</b>	<b>Quarter on Quarter Change</b>
Revenues	<b>8,998.6</b>	7,290.3	23.4%	8,951.4	0.5%
OIBDA <sup>2</sup>	<b>2,191.7</b>	1,876.8	16.8%	2,220.6	(1.3%)
Operating income	<b>1,366.8</b>	1,127.5	21.2%	1,338.1	2.2%
Net income attributable to Sistema	<b>319.5</b>	182.7	74.9%	332.0	(3.8%)
Basic and diluted earnings per share (US cents)	<b>3.44</b>	1.97	74.8%	3.58	(3.8%)

## **GROUP OPERATING REVIEW**

Sistema's consolidated revenues increased by 23.4% year-on-year primarily reflecting Bashneft's strong results primarily due to oil price growth year-on-year and organic growth within MTS. The Group's revenues were up 0.5% quarter-on-quarter mainly as a result of MTS' increase in revenues due to seasonal factors and the sustained growth in voice and data consumption, although revenue growth in US dollars was partially eliminated by US dollar appreciation. The Group's Core Assets accounted for 90% of the total Group consolidated revenues in the third quarter of 2011.

Selling, general and administrative expenses were stable year-on-year and quarter-on-quarter despite the growth of consolidated revenues year-on-year.

Depreciation, depletion and amortization expenses were up 10.1% year-on-year mainly following the planned increase in MTS' CAPEX, but decreased by 6.4% quarter-on-quarter due to US dollar appreciation.

The Group's OIBDA increased by 16.8% year-on-year in the third quarter of 2011 reflecting the strong results of the Core Assets portfolio. OIBDA was down 1.3% quarter-on-quarter, mainly as a result of US dollar appreciation in the third quarter of 2011. The Group's OIBDA was impacted by increasing operating tax expenses from the oil business, which reduced profitability growth. The OIBDA margin slightly decreased quarter-on-quarter from 24.8% to 24.4% due to the increased share of lower margin operations within Bashneft.

Consolidated net income attributable to Sistema increased in the third quarter of 2011 by 74.9% year-on-year to US\$ 319.5 million from US\$ 182.7 million in the third quarter of 2010. The increase was mainly as a result of net income growth in Core Assets, primarily from net income growth in Bashneft and a recognized gain from the sale of ESKB LLC, an electricity retail company.

<sup>1</sup> Financials for 2Q 2011 and 3Q 2010 were restated to show the effect of discontinued operations.

<sup>2</sup> See Attachment A for definitions and reconciliation of OIBDA to GAAP financial measures.

## **OPERATING REVIEW BY BUSINESS UNIT<sup>3</sup>**

### ***CORE ASSETS BUSINESS UNIT<sup>4</sup>***

<i>(US\$ millions)</i>	<b>3Q 2011</b>	<b>3Q 2010</b>	<b>Year on Year Change</b>	<b>2Q 2011</b>	<b>Quarter on Quarter Change</b>
Revenues	<b>8,098.6</b>	6,409.7	26.4%	8,061.7	0.5%
OIBDA	<b>2,279.8</b>	1,977.9	15.3%	2,338.3	(2.5%)
Operating income	<b>1,534.4</b>	1,293.3	18.6%	1,535.2	(0.1%)
Net income attributable to Sistema	<b>529.3</b>	459.2	15.3%	582.2	(9.1%)
Indebtedness <sup>5</sup>	<b>10,695.0</b>	10,177.4	5.1%	11,752.8	(9.0%)

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

The Core Assets portfolio’s revenues increased in the third quarter of 2011 by 26.4% year-on-year due to the strong performance of Bashneft and by 0.5% quarter-on-quarter as a result of growth in MTS’ revenue.

The business unit’s OIBDA increased by 15.3% year-on-year in the third quarter of 2011 mainly as a result of portfolio’s revenue growth, and was down 2.5% quarter-on-quarter due to US dollar appreciation and Bashneft’s increased share of lower margin operations in the third quarter of 2011. The business unit’s OIBDA margin was reduced due to increasing tax expenses in the oil business. The OIBDA margin was 28.2% in the reporting quarter, compared to 28.6% in the corresponding period of 2010 and 29.0% in the second quarter of 2011.

The Core Assets business unit’s net income attributable to Sistema increased by 15.3% year-on-year and declined by 9.1% quarter-on-quarter due to significant foreign currency translation losses. Excluding the currency translation effect the portfolio’s net income was up 3.8% from US\$ 578.2 million in the second quarter of 2011 to US\$ 600.3 million in the third quarter of 2011.

### **MTS**

<i>(US\$ millions)</i>	<b>3Q 2011</b>	<b>3Q 2010</b>	<b>Year on Year Change</b>	<b>2Q 2011</b>	<b>Quarter on Quarter Change</b>
Revenues	<b>3,274.7</b>	2,910.8	12.5%	3,128.3	4.7%
OIBDA	<b>1,451.7</b>	1,312.9	10.6%	1,313.0	10.6%
Operating income	<b>864.6</b>	798.7	8.2%	678.8	27.4%
Net income attributable to Sistema	<b>191.1</b>	268.9	(29.0%)	193.7	(1.4%)

<sup>3</sup> 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.

<sup>4</sup> Business unit’s financial results are presented with consolidation of holding company Sistema-Invest

<sup>5</sup> Here and thereafter intergroup debt is excluded.

MTS' total subscriber base (including Belarus subscribers) reached 106.4 million customers as of September 30, 2011. MTS' revenues were up 12.5% year-on-year and 4.7% quarter-on-quarter primarily due to seasonality and growth in voice and data consumption. The average monthly service revenue per subscriber (ARPU) in Russia increased to RUB 288 in the third quarter of 2011, compared to RUB 269 in the corresponding period of 2010. Russian subscribers' monthly minutes of use (MOU) increased by 11.4% to 272 minutes in the third quarter of 2011, compared to 244 minutes in the corresponding quarter of 2010.

In the fixed broadband segment, the number of households passed increased by 33.5% year-on-year to 10.4 million customers in the third quarter of 2011. The Pay-TV customer base totalled 2.7 million subscribers in the reporting quarter, compared to 1.9 million customers in the third quarter of 2010. The number of broadband Internet subscribers increased by 33.3% year-on-year at the end of the reporting period and reached 2.0 million.

