



FOR IMMEDIATE RELEASE

November 26, 2015

Sistema announces third quarter 2015 financial results

Moscow, Russia – November 26, 2015 – Sistema JSFC (“Sistema” or the “Company”, together with its subsidiaries, “the Group”) (LSE: SSA; MOEX: AFKS), a publicly-traded diversified holding company operating primarily in Russia and the CIS, today announces its unaudited consolidated IFRS financial results¹ for the third quarter ended September 30, 2015.

THIRD QUARTER FINANCIAL HIGHLIGHTS

- Consolidated revenues up 14.3% YoY to RUB 184.2 billion.
- Adjusted OIBDA² up 7.1% YoY to RUB 52.6 billion with an adjusted OIBDA margin of 28.5%.
- Net income attributable to the Group of RUB 481 million.
- Net debt³ at the Corporate Holding level decreased by 10.3% to RUB 40.2 billion as at September 30, 2015.
- As at September 30, 2015, cash position⁴ at the Corporate Holding level amounted to RUB 47.9 billion, excluding RUB 33.2 billion represented by long-term deposits.

KEY CORPORATE HIGHLIGHTS IN THE THIRD QUARTER AND AFTER THE REPORTING PERIOD

In July, Sistema’s subsidiaries LLC Sistema Telecoms Assets and JSC RTI (the “sellers”) signed legally binding agreements to sell their respective stakes in JSC NVision Group, including its debt obligations, to PJSC MTS for up to RUB 15 billion. The transaction was approved by the Boards of Directors of the sellers and MTS, and the Special Committee of independent directors under the MTS Board of Directors. Merrill Lynch International acted as financial advisor to the Special Committee to issue a Fairness Opinion on the transaction.

In October, Sistema acquired JSC Kronshtadt Group and its subsidiaries from Industrial Investors Group and its partners for RUB 4.8 billion. Kronshtadt Group comprises a number of companies with innovative solutions producing world-class high-technology products and solutions for the aircraft manufacturing, defence, security and transportation industries, as well as natural resource exploration. Kronshtadt has significant synergies with Sistema’s RTI.

In October, Sistema acquired an additional 25.02% stake in Medsi Group JSC from the State Unitary Enterprise Medical Centre under the Moscow Mayor and Government’s Department of Business Affairs for a consideration of RUB 6.1 billion, with 50% to be paid over the course of a year. The increase of Sistema’s stake will enable Medsi to expand its private clinic network, build new medical facilities, and improve management efficiency. It is also expected to support Medsi’s further growth by bringing in strategic and financial investors as shareholders.

In November, Sistema agreed to demerge its Indian telecommunications business from Sistema Shyam TeleServices Ltd (“SSTL”) and to merge this business with Reliance Communications Ltd (“RCom”), one of the leading telecom operators in India. As a result of the merger, SSTL will acquire and hold a 10% equity stake in RCom. Prior to the transaction’s completion, SSTL plans to pay off existing debt. Following the completion of the transaction, RCom will take responsibility for payment of SSTL’s frequency spectrum licensing fees, which are payable in instalments to the Department of Telecommunications of India. RCom will also pay SSTL an earn out of up to US\$ 300 million in the event that Indian telecommunication authorities confirm that SSTL’s spectrum can be used for building-out a 4G network (at 5MHz contiguous spectrum) without any additional payments.

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

¹ As announced in April 2015, Sistema reports its quarterly and annual consolidated financial results in accordance with International Financial Reporting Standards (IFRS) from the first quarter of 2015. The Group has also changed the currency it presents its financial statements in from the US dollar to the Russian rouble (“RUB”). Comparative information for the previous quarters has been restated to comply with IFRS. Sistema has previously prepared its consolidated financial statements in accordance with US GAAP.

² See Attachment A for definitions and reconciliation of adjusted OIBDA to IFRS financial measures.

³ Including highly liquid deposits and liquid financial investments, based on management accounts.

⁴ Including highly liquid deposits and liquid financial investments, based on management accounts.

“Sistema’s third quarter results reflect the fundamental strength of our assets and their continued resilience to the economic challenges. Our four largest portfolio companies have delivered solid revenue growth. MTS achieved stronger data and handset sales, Segezha Group benefited from a continued rise in exports and improved business processes, Detsky Mir successfully implemented its operational strategy and increased its market share while RTI also demonstrated strong performance.

Sistema is one of the largest investors in the Russian economy and now more than ever we are striving to enhance the efficiency of our assets. Our focus on cost optimisation enabled us to substantially reduce SG&A expenses at the Corporate Centre while also improving cost efficiency at subsidiaries.

We continue to look for attractive opportunities to put capital to work by investing in new assets. In October, we acquired high-tech conglomerate Kronshtadt Group, a strong complement to our market-leading defence, microelectronics and IT asset RTI. We also increased our stake in Russia’s leading chain of private healthcare clinics, Medsi, as we continue to be firm believers in the great potential of the Russian private healthcare market. In addition, earlier this month we agreed to merge the telecommunications business of SSSL with RCom, a top Indian telecom operator. This demonstrates our ability to create value for us, our partners and shareholders.”

Conference call information

Sistema’s management will host an analyst conference call today at 9.00 am (EST)/ 2.00 pm (London time) / 3.00 pm (CET) / 5.00 pm (Moscow time) to present and discuss the third quarter 2015 results.