MTS' OIBDA was up 10.6% year-on-year and quarter-on-quarter, due to continued optimisation of operating expenses, a decrease in marketing expenses and as a result of seasonal factors in quarter-on-quarter terms. The OIBDA margin was 44.3% in the third quarter of 2011, compared to 42.0% in the second quarter of 2011 and 45.1% in the third quarter of 2010. Quarter-on-quarter OIBDA margin improvement was due to higher usage of data and value-added services and sequential reduction in dealer commissions, as well as focused sales through own retail network.

In September 2011, Sistema received an indicative offer from MTS to purchase a 100% stake in Sistema-Inventure CJSC, a wholly-owned subsidiary of Sistema, for RUB 10.56 billion.

In August 2011, MTS acquired a 100% stake in each of the four companies operating under the Altair brand, from a group of private investors for RUB 680 million, including Altair's net debt.

In July 2011, MTS successfully completed a secondary placement of its series 02 ruble bond on the Moscow Interbank Currency Exchange ("MICEX") for a total of RUB 6.3 billion.

In July 2011, MTS announced changes to the organizational structure of the Company as part of its efforts at strengthening operational efficiency and streamlining the decision-making process at a regional level in Russia.

## **Bashneft**

<i>(US\$ millions)</i>	<b>3Q 2011</b>	<b>3Q 2010</b>	<b>Year on Year Change</b>	<b>2Q 2011<sup>6</sup></b>	<b>Quarter on Quarter Change</b>
Revenues	<b>4,458.1</b>	3,151.2	41.5%	4,523.4	(1.4%)
OIBDA	<b>790.5</b>	627.1	26.1%	1,015.4	(22.2%)
Operating income	<b>645.7</b>	477.7	35.2%	862.5	(25.1%)
Net income attributable to Sistema	<b>287.9</b>	191.7	50.2%	425.4	(32.3%)

Bashneft's revenue increased by 41.5% year-on-year in the third quarter of 2011 due to higher oil price in year-on-year terms, and was down by 1.4% quarter-on-quarter mainly as a result of US dollar appreciation and the decrease in oil price in the third quarter of 2011.

<sup>6</sup> Including dividends from Sistema-Invest

In the reporting period Bashneft's oil production increased by 2.7% quarter-on-quarter and 5.9% year-on-year and reached 3.8 million tonnes of oil. Bashneft sold 5.1 million tonnes of oil products in the reporting period.

Bashneft exported 0.9 million tonnes of crude oil and 2.4 million tonnes of oil products in the third quarter of 2011.

The company's refineries processed 5.3 million tonnes of crude oil in the third quarter of 2011, compared to 5.4 million tonnes in the second quarter of 2011. In the reporting quarter, capacity utilisation decreased to 87.3% from 90.7% in the second quarter of 2011, refining depth was 87.1% and light-product yield amounted to 58.9%.

At the end of the third quarter 2011, Bashneft owned and operated a total of 444 petrol stations.

Bashneft's OIBDA increased by 26.1% year-on-year in the third quarter of 2011 following revenue growth, and was down by 22.2% quarter-on-quarter as a result of decrease in export sales.

In September 2011, the Board of Directors of Bashneft approved the creation of a joint venture, United Petrochemical Company, with Austrian company Petrochemical Holding GmbH. The joint venture is aimed at analysing current conditions in the Russian petrochemical sector and identifying potential investment opportunities.

In August 2011, Bashneft elected a new Management Board as part of the company's organisational restructuring to enhance its corporate governance.

In July 2011, the Board of Directors of Bashneft approved a new dividend policy for the company in accordance with Russian legislation, the company's Charter and other internal requirements.

In July 2011, Bashneft acquired an oil product business in Udmurtia, which comprises 44 petrol stations and 2 depots.

### **Bashkirenergo**

<i>(US\$ millions)</i>	<b>3Q 2011</b>	<b>3Q 2010</b>	<b>Year on Year Change</b>	<b>2Q 2011</b>	<b>Quarter on Quarter Change</b>
Revenues	<b>395.9</b>	448.4	(11.7%)	450.4	(12.1%)
OIBDA	<b>39.8</b>	24.6	61.5%	65.5	(39.3%)
Operating income/ (loss)	<b>10.4</b>	(4.5)	-	36.3	(71.3%)
Net income/ (loss) attributable to Sistema	<b>60.4</b>	(3.5)	-	10.3	486.0%

Bashkirenergo's revenues decreased by 11.7% year-on-year due to deconsolidation of ESKB LLC in the second quarter of 2011 and by 12.1% quarter-on-quarter mainly due to seasonal decrease in heat consumption and US dollar appreciation.

Bashkirenergo generated 5,263 million kWh of electricity and supplied 2,917 thousand Gcal of heat in the reporting quarter, compared to 5,299 million kWh of electricity and 2,681 thousand Gcal of heat supplied in the third quarter of 2010. The third quarter of 2011 witnessed a small

decline in Bashkirenergo power output compared to the same period last year, mostly due to changes to the repairs and maintenance schedule. The growth in heat output resulted from the rising heat consumption from major consumers.

Bashkirenergo's OIBDA increased by 61.5% year-on-year in the reporting quarter as a result of lower fuel consumption per kWh. The biggest impact on fuel consumption rate was made by implementation of energy saving and energy efficiency programs, including the redistribution of heating load from boilers of LLC BashRTS to CHPP-2 and Salavatskaya CHPP, coupled with the 3.9% growth in the cogeneration output by CHPPs. OIBDA decreased by 39.3% quarter-on-quarter following a seasonal decrease in revenue. The OIBDA margin expanded to 10.0% in the third quarter of 2011, compared to 5.5% in the corresponding period of 2010.

In September 2011, Bashkirenergo completed the sale of 100% stake in electricity retail company LLC "ESKB", subsidiary of OJSC "Bashkirenergo", to JSC RusHydro for RUB 5.7 billion.

In August 2011, Bashkirenergo commissioned a modernized Combined Cycle Plant-60 unit in Ufa Thermal Power Plant, increasing the installed electric capacity by 48 MW and heat capacity by 30 Gcal/h.

### ***DEVELOPING ASSETS BUSINESS UNIT<sup>7</sup>***

<i>(US\$ millions)</i>	<b>3Q 2011</b>	<b>3Q 2010</b>	<b>Year on Year Change</b>	<b>2Q 2011</b>	<b>Quarter on Quarter Change</b>
Revenues	<b>1,078.8</b>	953.8	13.1%	1,095.4	(1.5%)
OIBDA	<b>18.0</b>	(5.4)	-	(46.3)	-
Operating loss	<b>(56.1)</b>	(67.7)	-	(126.6)	-
Net loss attributable to Sistema	<b>(127.2)</b>	(130.4)	-	(107.3)	-
Indebtedness	<b>2,882.2</b>	2,159.9	33.4%	2,756.2	4.6%

The Developing Assets business unit is responsible for managing Sistema Shyam TeleServices Ltd. ("SSTL"), OJSC "Sistema Mass Media" ("SMM"), OJSC "RTI" ("RTI" and its subsidiaries OJSC Concern "RTI Systems" ("RTI Systems") and OJSC "SITRONICS" ("SITRONICS")), CJSC "Binnopharm" ("Binnopharm"), JSCB "Moscow Bank for Reconstruction and Development" ("MBRD"), Detsky mir Group ("Destky mir"), OJSC "Intourist" ("Intourist"), CJSC Medsi Group ("Medsi") and others.

The Developing Assets business unit's revenues increased by 13.1% year-on-year in the third quarter of 2011 due to revenue growth at Detsky mir and RTI, but fell by 1.5% quarter-on-quarter primarily as a result of US dollar appreciation and the change in accounting for Intourist's tour operating and retail sales businesses following the transaction with Thomas Cook in July 2011. The business unit accounted for 10% of the Group's consolidated revenues in the third quarter of 2011.

The unit reported positive OIBDA in the third quarter of 2011, with quarterly growth resulting from Detsky mir's restored profitability in the third quarter of 2011 and higher margin contracts

<sup>7</sup> Financials for 2Q 2011 were restated to show the effect of discontinued operations

in RTI. OIBDA growth quarter-on-quarter and year-on-year was significantly impacted by a recognized gain accounted for the transaction with Thomas Cook for US\$ 47.9 million.

## SSTL

<i>(US\$ millions)</i>	<b>3Q 2011</b>	<b>3Q 2010</b>	<b>Year on Year Change</b>	<b>2Q 2011</b>	<b>Quarter on Quarter Change</b>
Revenues	<b>71.9</b>	31.5	<i>127.9%</i>	62.1	<i>15.7%</i>
OIBDA	<b>(100.2)</b>	(85.7)	-	(91.8)	-
Operating loss	<b>(125.6)</b>	(105.2)	-	(115.8)	-
Net loss attributable to Sistema	<b>(125.5)</b>	(78.2)	-	(83.4)	-

SSTL's revenues more than doubled year-on-year in the third quarter of 2011 and increased by 15.7% quarter-on-quarter as a result of growing subscriber base. Increased OIBDA loss in the third quarter of 2011 was caused by the growth of marketing expenses.

SSTL's total wireless subscriber base (mobile and data) increased by 13.3% quarter-on-quarter and reached 13.3 million customers as of September 30, 2011. The growth in the subscriber base of the company was largely driven by a further strengthening of the distribution network, an increase in its retail footprint across India and an increased contribution from newly launched circles. Blended mobile ARPU for the reporting quarter improved to US\$ 1.86 amid an overall declining trend in the Indian telecoms market.

The data card subscriber base demonstrated a 30.1% quarter-on-quarter growth and totalled 1.1 million as of September 30, 2011.

Non-voice revenues from both data and mobile value-added services for the reporting quarter were up by 32% quarter-on-quarter to US\$ 23.1 million. The share of non-voice revenue as a percentage of total revenue increased by 3.5 p.p. to 32% in the quarter.

In September 2011, SSTL secured a 3-year loan of US\$ 200 million with US\$ 100 million coming from ICICI Bank and the other US\$ 100 million from Barclays Bank. This loan has been secured by Gazprombank through a standby letter of credit and bank guarantee.

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 July 2011, SSTL announced the launch of seamless HSD connectivity across the 265 km long Delhi - Jaipur stretch of National Highway 08. The roll-out is part of a larger blueprint wherein, SSTL plans to provide seamless HSD connectivity on some of the busiest National Highways across the country.



## Sistema Mass Media

<i>(US\$ millions)</i>	3Q 2011	3Q 2010	Year on Year Change	2Q 2011	Quarter on Quarter Change
Revenues	<b>29.8</b>	20.8	43.5%	34.3	(13.0%)
OIBDA	<b>9.7</b>	3.8	154.6%	14.4	(32.4%)
Operating income / (loss)	<b>2.8</b>	(0.2)	-	3.1	(8.5%)
Net (loss) / income attributable to Sistema	<b>(4.2)</b>	(3.8)	-	0.5	-

Sistema Mass Media's revenues increased by 43.5% year-on-year in the third quarter mainly as a result of growing sales of video content, organic growth of Pay-TV and growth in the advertising segment. Revenues were down by 13.0% quarter-on-quarter due to the uneven cinema production cycle during the year and also income distribution.

Sistema Mass Media's OIBDA more than doubled year-on-year in the third quarter of 2011, largely as a result of an increase in revenues and improved profitability, stemming from a reduction in operating expenses. The OIBDA margin expanded to 32.6%, compared to 18.4% in the corresponding period of 2010.

The Stream-TV subscriber base increased by 5.1% quarter-on-quarter to 5.9 million subscribers as at September 30, 2011. Russian World Studios' ("RWS") content library grew by 21.5% year-on-year, to 1,365 hours.

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 OJSC Sistema Mass-Media acting as a guarantor. The loan was secured against RWS' own library of video content.

## OJSC RTI<sup>8</sup>

<i>(US\$ millions)</i>	3Q 2011	3Q 2010	Year on Year Change	2Q 2011	Quarter on Quarter Change
Revenues	<b>464.1</b>	340.8	36.2%	472.0	(1.7%)
OIBDA	<b>43.8</b>	39.1	12.0%	30.6	43.1%
Operating income	<b>24.0</b>	19.5	23.0%	1.5	1515.5%
Net (loss) / income attributable to Sistema	<b>(5.1)</b>	1.1	-	(2.8)	-

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

RTI revenues were up 36.2% year-on-year in the reporting quarter, mainly due to a significant increase in sales in the System Integration BU and an increased number of government defense contracts in the Defense Solutions BU. RTI reported a slight decrease in revenues quarter-on-quarter mainly as a result of US dollar appreciation.