To participate in the conference call, please dial:

Russia

+7 495 705 9451
8 800 500 9312 (toll free)

United Kingdom

+44 20 3427 1909
0800 279 5004 (toll free)

US

+1646 254 3363
1877 280 1254 (toll free)

Conference ID: 5248179

Alternatively, you can quote the conference call title: “Sistema Third Quarter 2015 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 SUMMARY AND GROUP OPERATING REVIEW

| <i>(RUB millions)</i> | 3Q 2015 | 3Q 2014 | Change | 2Q 2015 | Change |
|---|----------------|----------------|---------------|----------------|---------------|
| Revenues | 184,211 | 161,096 | 14.3% | 163,996 | 12.3% |
| Adjusted OIBDA | 52,562 | 49,073 | 7.1% | 43,967 | 19.5% |
| Operating income | 28,211 | 33,315 | (15.3%) | 21,338 | 32.2% |
| <i>Adjusted operating income</i> | 28,211 | 27,223 | 3.6% | 21,338 | 32.2% |
| Net income attributable to Sistema | 481 | 11,436 | (95.8%) | 15,173 | (96.8%) |
| <i>Adjusted net income / (loss) attributable to Sistema</i> | 481 | (5,526) | - | 6,353 | (92.4%) |

In the third quarter of 2015, Sistema's consolidated revenues were up 14.3% year-on-year mainly driven by the consolidation of Segezha Group effective from the fourth quarter of 2014, increased revenues at MTS due to growth in consumption of data services and higher handset sales, expansion of Detsky Mir's business and the increase of RTI's revenues. A quarter-on-quarter revenue increase of 12.3% was mainly due to strong results at MTS supported by seasonally higher roaming consumption, RTI, as well as growth at Segezha Group and Detsky Mir.

The Group's selling, general and administrative expenses (SG&A) increased at a below inflation rate of 4.8% year-on-year, reflecting continued cost optimisation at the Corporate Centre as well as tight cost discipline across key subsidiaries. The Group continued to demonstrate improved efficiency, with the SG&A/Revenue ratio decreasing year-on-year from 20.2% to 18.6%. RTI's SG&A/Revenue ratio decreased to 9.1% year-on-year from 19.2%, while SSTL's SG&A expenses also declined as a percentage of revenues to 35.5% in the third quarter of 2015, compared to 46.7% in the corresponding period of the last year. In the reporting quarter, SG&A at the Corporate Centre declined by 20.1% year-on-year to RUB 1.7 billion. Depreciation and amortisation expenses increased by 11.4% year-on-year and 7.6% quarter-on-quarter to RUB 24.4 billion.

Sistema's adjusted OIBDA grew by 7.1% year-on-year as a result of increases at RTI and other certain non-public assets as well as the consolidation of Segezha Group. The growth was partially offset by OIBDA decline at MTS and MTS Bank. The Group's adjusted OIBDA margin expanded to 28.5% for the reporting period from 26.8% in the second quarter of 2015.

Adjusted net income attributable to Sistema improved to RUB 481 million, from a net loss of RUB 5.5 billion in the third quarter of 2014. Net income in the third quarter of 2015 was impacted by the recognition of a foreign exchange loss in the amount of RUB 9.6 billion.

OPERATING REVIEW⁵

MTS

| <i>(RUB millions)</i> | 3Q 2015 | 3Q 2014 | Change | 2Q 2015 | Change |
|--|----------------|----------------|---------------|----------------|---------------|
| Revenues | 115,034 | 107,152 | 7.4% | 102,691 | 12.0% |
| Adjusted OIBDA | 46,976 | 48,580 | (3.3%) | 42,036 | 11.8% |
| Operating income | 26,276 | 33,078 | (20.6%) | 21,815 | 20.4% |
| <i>Adjusted operating income</i> | 26,276 | 29,474 | (10.9%) | 21,815 | 20.4% |
| Net income attributable to Sistema | 7,696 | 8,238 | (6.6%) | 9,129 | (15.7%) |
| <i>Adjusted net income attributable to Sistema</i> | 7,696 | 6,310 | 22.0% | 9,129 | (15.7%) |

In the third quarter of 2015, MTS generated a 7.4% year-on-year increase in revenues, driven by stronger demand for telecommunication services across its markets, robust growth in data traffic revenues and a surge in handset sales in Russia. MTS' revenues were up 12.0% quarter-on-quarter, reflecting seasonal factors such as higher roaming revenues as well as an expanded Russian subscriber base and aggressive growth in handset sales.

Adjusted OIBDA decreased by 3.3% year-on-year; however quarter-on-quarter adjusted OIBDA was up by 11.8%. Despite the increase share of low-margin handset sales in total revenues, the adjusted OIBDA margin remained flat quarter-on-quarter as a result of a seasonal rise in high-margin roaming revenues and efforts to attract lucrative subscribers.

An extraordinary general meeting of shareholders ("EGM") held on September 30, 2015 approved semi-annual dividends of RUB 5.61 per ordinary MTS share (RUB 11.22 per ADR), or a total of RUB 11.592 billion, based on the financial results for the first half of 2015.

Significant events after the end of the reporting period

In October, MTS and Vodafone agreed to extend and expand the scope of their strategic partnership in Ukraine. Under the new agreement, the companies will roll out 3G and develop a number of new services in the market using the Vodafone brand in Ukraine.

In October, as a result of an online state auction MTS was allocated licenses for provision of mobile telecommunications services in the GSM standard, LTE standard and its subsequent modifications in the 1710-1785 MHz and 1805-1880 MHz ranges in the Amur Region, North-Ossetia-Alania, Orenburg Region, Perm Krai and in Komi-Perm District.

Segezha Group⁶

| <i>(RUB millions)</i> | 3Q 2015 | 2Q 2015 | Change | 4Q 2014⁷ | Change |
|------------------------------------|----------------|----------------|---------------|----------------------------|---------------|
| Revenues | 8,803 | 7,844 | 12.2% | 7,171 | 22.8% |
| OIBDA | 1,680 | 1,387 | 21.1% | 1,059 | 56.0% |
| Operating income | 1,121 | 786 | 42.7% | 477 | 135.0% |
| Net income attributable to Sistema | 551 | 333 | 65.5% | 397 | 38.8% |

Segezha Group ("Segezha") delivered a strong growth in revenues and OIBDA since acquisition, driven by an organic increase in sales and production, as well as by the depreciation of the Russian rouble against the US dollar and euro, as over 53% of Segezha's revenues are generated by export sales. Quarter-on-quarter revenue and OIBDA growth was also attributable to a 3.5% increase in sales of sack paper.

Continued growth of Segezha's own logging operations contributed to widening of the OIBDA margin to 18.8% in the third quarter of 2015, compared to 17.6% in the second quarter.

In August 2015, Segezha launched a new production line for paper sacks, thus solidifying its leading position in the industry.

⁵ Here and from hereon, 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.

⁶ Sistema acquired Segezha Group on September 30, 2014, and has consolidated its financials since the fourth quarter of 2014.

⁷ First quarter of consolidation

Detsky Mir

| <i>(RUB millions)</i> | 3Q 2015 | 3Q 2014 | Change | 2Q 2015 | Change |
|------------------------------------|----------------|----------------|---------------|----------------|---------------|
| Revenues | 15,222 | 11,679 | 30.3% | 12,592 | 20.9% |
| OIBDA | 1,623 | 1,564 | 3.8% | 628 | 158.6% |
| Operating income | 1,395 | 1,381 | 1.0% | 401 | 248.2% |
| Net income attributable to Sistema | 289 | 928 | (68.9%) | 344 | (16.2%) |

Detsky Mir continued robust expansion in its core markets, increasing revenues by 30.3% year-on-year and 20.9% quarter-on-quarter in the third quarter of 2015. Year-on-year growth was largely driven by a rise in like-for-like sales of 10.5% and the addition of retail space. During the quarter, the retailer's average like-for-like ticket and traffic grew year-on-year by 7.6% and 2.2%, respectively. Detsky Mir opened 23 new stores during the reporting quarter, expanding its total retail space to 435,000 sq.m.

Detsky Mir's third quarter OIBDA was largely stable year-on-year, reflecting the retailer's focus on market share expansion, as well as due to a shift in high-margin autumn clothing sales from September to October as a result of relatively warm weather in Russia. Detsky Mir posted another quarter of declining SG&A/Revenue ratio to 24.7% in the third quarter, compared to 27.6% in the second quarter and 30.3% in the first quarter of 2015.

During the reporting quarter, Detsky Mir opened a new warehouse in the Moscow region with a total area of 72,000 sq.m, aiming to reduce logistics costs and increase centralisation of the supply chain.

Medsi

| <i>(RUB millions)</i> | 3Q 2015 | 3Q 2014 | Change | 2Q 2015 | Change |
|--|----------------|----------------|---------------|----------------|---------------|
| Revenues | 1,959 | 2,352 | (16.7%) | 2,037 | (3.8%) |
| OIBDA | 152 | 442 | (65.5%) | 184 | (17.4%) |
| Operating (loss)/ income | (2) | 533 | - | (2) | - |
| Net income/ (loss) attributable to Sistema | 116 | 540 | (78.4%) | (89) | - |

In the reporting quarter, Medsi's revenues declined by 16.7% year-on-year due to ending of a state contract. Revenues were down quarter-on-quarter by 3.8% as a result of seasonality. OIBDA declined year-on-year and quarter-on-quarter on the back of lower revenues.

Revenues from services to individuals, Medsi's strategic sales channel, increased by 31% year-on-year with patient visits growth in this segment of 33%.

Bashkirian Power Grid Company (BPGC)

| <i>(RUB millions)</i> | 3Q 2015 | 3Q 2014 | Change | 2Q 2015 | Change |
|------------------------------------|----------------|----------------|---------------|----------------|---------------|
| Revenues | 3,371 | 3,021 | 11.6% | 3,287 | 2.6% |
| OIBDA | 1,225 | 1,346 | (9.0%) | 1,059 | 15.6% |
| Operating income | 658 | 890 | (26.0%) | 513 | 28.4% |
| Net income attributable to Sistema | 516 | 768 | (32.8%) | 581 | (11.1%) |

BPGC's revenue grew by 11.6% year-on-year in the third quarter of 2015, reflecting an increase in the number of new connections, as well as organic growth in electricity consumption and the indexation of distribution tariffs in July 2015.

In the reporting quarter, BPGC posted a 0.4% year-on-year increase in effective output, while reducing distribution grid losses by 0.35 p.p. year-on-year to 5.63% and transmission grid losses by 0.16 p.p. year-on-year to 1.24%.

BPGC's OIBDA declined year-on-year in the reporting period due to higher purchase prices in the wholesale electricity market.

In September 2015, BPGC's Board of Directors appointed Dmitry Sharovtsov as the company's new CEO. Outgoing CEO Andrey Makarov was elected the Chairman of the Board of Directors.