<sup>8</sup> Financial results of OJSC "Concern "RTI Systems" and OJSC SITRONICS are consolidated into OJSC RTI financial results. Financials for 2Q 2011 were restated to show the effect of discontinued operations

RTI OIBDA was up 12.0% year-on-year and 43.1% quarter-on-quarter mainly as a result of the higher profitability achieved on contracts in Telecom Solutions BU and revenue growth in Defense Solutions BU.

In August 2011, Concern RTI Systems won a tender for the development of a project for establishing a Centre of Crisis and Emergency Management in Moscow region, Russia.

In August 2011, the Defense News Top 100, an international annual ranking, listed Concern RTI Systems among the 100 largest defense companies in the world for 2010.

In September 2011, SITRONICS acquired a stake through an additional share issue of OJSC “Universal Electronic Card” (UEC), a federal company producing universal electronic cards for Russian citizens. When the additional issue is finalized, SITRONICS will hold a 7% stake in UEC.

In September 2011, SITRONICS ordinary shares were admitted to trading in Innovation and Investment Market (IIM) sector on MICEX.

In July 2011, Sistema completed the sale of its 63.07% stake in SITRONICS to RTI as per the earlier announced terms. Sistema’s contribution to RTI’s charter capital amounted to a 97% stake in RTI Systems and RUB 2.88 billion (approximately US\$ 97 million) in cash. As a result, Sistema holds 84.6% of the share capital of OJSC RTI with 15.4% belonging to the Bank of Moscow.

In July 2011, OJSC NIIME and Micron, SITRONICS’ subsidiary, approved a decision to establish a research institution for nanotechnology development, OJSC NIIME (the Russian abbreviation for the Institute for Scientific Research in Molecular Electronics).

In July 2011, SITRONICS completed the implementation of a centralised IT Service Management system project for Bashneft. The system works across all of Bashneft’s subsidiaries, including its exploration and production companies, refineries and marketing and logistics businesses.

In July 2011, the National rating agency confirmed the A+ credit rating for SITRONICS with a Positive outlook.

## **Binnopharm**

<i>(US\$ millions)</i>	<b>3Q 2011</b>	<b>3Q 2010</b>	<b>Year on Year Change</b>	<b>2Q 2011</b>	<b>Quarter on Quarter Change</b>
Revenues	<b>15.1</b>	9.0	68.2%	5.0	201.0%
OIBDA	<b>1.4</b>	1.7	(15.9%)	(5.2)	-
Operating (loss)/ income	<b>(0.4)</b>	0.2	-	(2.0)	-
Net loss attributable to Sistema	<b>(0.2)</b>	(0.1)	-	(2.5)	-

Binnopharm’s revenues increased by 68.2% year-on-year and tripled quarter-on-quarter mainly as a result of increased sales of its high-margin Hepatitis B vaccine.

Binnopharm’s OIBDA more than tripled quarter-on-quarter, largely as a result of the reduction of operating expenses and higher margin sales in the third quarter of 2011.

In August 2011, Binnopharm launched new medicines Erythropoietin and Combipack.

## MBRD

<i>(US\$ millions)</i>	3Q 2011	3Q 2010	Year on Year Change	2Q 2011	Quarter on Quarter Change
Revenues	<b>132.1</b>	136.9	(3.5%)	141.1	(6.4%)
OIBDA	<b>(21.1)</b>	(2.9)	-	2.9	-
Operating loss	<b>(25.8)</b>	(7.2)	-	(1.3)	-
Net loss attributable to Sistema	<b>(20.0)</b>	(4.7)	-	(4.7)	-

MBRD's revenues declined by 3.5% year-on-year and by 6.4% quarter-on-quarter mainly due to decreased interest rates charged on loans and US dollar appreciation against the Russian rouble. MBRD's OIBDA declined due to recognized revaluation loss for financial instruments and increased loan portfolio reserves.

MBRD's loan portfolio, excluding leases, increased by 7.7% since September 30, 2010 to US\$ 4,832 million as of September 30, 2011. The retail deposits-to-loans ratio stood at 210.6% in the third quarter of 2011. Interest income received from retail and corporate lending operations increased by 4.5% quarter-on-quarter to US\$ 125 million. The retail banking business included 161 points of sale, with 22 points of sale located in Moscow and 138 points of sale in the Russian regions, as well as one in Luxembourg.

During the third quarter, MBRD launched mobile banking application with implemented MTS brand design for iPhone and Android in line with its initiatives to develop remote banking services.

## Detsky mir

<i>(US\$ millions)</i>	3Q 2011	3Q 2010	Year on Year Change	2Q 2011	Quarter on Quarter Change
Revenues	<b>208.7</b>	178.3	17.0%	171.9	21.4%
OIBDA	<b>14.7</b>	15.8	(6.8%)	(10.0)	-
Operating income/ (loss)	<b>10.0</b>	11.8	(15.4%)	(14.4)	-
Net (loss)/ income attributable to Sistema	<b>(1.4)</b>	12.7	-	(12.1)	-

Revenues of Detsky mir increased by 17.0% year-on-year and by 21.4% quarter-on-quarter as a result of seasonal sales growth.

Detsky mir's OIBDA significantly increased quarter-on-quarter following revenue growth and decreased by 6.8% year-on-year in the third quarter of 2011 as a result of increased marketing expenses and the expansion of its retail network. Detsky mir's debt fell by 30.6% year-on-year to US\$ 141.3 million in the third quarter of 2011, compared to US\$ 203.8 million in the corresponding period of 2010.

The network of retail outlets included 133 stores located in 69 Russian cities, whilst the aggregate retail space was 215.4 th.sq.m. as at September 30, 2011. Detsky mir opened three new stores in the third quarter of 2011.

## Intourist

<i>(US\$ millions)</i>	3Q 2011	3Q 2010	Year on Year Change	2Q 2011	Quarter on Quarter Change
Revenues	61.2	174.2	(64.9%)	132.5	(53.8%)
OIBDA	50.6	5.2	877.3%	4.4	1041.7%
Operating income	48.6	2.3	2014.6%	1.5	3166.0%
Net income / (loss) attributable to Sistema	26.2	(1.9)	-	(5.8)	-

Intourist's revenues decreased by 64.9% year-on-year and by 53.8% quarter-on-quarter, as a result of the change in accounting for the company's tour operating and retail sales businesses following the transaction with Thomas Cook.