RTI⁸

| <i>(RUB millions)</i> | 3Q 2015 | 3Q 2014 | Change | 2Q 2015 | Change |
|--|----------------|----------------|---------------|----------------|---------------|
| Revenues | 17,788 | 15,711 | 13.2% | 16,846 | 5.6% |
| OIBDA | 2,861 | 1,466 | 97.9% | 1,222 | 134.2% |
| Operating income | 2,261 | 539 | 319.8% | 616 | 267.3% |
| Net (loss)/ income attributable to Sistema | (736) | (765) | - | 176 | - |

RTI's revenues were up by 13.2% year-on-year in the reporting quarter, as a result of a 27.0% year-on-year rise in revenues at the Defence Solutions BU. Revenues at the Microelectronics Solutions BU also increased, both on a year-on-year and quarter-on-quarter basis due to growing demand for local products with attractive pricing compared to imported producers.

RTI's OIBDA increased by 97.9% year-on-year and by 134.2% quarter-on-quarter, in part due to the one-off positive effect from the reversed provisions in the Information and Communications Technologies BU, as well as strong operating results in other business segments.

Sistema Shyam TeleServices Ltd. (SSTL)

| <i>(RUB millions)</i> | 3Q 2015 | 3Q 2014 | Change | 2Q 2015 | Change |
|----------------------------------|----------------|----------------|---------------|----------------|---------------|
| Revenues | 3,687 | 2,044 | 80.4% | 3,076 | 19.9% |
| OIBDA | (458) | (618) | - | (373) | - |
| Operating loss | (677) | (1,183) | - | (537) | - |
| Net loss attributable to Sistema | (2,063) | (1,694) | - | (1,685) | - |

In the third quarter, SSTL's revenues increased by 80.4% year-on-year and 19.9% quarter-on-quarter in rouble terms. In Indian rupees, revenue was up 9.8% year-on-year and 0.5% quarter-on-quarter driven by strong demand for data services. Non-voice revenues from data accounted for 58.0% of SSTL's total revenue in the reporting quarter, up from 43.0% in the third quarter of 2014.

SSTL's OIBDA loss in Indian rupees reduced by 18.2% quarter-on-quarter and 57.3% year-on-year. The quarter-on-quarter increase in OIBDA loss in Russian rouble terms was due to the devaluation of the Russian rouble during the third quarter.

As of September 30, 2015, SSTL's subscriber base was 8.4 million with data services subscribers accounting for 23.1% of the total subscriber base, as compared to 16.2% at the end of the third quarter last year.

Sistema Mass Media (SMM)

| <i>(RUB millions)</i> | 3Q 2015 | 3Q 2014 | Change | 2Q 2015 | Change |
|--|----------------|----------------|---------------|----------------|---------------|
| Revenues | 805 | 816 | (1.4%) | 591 | 36.1% |
| OIBDA | 241 | 279 | (13.6%) | 312 | (22.7%) |
| Operating income | 181 | 110 | 64.8% | 255 | (29.1%) |
| Net income/ (loss) attributable to Sistema | 103 | 58 | 76.3% | (298) | - |

In the reporting quarter, SMM's revenues remained flat as higher sales at Stream LLC were offset by the deconsolidation of Russian World Studios (RWS) in April 2015. The 36.1% quarter-on-quarter rise in revenues was driven by growth at Stream LLC.

On the back of stronger revenues, both operating income and net income attributable to Sistema posted strong year-on-year growth. Net income significantly improved as a result of optimisation of operating expenses at the holding company.

Binnopharm

| <i>(RUB millions)</i> | 3Q 2015 | 3Q 2014 | Change | 2Q 2015 | Change |
|-----------------------|----------------|----------------|---------------|----------------|---------------|
| Revenues | 307 | 547 | (43.9%) | 383 | (19.7%) |
| OIBDA | (67) | 53 | - | 38 | - |

⁸ RTI consolidates OJSC Concern RTI Systems, Mikron group of companies and CJSC NVision Group and comprises four principal business units ("BU") – Defence Solutions BU, Comprehensive Security Systems BU, Microelectronics Solutions BU and Information and Communication Technologies BU.

| | | | | | |
|----------------------------------|------|------|---|-----|---|
| Operating loss | (95) | (2) | - | (1) | - |
| Net loss attributable to Sistema | (88) | (23) | - | (5) | - |

In the reporting quarter, Binnopharm's revenues fell by 43.9% year-on-year as a result of lower distribution sales. OIBDA and net income also declined in line with the decrease in revenues. However, in the third quarter Binnopharm signed a contract with the National Immuno-biological Company for delivery of 6 million doses of the hepatitis B vaccine Regevak B, which tops the vaccine's entire sales for 2014. Binnopharm also launched production of a retroviral combination treatment for HIV called Kivex under a contract manufacturing agreement with ViiV Healthcare.

MTS Bank

| <i>(RUB millions)</i> | 3Q 2015 | 3Q 2014 | Change | 2Q 2015 | Change |
|----------------------------------|---------|---------|---------|---------|--------|
| Revenues | 6,445 | 7,337 | (12.2%) | 6,824 | (5.5%) |
| OIBDA | (3,896) | (3,234) | - | (2,346) | - |
| Operating loss | (4,082) | (3,408) | - | (2,530) | - |
| Net loss attributable to Sistema | (3,288) | (2,467) | - | (2,173) | - |

MTS Bank's revenues decreased year-on-year in the third quarter of 2015 mainly as a result of a decline in its pre-provision net interest income, as the bank continued to focus on preserving its asset quality and scaling back its retail loan book. Net interest income grew quarter-on-quarter due to lower costs of funding.

Lower revenues as well as high provisioning costs contributed to year-on-year increase in the bank's net loss. The net loss expanded quarter-on-quarter mostly due to reduction in non-interest income.

As of the end of the third quarter, MTS Bank's capital adequacy ratio (N1.0) was 14.8%, remaining among the highest in the Russian banking sector.

Intourist

| <i>(RUB millions)</i> | 3Q 2015 | 3Q 2014 | Change | 2Q 2015 | Change |
|--|---------|---------|---------|---------|--------|
| Revenues | 783 | 873 | (10.4%) | 588 | 33.2% |
| OIBDA | 294 | 224 | 31.2% | 105 | 181.3% |
| Operating income | 236 | 174 | 36.2% | 54 | 336.6% |
| Net income/ (loss) attributable to Sistema | 52 | 77 | (31.8%) | (2) | - |

In the third quarter of 2015, Intourist's revenues were down year-on-year due to a decrease in the number of rooms owned, managed and rented. Intourist's 33.2% quarter-on-quarter rise in revenue is primarily attributable to high-season demand for its hotels abroad. OIBDA and net income were up quarter-on-quarter, reflecting an increase in revenue and continued cost optimisation.

Intourist's SG&A were down by 8.0% quarter-on-quarter in the reporting period, and its SG&A/Revenue ratio improved to 18.2% in the third quarter, as compared to 26.3% in the second quarter of 2015.

Targin

| <i>(RUB millions)</i> | 3Q 2015 | 3Q 2014 | Change | 2Q 2015 | Change |
|------------------------------------|---------|---------|---------|---------|--------|
| Revenues | 6,392 | 8,123 | (21.3%) | 6,116 | 4.5% |
| OIBDA | 1,102 | 1,005 | 9.7% | 917 | 20.2% |
| Operating income | 713 | 780 | (8.5%) | 548 | 30.2% |
| Net income attributable to Sistema | 465 | 496 | (6.2%) | 415 | 12.1% |

Targin's revenues decreased by 21.3% year-on-year in the third quarter after disposal of its construction segment. Growth of Targin's revenues quarter-on-quarter mainly resulted from a significant increase in drilling volumes. A new contract for high-margin services in the Yamal-Nenets region also contributed to quarter-on-quarter revenue and OIBDA growth.

Reorganisation at the end of 2014 and equipment upgrades allowed Targin to significantly optimise its cost base and improve business efficiency.

Corporate

| <i>(RUB millions)</i> | 3Q 2015 | 3Q 2014 | Change | 2Q 2015 | Change |
|-----------------------|----------------|----------------|---------------|----------------|---------------|
| OIBDA | (1,020) | (2,075) | - | (1,856) | - |
| Net (loss)/ income | (5,265) | (9,339) | - | 8,166 | - |
| Indebtedness | 88,031 | 65,978 | 33.4% | 69,120 | 27.4% |

The Corporate segment comprises companies that control and manage Sistema's interests in its subsidiaries.

In the third quarter, the Corporate segment's SG&A decreased by 20.1% year-on-year and 10.1% quarter-on-quarter, as a result of Sistema management's continued focus on cost optimisation.

In October 2015, Sistema placed its Series 001P-01 ten-year exchange traded bonds with a total par value of RUB 5 billion and a coupon of 12.50% per annum. In November, Sistema placed Series 001P-02 ten-year exchange-traded bonds with a total par value of RUB 1.7 billion. The coupon was set at 10.90% per annum.

For further information, please visit www.sistema.com or contact:

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Sistema is a publicly-traded diversified holding company 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, radars and aerospace, banking, retail, mass-media, tourism and healthcare services. Founded in 1993, the Company reported revenues of RUB 515.9 billion for the nine months of 2015, and total assets of RUB 1.2 trillion as at September 30, 2015. 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 Moscow Exchange. Website: www.sistema.com

The Company is not an investment company, and is not and will not be registered as such, under the U.S. Investment Company Act of 1940.

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 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014
(Amounts in millions of Russian roubles, except for per share amounts)

| | Nine months ended September 30, | | Three months ended September 30, | |
|--|------------------------------------|---------------|-------------------------------------|---------------|
| | 2015 | 2014 | 2015 | 2014 |
| Revenue | 515,915 | 452,243 | 184,211 | 161,096 |
| Cost of sales | (265,610) | (211,726) | (96,029) | (77,687) |
| Selling, general and administrative expenses | (103,218) | (97,371) | (34,171) | (32,621) |
| Depreciation and amortization | (71,295) | (63,823) | (24,350) | (21,850) |
| Impairment losses | (5,547) | (3,498) | (1,568) | 3,338 |
| Taxes other than income tax | (4,691) | (5,222) | (925) | (1,888) |
| Share of the profit or loss of associates and joint ventures | 3,110 | 1,688 | 1,352 | 1,252 |
| Other operating expenses | (831) | 3,058 | (308) | 1,675 |
| Gain on acquisition of Lesinvest | - | 2,483 | - | - |
| OPERATING INCOME | 67,833 | 77,832 | 28,212 | 33,315 |
| Finance income | 12,080 | 5,871 | 4,087 | 2,252 |
| Finance expense | (36,562) | (24,353) | (12,498) | (9,189) |
| Foreign currency transactions loss | (9,782) | (16,242) | (9,561) | (16,337) |
| PROFIT BEFORE INCOME TAX | 33,569 | 43,108 | 10,240 | 10,041 |
| Income tax expense | (14,638) | (16,584) | (4,659) | (5,078) |
| INCOME FROM CONTINUING OPERATIONS | 18,931 | 26,524 | 5,581 | 4,963 |
| Profit for the period from discontinued operations, net of tax | 43,816 | 46,028 | - | 16,237 |
| NET INCOME | 62,747 | 72,552 | 5,581 | 21,200 |
| Noncontrolling interests | (15,573) | (32,068) | (5,100) | (9,765) |
| NET INCOME ATTRIBUTABLE TO SISTEMA JSFC | 47,174 | 40,484 | 481 | 11,435 |
| Income per share, basic and diluted, Russian roubles | 5,01 | 4,33 | 0,05 | 1,22 |