The tour operating and retail sales businesses serviced 344,000 customers in the third quarter of 2011. The hotel group's total number of rooms owned, managed and rented was 2,866 at the end of the third quarter of 2011, compared to 3,054 for the corresponding period of 2010. This decrease reflects the sale of OJSC Pekin in March 2011.

Intourist reported significant OIBDA growth year-on-year and quarter-on-quarter as a result of gain accounted for the transaction with Thomas Cook for US\$ 47.9 million.

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 capitalise 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>	3Q 2011	3Q 2010	Year on Year Change	2Q 2011	Quarter on Quarter Change
Revenues	46.6	33.1	40.9%	52.6	(11.4%)
OIBDA	7.4	2.8	165.9%	9.2	(19.5%)
Operating income	4.1	0.5	781.3%	6.5	(36.1%)
Net (loss) / income attributable to Sistema	(3.2)	(0.6)	-	3.6	-

Medsi revenues increased by 40.9% year-on-year in the third quarter of 2011, as operating efficiency continued to improve and the volume of services and patient visits increased 29.5% and 21.6%, respectively. Revenues were down 11.4% quarter-on-quarter due to seasonal factors.

Medsi' OIBDA more than doubled year-on-year in the third quarter of 2011, but it decreased by 19.5% quarter-on-quarter.

At the end of the third quarter of 2011, the network consisted of 31 medical clinics and 89 aid stations, including 19 clinics and 1 aid station based in Moscow and the Moscow region, as well as 4 fitness clubs, with total floor space of the healthcare facilities of 50,000 sq.m.

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.

In September 2011, a large-scale advertising campaign for Medsi clinics was launched in the Moscow region, including outdoor and radio advertising.

### ***CORPORATE AND OTHER***

<i>(US\$ millions)</i>	<b>3Q 2011</b>	<b>3Q 2010</b>	<b>Year on Year Change</b>	<b>2Q 2011</b>	<b>Quarter on Quarter Change</b>
OIBDA <sup>9</sup>	<b>(61.8)</b>	(75.4)	-	(21.8)	-
Net loss	<b>(49.8)</b>	(214.3)	-	(110.2)	-
Indebtedness	<b>1,308.0</b>	2,119.1	<i>(38.3%)</i>	1,754.0	<i>(25.4%)</i>

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

In September 2011, the Board of Directors of Sistema approved changes in the composition of the Board's Committees and to the objectives of the Board Committees. Each Committee will provide specific expertise that will assist the Board in reaching an informed position. The composition of each Committee is to be determined by the Company's investment strategy.

In September 2011, Rafael Nagapetians was appointed as Senior Vice-President, Head of Developing Assets Business Unit.

In August, OJSC Sistema Finance, a subsidiary 100% owned by Sistema, acquired 17,813,600 Sistema ordinary shares, equal to 0.18% of Sistema's total share capital. The shares will be used for corporate purposes.

In July 2011, Sistema signed a cooperation agreement with the Federal Forestry Agency for the implementation of a geographic information systems (GIS) and technologies, designed by Sistema's subsidiaries, for the protection, conservation and reforestation, as well as the coordinated utilization of forest resources. The cooperation agreement, which is not legally binding, defines the general intentions of both parties and the principles for cooperation.

In July 2011, Sistema completed the sale of its 63.074% stake in OJSC SITRONICS to OJSC RTI as per the earlier announced terms. Sistema's contribution to OJSC RTI's charter capital amounted to a 97% stake in OJSC Concern RTI Systems and RUB 2.88 billion (approximately US\$ 97 million) in cash. As a result, Sistema holds 84.6% of the share capital of OJSC RTI with 15.4% belonging to the Bank of Moscow.

### **FINANCIAL REVIEW**

Net cash provided by operations in the third quarter of 2011 increased by 66.0% year-on-year, and by 62.3% quarter-on-quarter to US\$ 1,969.0 million due to changes in working capital.

Net cash used in investing activities totalled US\$ 1,823.4 million in the third quarter of 2011, compared to US\$ 1,186.0 million in the corresponding period of 2010. The Group spent US\$ 1,112.0 million on capital expenditure, compared to US\$ 572.2 million and US\$ 891.3 million spent in the third quarter of 2010 and the second quarter of 2011, respectively. The Group paid US\$ 47.2 million for the acquisition of businesses, net of cash received, in the third quarter of

<sup>9</sup> Here and further, OIBDA and net income (loss) of the Corporate & Other category are shown without an effect of intragroup dividends.

2011 including the purchase by MTS of the “Altair” group and the purchase by SMM of TV-channel Moscovia. Also the Group used US\$ 813.7 million to increase banking assets.

Net cash outflow from financing activities amounted to US\$ 75.5 million in the third quarter of 2011, compared to an inflow of US\$ 678.3 million in the third quarter of 2010 and an outflow of US\$ 639.7 million in the second quarter of 2011. The Group’s proceeds from borrowings in the third quarter of 2011 totalled US\$ 962.6 million, whereas the principal payments on long-term borrowings amounted to US\$ 870.8 million. In addition, cash outflow from financial activities in the third quarter resulted in the payments to shareholders of subsidiaries of US\$ 767.9 million and dividends paid by Sistema of US\$ 89.4 million compared to US\$ 17.1 million dividends paid by Sistema in the third quarter 2010. There is also the cash inflow from the net increase in the liabilities of the banking operations totalling US\$ 695.0 million.

The Group’s cash balances stood at US\$ 2,204.2 million as of September 30, 2011 (excluding an amount of US\$ 1,295.1 million which comprises the Group’s banking activities) compared to US\$ 1,913.9 million as of June 30, 2011 (excluding an amount of US\$ 1,845.7 which comprises the Group’s banking activities). The Group’s net debt (short-term and long-term debt less cash and cash equivalents) amounted to US\$ 12,681.2 million as of September 30, 2011, compared to US\$ 14,329.1 million as of June 30, 2011.

## **SIGNIFICANT EVENTS FOLLOWING THE END OF THE REPORTING PERIOD**

### **Core Assets**

In November 2011, Bashneft’s ordinary and preferred shares commenced trading on MICEX.