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2015 AND DECEMBER 31, 2014
(Amounts in millions of Russian roubles)

| | September 30, | December 31, |
|--|-------------------------|-------------------------|
| | 2015 | 2014 |
| ASSETS | | |
| NON-CURRENT ASSETS: | | |
| Property, plant and equipment | 404,482 | 400,648 |
| Investments in associates and joint ventures | 20,832 | 20,219 |
| Goodwill | 47,025 | 45,992 |
| Other intangible assets | 106,573 | 97,950 |
| Deferred tax assets | 24,159 | 23,699 |
| Investment property | 14,134 | 10,229 |
| Other financial assets | 159,959 | 126,798 |
| Other assets | 14,957 | 10,115 |
| Total non-current assets | <u>792,121</u> | <u>735,650</u> |
| CURRENT ASSETS: | | |
| Inventories | 64,285 | 47,582 |
| Trade and other accounts receivable | 77,377 | 78,961 |
| Advances paid and prepaid expenses | 20,265 | 22,335 |
| Current income tax receivable | 6,319 | 8,723 |
| Other taxes receivable | 25,209 | 19,918 |
| Other financial assets | 150,925 | 102,794 |
| Other assets | 1,676 | 1,011 |
| Cash and cash equivalents | 107,074 | 119,967 |
| | <u>453,130</u> | <u>401,291</u> |
| Assets held for sale | 585 | - |
| Total current assets | <u>453,715</u> | <u>401,291</u> |
| TOTAL ASSETS | <u>1,245,836</u> | <u>1,136,941</u> |

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2015 AND DECEMBER 31, 2014
(Amounts in millions of Russian roubles)

| | September 30, 2015 | December 31, 2014 |
|---|-------------------------------|------------------------------|
| LIABILITIES AND EQUITY | | |
| SHAREHOLDERS' EQUITY: | | |
| Share capital | 869 | 869 |
| Treasury stock | (7,257) | (6,913) |
| Additional paid-in capital | 74,145 | 72,202 |
| Retained earnings | 134,847 | 92,095 |
| Accumulated other comprehensive (loss)/income | (6,247) | 418 |
| Total Sistema JSFC shareholders' equity | <u>196,357</u> | <u>158,671</u> |
| Noncontrolling interests | 65,797 | 76,336 |
| TOTAL EQUITY | <u>262,154</u> | <u>235,007</u> |
| NON-CURRENT LIABILITIES: | | |
| Borrowings | 413,718 | 336,425 |
| Put options over non-controlling interests | 7,645 | 47,531 |
| Bank deposits and liabilities | 34,630 | 15,543 |
| Deferred tax liabilities | 39,338 | 38,130 |
| Provisions | 4,724 | 4,341 |
| Other financial liabilities | 25,057 | 23,180 |
| Other liabilities | 9,524 | 9,070 |
| Total long-term liabilities | <u>534,636</u> | <u>474,220</u> |
| CURRENT LIABILITIES: | | |
| Borrowings | 123,024 | 126,008 |
| Put options over non-controlling interests | 52,933 | 3,192 |
| Trade and other accounts payable | 116,641 | 117,186 |
| Bank deposits and liabilities | 82,817 | 115,067 |
| Advances received | 25,342 | 23,294 |
| Subscriber prepayments | 17,571 | 20,424 |
| Income tax payable | 548 | 1,025 |
| Other taxes payable | 15,828 | 11,589 |
| Dividends payable | 5,343 | 75 |
| Provisions | 7,824 | 9,854 |
| Other financial liabilities | 1,175 | - |
| Total current liabilities | <u>449,046</u> | <u>427,714</u> |
| TOTAL LIABILITIES | <u>983,682</u> | <u>901,934</u> |
| TOTAL LIABILITIES AND EQUITY | <u>1,245,836</u> | <u>1,136,941</u> |

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014
(Amounts in millions of Russian roubles)

| | Nine months ended September 30, | |
|--|--|----------------|
| | 2015 | 2014 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | 62,747 | 72,552 |
| Profit for the period from discontinued operations, net of tax | (43,816) | (46,028) |
| Income from continuing operations | 18,931 | 26,524 |
| Adjustments to reconcile net income to net cash provided by operations: | | |
| Depreciation and amortization | 71,295 | 63,823 |
| Net (loss)/gain from fair value adjustment of financial instruments through profit or loss | (93) | 177 |
| Share of the profit or loss of associates and joint ventures | (3,110) | (1,688) |
| Finance income | (12,080) | (5,871) |
| Finance expense | 36,562 | 24,353 |
| Income taxes | 14,638 | 16,584 |
| Foreign currency transactions loss | 9,782 | 16,242 |
| Loss on disposal of property, plant and equipment | 450 | - |
| Gain on disposal of subsidiaries | (211) | (4,777) |
| Gain on acquisition of Lesinvest | - | (2,483) |
| Amortization of connection fees | (1,044) | (898) |
| Allowance for loan losses | 12,601 | 9,783 |
| Dividends received from affiliates | 2,205 | 1,907 |
| Non-cash compensation to employees | 1,774 | 2,287 |
| Impairment of long-lived assets other than goodwill and provisions for other assets | 3,849 | 3,498 |
| Other non-cash items | 164 | 515 |
| | 155,713 | 149,976 |
| Movements in working capital: | | |
| Bank loans to customers and interbank loans | 13,004 | 31,592 |
| Bank deposits and liabilities | (14,668) | (37,171) |
| Financial assets at fair value through profit or loss | 2,672 | 6,491 |
| Trade and other accounts receivable | (533) | 28,505 |
| Advances paid and prepaid expenses, net | 1,695 | 4,918 |
| Other taxes receivable | (5,291) | 7,580 |
| Inventories and spare parts | (17,442) | 28,753 |
| Trade and other accounts payable | 5,153 | (49,913) |
| Subscriber prepayments | (1,810) | (2,076) |
| Other taxes payable | 2,093 | (10,008) |
| Advances received and other accrued expenses | 6,070 | (32,960) |
| Interest paid | (29,657) | (21,726) |
| Income tax paid | (13,625) | (9,568) |
| Net cash provided by operating activities of continuing operations | 103,374 | 94,393 |
| Net cash provided by operating activities of discontinued operations | - | 77,697 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 103,374 | 172,090 |