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) at 105% of their nominal value.

In November 2011, preferred shares of Bashkirenergo were admitted to trading on MICEX.

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. MTS also assumes TVT’s net debt in the amount of US\$ 17.1 million.

In October 2011, Bashneft won licenses for exploration and production of three blocks near the Trebs and Titov oil fields in the Nenets Autonomous District. The total amount to be paid for the licenses is 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).

In November, 2011 the Board of Directors of Bashkirenergo took a decision to hold an extraordinary general shareholder meeting on December 28, 2011 regarding the payment of dividends for the 9 month period of 2011 in the amount of RUB 1,005,310 thousand. The recommended amount per Class A ordinary and preferred share is RUB 0.92.

### **Developing Assets**

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), Eпивir (lamivudine), including secondary packaging, in accordance with international standards of Good Manufacturing Practice (GMP) at Binnopharm's facilities.

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 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.

## **Corporate**

In December 2011, Sistema concluded an agreement with MTS relating to the sale of a 100% stake in CJSC Sistema-Inventure to MTS and completed the sale in accordance with the agreement. 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 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 on the participants, 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.

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\$ 16.61; 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. Sistema does not intend to cancel any of the shares purchased nor will the shares underlying the GDRs or ADRs be withdrawn from the GDR or ADR facilities or cancelled. The shares, GDRs and ADRs purchased may be used for corporate purposes and may be sold.

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 accordance with Russian legislation, total dividends paid will not exceed the Company's annual non-consolidated net income, as reported under Russian accounting standards.

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.

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**For further information, please visit [www.sistema.com](http://www.sistema.com) or contact:**

Investor Relations  
Evgeniy Chuikov  
Tel: +7 (495) 692 1100  
[ir@sistema.ru](mailto:ir@sistema.ru)

Public Relations  
Vsevolod Sementsov  
Tel: +7 (495) 730 1705  
[pr@sistema.ru](mailto:pr@sistema.ru)

**Sistema is the largest diversified public financial corporation in Russia and the CIS. Founded in 1993, the company reported revenues of US\$ 9.0 billion for the third quarter of 2011, and total assets of US\$ 42.7 billion as at September 30, 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 RTS Stock Exchange, under the symbol "AFKC" on the MICEX 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.**

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



**SISTEMA JSFC AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010**

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

	<b>Nine months ended</b>		<b>Three months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	2011	2010	2011	2010
Sales	\$ 25,236,630	\$ 19,936,836	\$ 8,873,581	\$ 7,157,163
Revenues from financial services	391,096	457,617	125,006	133,126
<b>TOTAL REVENUES</b>	<b>25,627,726</b>	<b>20,394,453</b>	<b>8,998,587</b>	<b>7,290,289</b>
Cost of sales, exclusive of depreciation and amortization shown separately below	(10,455,668)	(8,229,143)	(3,596,943)	(2,949,698)
Cost related to banking activities, exclusive of depreciation and amortization shown separately below	(257,386)	(295,801)	(91,238)	(87,399)
Selling, general and administrative expenses	(2,979,971)	(2,714,424)	(987,799)	(993,842)
Depreciation, depletion and amortization	(2,524,919)	(2,186,635)	(824,953)	(749,322)
Transportation costs	(602,570)	(424,239)	(232,655)	(142,444)
Provision for doubtful accounts	(103,097)	(99,865)	(33,054)	(26,767)
Loss from impairment of long-lived assets	(60,350)	(70,537)	(19,153)	(12,091)
Taxes other than income tax	(4,720,703)	(3,014,369)	(1,744,805)	(1,089,676)
Other operating expenses, net	(374,624)	(231,717)	(188,831)	(126,450)
Equity in net income of investees	111,548	50,553	32,358	14,926
Gain on acquisition	-	477,400	-	-
Net gain on disposal of subsidiaries	55,260	-	55,260	-
<b>OPERATING INCOME</b>	<b>3,715,246</b>	<b>3,655,676</b>	<b>1,366,774</b>	<b>1,127,526</b>
Interest income	130,563	99,133	44,762	16,359
Change in fair value of derivative instruments	(1,681)	1,029	(574)	(532)
Interest expense, net of amounts capitalized	(1,323,195)	(1,237,918)	(439,339)	(409,915)
Currency exchange and translation gain/(loss)	(217,803)	24,633	(209,151)	(40,371)
Income from continuing operations before income tax	2,303,130	2,542,553	762,472	693,067
Income tax expense	(812,955)	(789,322)	(263,186)	(177,065)
Income from continuing operations	1,490,175	1,753,231	499,286	516,002
Gain/(loss) from discontinued operations	7,045	(39,962)	(4,235)	(8,856)
Gain/(loss) on disposal of discontinued operations	149,480	-	149,480	-
<b>NET INCOME</b>	<b>\$ 1,646,700</b>	<b>\$ 1,713,269</b>	<b>\$ 644,531</b>	<b>\$ 507,146</b>
Non-controlling interest	(898,466)	(1,016,023)	(325,530)	(324,443)
<b>NET INCOME attributable to Sistema JSFC</b>	<b>\$ 748,234</b>	<b>\$ 697,246</b>	<b>\$ 319,001</b>	<b>\$ 182,703</b>

**SISTEMA JSFC AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF SEPTEMBER 30, 2011 AND DECEMBER 31, 2010**  
*(Amounts in thousands of U.S. dollars, except share amounts)*

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,204,156	\$ 2,262,095
Short-term investments	831,796	879,680
Assets from banking activities, current portion (including cash and cash equivalents of \$1,295,129 and \$2,785,596)	3,790,454	5,489,606
Accounts receivable, net	1,991,428	1,719,082
Prepaid expenses, other receivables and other current assets, net	1,595,303	1,705,335
VAT receivable	784,386	649,690
Inventories and spare parts	1,631,132	1,489,397
Deferred tax assets, current portion	354,783	357,821
Assets of disposed segment	42,648	45,790
Total current assets	<u>13,226,086</u>	<u>14,598,496</u>
NON-CURRENT ASSETS:		
Property, plant and equipment, net	19,555,097	19,019,019
Advance payments for non-current assets	221,124	1,426,607
Goodwill	1,867,712	1,870,653
Other intangible assets, net	2,855,386	3,022,973
Investments in and loans to affiliates	948,972	1,147,694
Assets from banking activities, net of current portion	2,355,334	1,812,743
Debt issuance costs, net	115,793	159,803
Deferred tax assets, net of current portion	330,872	317,195
Long-term investments	843,954	469,742
Other non-current assets	400,064	264,186
Total non-current assets	<u>29,494,308</u>	<u>29,510,615</u>
TOTAL ASSETS	<u>\$ 42,720,394</u>	<u>\$ 44,109,111</u>