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014
(Amounts in millions of Russian roubles)

| | Nine months ended September 30, | |
|---|--|------------------|
| | 2015 | 2014 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Payments for purchases of property, plant and equipment | (76,318) | (52,415) |
| Proceeds from sale of property, plant and equipment | 2,807 | 783 |
| Payments for purchases of intangible assets | (25,772) | (14,904) |
| Payments for businesses, net of cash acquired | - | (11,365) |
| Purchase of investments in associates | (1,323) | (6,303) |
| Purchase of financial assets, long-term | (57,226) | (16,292) |
| Proceeds from sale of financial assets, long-term | 1,474 | 3,000 |
| Decrease/(increase) in restricted cash | 280 | (260) |
| Purchase of financial assets, short-term | (26,890) | (45,409) |
| Proceeds from sale of subsidiaries, net of cash disposed | 8 | 3,865 |
| Proceeds from sale of financial assets, short-term | 21,229 | 57,061 |
| Interest received | 11,838 | 5,938 |
| | <hr/> | <hr/> |
| Net cash used in investing activities of continuing operations | (149,893) | (76,301) |
| Net cash provided by/(used in) investing activities of discontinued operations | 10,821 | (68,556) |
| | <hr/> | <hr/> |
| NET CASH USED IN INVESTING ACTIVITIES | (139,072) | (144,857) |
| | <hr/> | <hr/> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from borrowings | 111,355 | 72,507 |
| Principal payments on borrowings | (64,374) | (50,252) |
| Debt issuance costs | (1,149) | - |
| Payments to purchase treasury stock | (456) | - |
| Acquisition of non-controlling interests in existing subsidiaries | - | (1,799) |
| Dividends paid | (22,381) | (37,488) |
| Proceeds from capital transactions with shares of existing subsidiaries | - | 1,457 |
| | <hr/> | <hr/> |
| Net cash provided by/(used in) financing activities of continuing operations | 22,995 | (15,575) |
| Net cash provided by financing activities of discontinued operations | - | 10,794 |
| | <hr/> | <hr/> |
| NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES | 22,995 | (4,781) |
| | <hr/> | <hr/> |
| Effect of foreign currency translation on cash and cash equivalents | (190) | 988 |
| | <hr/> | <hr/> |
| Net (decrease)/increase in cash and cash equivalents | (12,893) | 23,440 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at the beginning of the period, including discontinued operations | 119,967 | 104,464 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at the end of the period, including discontinued operations | 107,074 | 127,904 |
| Les: cash and cash equivalents of discontinued operations at the end of the period | - | (37,620) |
| | <hr/> | <hr/> |
| Cash and cash equivalents of continuing operations at end of the period | 107,074 | 90,284 |
| | <hr/> | <hr/> |

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED SEGMENTAL BREAKDOWN FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014
(Amounts in millions of Russian roubles)

| For the nine months ended September 30, 2015 | <u>MTS</u> | <u>RTI</u> | <u>MTS Bank</u> | <u>SSTL</u> | <u>Corporate</u> | <u>Total reportable segment</u> | <u>Other</u> | <u>Total</u> |
|--|-------------------|-------------------|----------------------------|--------------------|-------------------------|--|---------------------|---------------------|
| Net sales to external customers ^(a) | 317,001 | 51,564 | 19,873 | 10,339 | 1,414 | 400,191 | 115,724 | 515,915 |
| Intersegment sales | 906 | 4,908 | 492 | - | 838 | 7,144 | 3,298 | 10,442 |
| Share of the profit or loss of associates and joint ventures | 912 | 53 | - | - | - | 965 | 2,145 | 3,110 |
| Net interest expense ^(b) | - | - | (6,975) | - | - | (6,975) | - | (6,975) |
| Depreciation and amortization | 60,952 | 1,891 | 552 | 617 | 418 | 64,430 | 6,865 | 71,295 |
| Operating income/(loss) | 67,666 | 3,064 | (7,613) | (2,745) | (4,513) | 55,859 | 9,421 | 65,280 |
| Finance income | 6,698 | 1,855 | - | 247 | 7,197 | 15,997 | 2,209 | 18,206 |
| Finance expense | 19,289 | 4,698 | - | 4,525 | 8,371 | 36,883 | 4,585 | 41,468 |
| Income tax expense/(benefit) | 13,691 | 642 | (194) | - | (1,266) | 12,873 | 1,765 | 14,638 |
| Investments in associates and joint ventures | 8,422 | 675 | - | - | 5,589 | 14,686 | 6,146 | 20,832 |
| Segment assets | 662,722 | 94,233 | 184,289 | 30,832 | 189,243 | 1,161,319 | 204,248 | 1,365,567 |
| Indebtedness ^(c) | 345,073 | 41,190 | - | 33,512 | 88,031 | 507,806 | 28,936 | 536,742 |
| Capital expenditures ^(d) | 80,102 | 3,914 | 444 | 750 | 1,828 | 87,038 | 15,052 | 102,090 |
| For the nine months ended September 30, 2014 | <u>MTS</u> | <u>RTI</u> | <u>MTS Bank</u> | <u>SSTL</u> | <u>Corporate</u> | <u>Total reportable segment</u> | <u>Other</u> | <u>Total</u> |
| Net sales to external customers ^(a) | 303,577 | 35,735 | 21,207 | 5,806 | 1,258 | 367,583 | 84,660 | 452,243 |
| Intersegment sales | - | 6,394 | 149 | - | 849 | 7,392 | 1,726 | 9,118 |
| Share of the profit or loss of associates and joint ventures | 1,436 | - | - | - | - | 1,436 | 252 | 1,688 |
| Net interest expense ^(b) | - | - | (4,198) | - | - | (4,198) | - | (4,198) |
| Depreciation and amortization | 55,535 | 2,321 | 508 | 1,597 | 414 | 60,375 | 3,448 | 63,823 |
| Operating income/(loss) | 82,054 | 4,865 | (4,750) | (3,565) | (7,406) | 71,198 | 6,635 | 77,833 |
| Finance income | 3,413 | 1,311 | - | 216 | 3,027 | 7,967 | 1,645 | 9,612 |
| Finance expense | 12,834 | 3,846 | - | 2,409 | 5,398 | 24,487 | 1,861 | 26,348 |
| Income tax expense/(benefit) | 16,301 | 1,084 | (1,040) | - | (1,375) | 14,970 | 1,614 | 16,584 |
| Investments in associates and joint ventures | 8,040 | 2 | - | - | 5,033 | 13,075 | 12,148 | 25,223 |
| Segment assets | 521,541 | 106,831 | 220,460 | 33,771 | 125,934 | 1,008,537 | 568,046 | 1,576,583 |
| Indebtedness ^(c) | 231,813 | 47,967 | - | 22,933 | 65,978 | 368,691 | 186,153 | 554,844 |
| Capital expenditures ^(d) | 53,320 | 2,513 | 656 | 721 | 994 | 58,704 | 9,115 | 67,319 |

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

(b) Represents the net interest result of banking activities. In reviewing the performance of MTS Bank, the chief operating decision maker reviews the net interest result, rather than the gross interest amounts.

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

(d) Represents purchases of property, plant and equipment and intangible assets.

Attachment A

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.

Adjusted OIBDA, operating income and net income attributable to Sistema. The Company uses adjusted OIBDA, operating income and net income attributable to Sistema to comment on its financial performance. These adjusted measures are used internally to evaluate performance and represent underlying financial measures adjusted for a number of one-off gains and losses which are of an exceptional nature. We believe that adjusted measures provide investors with additional useful information to measure our underlying financial performance, particularly from period to period, because these measures are exclusive of certain exceptional gains and losses.

Adjusted operating income and OIBDA can be reconciled to our consolidated statements of operations as follows:

| <i>RUB millions</i> | 3Q 2015 | 3Q 2014 | 2Q 2015 |
|---|----------------|----------------|----------------|
| Operating income | 28,211 | 33,315 | 21,338 |
| Gain from re-entrance into Uzbekistan (MTS) | - | (3,604) | - |
| Gain on acquisition of Segezha Group | - | (2,488) | - |
| Adjusted operating income | 28,211 | 27,223 | 21,338 |
| Depreciation and amortization | 24,351 | 21,850 | 22,629 |
| Adjusted OIBDA | 52,562 | 49,073 | 43,967 |

Adjusted net income attributable to Sistema can be reconciled to our consolidated statements of operations as follows:

| <i>RUB millions</i> | 3Q 2015 | 3Q 2014 | 2Q 2015 |
|--|----------------|----------------|----------------|
| Net income | 481 | 11,436 | 15,173 |
| Gain from re-entrance into Uzbekistan (MTS) | - | (1,927) | - |
| Second settlement agreement with Ural-Invest | - | - | (8,820) |
| Gain on acquisition of Segezha Group | - | (2,488) | - |
| Net income of Bashneft attributable to Sistema | - | (12,547) | - |
| Adjusted net income/(loss) | 481 | (5,526) | 6,353 |

Net debt at the Corporate Holding level. We define net debt as indebtedness less cash, cash equivalents and other highly liquid deposits and financial instruments. The indebtedness is defined as long-term debt, including its current portion, and short-term debt. We believe that the presentation of net debt at the Corporate Holding level provides useful information to investors because our management reviews this measure as part of its management of our liquidity, financial flexibility, capital structure and leverage. The IFRS financial measure most directly comparable to net debt at the Corporate Holding level is the indebtedness of our Corporate segment as reported in our segment disclosures. Net debt at the Corporate Holding level can be reconciled to the indebtedness of our Corporate segment as follows:

| <i>RUB millions</i> | 3Q 2015 | 2Q 2015 | 3Q 2014 |
|------------------------------|----------------|----------------|----------------|
| Indebtedness | 88,031 | 69,120 | 65,978 |
| Cash and cash equivalents | (29,507) | (19,107) | (28,451) |
| Liquid financial investments | (18,356) | (5,233) | (16,416) |
| Net debt | 40,168 | 44,780 | 21,111 |