**SISTEMA JSFC AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF SEPTEMBER 30, 2011 AND DECEMBER 31, 2010**  
*(Amounts in thousands of U.S. dollars, except share amounts)*

	<b>September 30, 2011</b>	<b>December 31, 2010</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 2,046,786	\$ 1,770,830
Liabilities from banking activity, current portion	3,926,505	4,191,836
Taxes payable	860,680	674,143
Deferred tax liabilities, current portion	109,044	168,982
Subscriber prepayments, current portion	550,766	579,952
Accrued expenses and other current liabilities	2,260,794	3,338,882
Short-term loans payable	358,354	1,079,334
Current portion of long-term debt	2,528,700	2,103,405
Liabilities of disposed segment	37,067	31,456
<b>Total current liabilities</b>	<b>12,678,696</b>	<b>13,938,820</b>
<b>LONG-TERM LIABILITIES:</b>		
Long-term debt, net of current portion	11,998,270	12,201,064
Subscriber prepayments, net of current portion	120,893	142,316
Liabilities from banking activity, net of current portion	1,023,450	1,444,783
Deferred tax liabilities, net of current portion	1,490,659	1,633,772
Asset retirement obligation	265,258	258,382
Postretirement benefits obligation	93,234	87,201
Property, plant and equipment contributions	84,361	89,067
<b>Total long-term liabilities</b>	<b>15,076,125</b>	<b>15,856,585</b>
<b>TOTAL LIABILITIES</b>	<b>27,754,821</b>	<b>29,795,405</b>
Commitments and contingencies		
Redeemable non-controlling interests	709,619	107,343
<b>SHAREHOLDERS' EQUITY:</b>		
Share capital (9,650,000,000 shares issued; 9,282,937,965 and 9,281,827,594 shares outstanding as of September 30, 2011 and December 31, 2010, respectively, with par value of 0.09 Russian Rubles)	30,057	30,057
Treasury stock (367,062,035 and 368,172,406 shares as of September 30, 2011 and December 31, 2010, respectively, with par value of 0.09 Russian Rubles)	(456,451)	(463,733)
Additional paid-in capital	1,879,363	2,100,323
Retained earnings	7,130,185	6,471,327
Accumulated other comprehensive loss	(533,925)	(171,149)
<b>Total Sistema JSFC shareholders' equity</b>	<b>8,049,229</b>	<b>7,966,825</b>
Non-redeemable non-controlling interests in equity of subsidiaries	6,206,725	6,239,538
<b>TOTAL EQUITY</b>	<b>14,255,954</b>	<b>14,206,363</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 42,720,394</b>	<b>\$ 44,109,111</b>

**SISTEMA JSFC AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF SEPTEMBER 30, 2011 AND DECEMBER 31, 2010 (CONTINUE)**  
*(Amounts in thousands of U.S. dollars, except share amounts)*

	Nine months ended September 30,	
	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 1,646,700	\$ 1,713,269
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation, depletion and amortization	2,524,919	2,186,635
Net gain on disposal of discontinued operations	(149,480)	-
Net loss/(gain) from discontinued operations	(7,045)	39,962
Equity in net income of investees	(111,548)	(50,553)
Deferred income tax benefit	(168,796)	(31,075)
Change in fair value of derivative financial instruments	1,681	(1,029)
Foreign currency transactions losses/(gains)	217,803	(24,633)
Debt issuance cost amortization	38,321	85,505
Non-cash compensation to employees	65,516	9,174
Non-cash expenses associated with asset retirement obligation	22,420	6,720
Loss from impairment of goodwill and other assets	60,350	70,537
Gain on disposal of property, plant and equipment	(2,500)	(1,928)
Gain on disposal of subsidiaries	(55,260)	-
Gain on acquisition	-	(477,400)
Amortization of connection fees	(27,833)	(29,943)
Provision for doubtful accounts receivable	103,097	99,865
Allowance for loan losses	37,846	26,463
Dividends received from affiliates	34,702	34,937
Changes in operating assets and liabilities, net of effects from purchase of businesses:		
Trading securities	(77,863)	85,942
Accounts receivable	(441,424)	(718,356)
VAT receivable	(124,806)	(152,407)
Prepaid expenses, other receivables and other current assets	12,954	(197,679)
Inventories	(83,478)	(353,404)
Accounts payable	270,209	351,392
Subscriber prepayments	(22,776)	(10,983)
Taxes payable	136,271	48,429
Accrued expenses, subscriber prepayments and other liabilities	(412,346)	177,334
Postretirement benefit obligation	(1)	1,737
Net cash provided by operations	<u>\$ 3,487,633</u>	<u>\$ 2,888,511</u>

**SISTEMA JSFC AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010**  
*(Amounts in thousands of U.S. dollars)*

	Nine months ended September 30,	
	2011	2010
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for purchases of property, plant and equipment	(2,278,464)	(1,228,763)
Payments for purchases of intangible assets	(251,639)	(257,867)
Payments for purchases of businesses, net of cash acquired	(191,270)	(322,622)
Payments for purchases of long-term investments	(474,930)	(262,137)
Payments for purchases of short-term investments	(609,960)	(674,463)
Payments for purchases of other non-current assets	(82,737)	(25,542)
Increase in restricted cash	(77,206)	(32,220)
Proceeds from sale of subsidiaries, net of cash disposed	184,596	-
Proceeds from sale of property, plant and equipment	131,650	1,385
Proceeds from sale of long-term investments	37,496	44,320
Proceeds from sale of other non-current assets	12,390	91,729
Proceeds from sale of short-term investments	817,308	445,428
Net (increase)/decrease in loans to customers of the banking division	(518,524)	449,013
Net cash used in investing activities	\$ (3,301,290)	\$ (1,771,739)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from/(principal payments on) short-term borrowings, net	(172,191)	(90,086)
Net increase/(decrease) in deposits from customers of the banking division	(397,536)	(569,850)
Net (increase)/decrease in debt securities issued and other liabilities by the banking division	(289,128)	(161,579)
Proceeds from long-term borrowings, net of debt issuance costs	2,673,309	3,323,097
Debt issuance costs	(1,321)	(26,653)
Principal payments on long-term borrowings	(2,428,530)	(3,681,879)
Principal payments on capital lease obligations	-	(10,420)
Acquisition of non-controlling interests in existing subsidiaries	(201,198)	(615,568)
Payments to shareholders of subsidiaries	(871,015)	-
Proceeds from sale of treasury stock	-	1,477
Dividends paid	(89,471)	(17,138)
Proceeds from capital transactions of subsidiaries	153,710	-
Purchases of treasury shares	(15,953)	-
Net cash provided by financing activities	\$ (1,639,324)	\$ (1,848,599)
Effects of foreign currency translation on cash and cash equivalents	\$ (95,424)	\$ (3,389)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>\$ (1,548,405)</b>	<b>\$ (735,216)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of the period</b>	<b>5,047,691</b>	<b>5,600,532</b>
<b>CASH AND CASH EQUIVALENTS, end of the period *</b>	<b>\$ 3,499,285</b>	<b>\$ 4,865,316</b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest paid	\$ (1,331,668)	\$ (1,269,433)
Income taxes paid	(887,041)	(722,647)
<i>* Cash and cash equivalents at the end of the period comprised of the following:</i>		
Non-banking activities	\$ 2,204,156	\$ 3,582,135
Banking activity	1,295,129	1,283,181
	<u>\$ 3,499,285</u>	<u>\$ 4,865,316</u>

**SISTEMA JSFC AND SUBSIDIARIES**  
**UNAUDITED SEGMENTAL BREAKDOWN FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010**  
*(Amounts in thousands of U.S. dollars)*

For the nine months ended September 30, 2011	<u>Core Assets</u>			<u>Developing Assets</u>			<u>Corporate and other</u>	<u>Total</u>	
	<u>MTS</u>	<u>Bashneft</u>	<u>Bashkir- energo</u>	<u>SSTL</u>	<u>MBRD</u>	<u>RTI</u>	<u>Other</u>		
Net sales to external customers <sup>(a)</sup>	9,332,526	12,434,661	1,338,068	186,210	391,096	831,370	1,083,694	30,101	25,627,726
Intersegment sales	4,427	31,437	82,999	-	18,913	495,855	20,427	18,741	672,799
Equity in net income of investees	48,109	62,979	-	-	-	-	460	67,264	178,812
Interest income	40,249	52,897	363	27,679	-	10,839	9,367	83,008	224,402
Interest expense	489,566	413,399	1,373	115,943	-	63,061	79,979	244,635	1,407,956
Net interest revenue <sup>(b)</sup>	-	-	-	-	(28,720)	-	-	-	(28,720)
Depreciation, depletion and amortization	1,750,757	460,040	87,471	72,334	12,746	71,181	63,676	6,714	2,524,919
Operating income/(loss)	2,148,869	2,095,458	146,899	(364,874)	(44,617)	19,840	21,257	(97,560)	3,925,272
Income tax expense/(benefit)	396,124	346,257	22,873	-	(8,116)	4,814	14,027	36,976	812,955
Investments in affiliates	108,271	574,689	-	-	-	213,931	21,451	30,630	948,972
Segment assets	14,847,651	11,829,143	2,138,493	2,011,837	6,745,905	2,450,667	2,298,845	2,838,430	45,160,971
Indebtedness <sup>(c)</sup>	7,232,884	3,383,728	78,284	1,399,923	-	1,093,455	389,007	1,308,043	14,885,324
Capital expenditures	1,510,512	556,667	164,179	145,061	16,091	84,776	46,982	5,835	2,530,103

(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

**SISTEMA JSFC AND SUBSIDIARIES**  
**UNAUDITED SEGMENTAL BREAKDOWN FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010 (CONTINUE)**  
*(Amounts in thousands of U.S. dollars)*

For the nine months ended September 30, 2010	<u>Core Assets</u>				<u>Developing Assets</u>			<u>Corporate and other</u>	<u>Total</u>
	<u>MTS</u>	<u>Bashneft</u>	<u>Bashkir- energo</u>	<u>SSTL</u>	<u>MBRD</u>	<u>RTI</u>	<u>Other</u>		
Net sales to external customers <sup>(a)</sup>	8,298,167	8,574,194	1,171,656	71,727	457,617	771,591	1,036,616	12,885	20,394,453
Intersegment sales	-	31,066	303,116	-	8,245	218,648	8,555	27,390	597,020
Equity in net income of investees	51,376	14,735	-	-	-	-	(15,558)	-	50,553
Interest income	57,400	50,420	9	1,594	-	5,622	3,223	74,981	193,249
Interest expense	631,380	211,975	2	58,532	-	68,799	91,606	269,702	1,331,996
Net interest revenue <sup>(b)</sup>	-	-	-	-	17,529	-	-	-	17,529
Depreciation, depletion and amortization	1,472,039	447,890	87,999	59,811	13,115	77,551	21,622	6,608	2,186,635
Operating income/(loss)	2,241,532	1,881,969	82,720	(309,391)	705	26,142	(42,223)	(179,038)	3,702,416
Income tax expense/(benefit)	380,215	343,276	23,413	-	3,402	7,847	40,519	(9,350)	789,322
Investments in affiliates	220,363	678,558	-	-	-	221,213	1,115	52,360	1,173,609
Segment assets	14,435,682	13,595,047	1,911,015	1,159,770	6,186,639	2,366,403	2,663,288	3,504,684	45,822,528
Indebtedness <sup>(c)</sup>	6,475,697	3,661,250	40,470	755,292	-	961,175	456,391	2,119,086	14,469,361
Capital expenditures	963,057	202,750	70,815	93,624	19,151	57,090	79,989	154	1,486,630

(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:

	<b>3Q 2011</b>	<b>3Q 2010</b>	<b>2Q 2011</b>
<b>Operating Income</b>	<b>1,366.8</b>	1,127.5	1,338.1
<b>Depreciation, depletion and amortization</b>	<b>824.9</b>	749.3	882.5
<b>OIBDA</b>	<b>2,191.7</b>	1,876.9	2,220.6