



FOR IMMEDIATE RELEASE

7 April 2016

Sistema announces financial results for the fourth quarter and full year 2015

Moscow, Russia – April 07, 2016 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 consolidated financial results in accordance with International Financial Reporting Standards (IFRS) for the fourth quarter and the full year ended December 31, 2015.

EXCELLENT OPERATIONAL AND STRATEGIC PROGRESS

- Strong results from MTS and increased portfolio diversification driven by growth of non-public assets
- Transformation of Segezha Group, leading to robust growth of the asset
- Growing footprint in agricultural sector through new attractive acquisitions
- Increasing cash flow to the Corporate Centre level

STRONG FULL YEAR 2015 FINANCIAL PERFORMANCE

- Consolidated revenues up 9.7% YoY to RUB 708.6 billion
- Adjusted OIBDA¹ up 6.7% YoY to RUB 176.4 billion, with an adjusted OIBDA margin of 24.9%
- Net income attributable to the Group of RUB 33.6 billion compared to net loss in 2014

SOLID FOURTH QUARTER 2015 FINANCIAL RESULTS

- Revenues down 0.7% YoY to RUB 192.7 billion
- Adjusted OIBDA up 19.6% to RUB 35.6 billion
- As of December 31, 2015, cash position² at the Corporate Centre level reached RUB 50.6 billion, excluding RUB 38.0 billion represented by deposits
- Net debt³ at the Corporate Centre level amounted to RUB 66.2 billion as of December 31, 2015

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

“Despite a challenging year, Sistema delivered strongly in 2015 both in terms of strategy execution and key financial targets. Our efforts to develop our portfolio companies and to monetise investments resulted in further accumulation of cash, which we reinvested into some of the most promising assets in Russia.”

“In 2015, we posted revenue growth of nearly 10%, with the increased contribution from our non-public assets to both top-line and OIBDA. In particular, the share of our non-public subsidiaries in consolidated revenues went up from 36% in 2014 to 41% in the fourth quarter of 2015.”

“Our flagship asset, MTS, delivered robust financial performance supported by impressive growth in data traffic revenue and retail handset sales. The company also retained market leadership in Russia as it expanded its active subscriber base by 3.5% to 107.8 million. Detsky Mir continued aggressive organic expansion resulting in 12.4% like-for-like sales growth and a 33% year-on-year increase in revenues. Our pulp and paper holding Segezha Group delivered a double-digit increase in revenues and more than doubled its OIBDA as we boosted exports and continued to grow this business both organically and through M&A.”

¹ See Attachment A for definitions and reconciliation of adjusted OIBDA to IFRS financial measures.

² Including highly liquid deposits and liquid financial investments, based on management accounts. See Attachment A for reconciliation to IFRS financial measures.

³ Including highly liquid deposits and liquid financial investments, based on management accounts. See Attachment A for reconciliation to IFRS financial measures.

“During the year, we deployed RUB 26 billion into new acquisitions as we sought to invest in undervalued assets and to expand into sectors that are particularly attractive in the current economic environment and where we can achieve clear competitive advantages. Specifically, we invested in agriculture by acquiring businesses with a strong growth potential, clear production cost advantages and great prospects to capitalise on import substitution. We have also supported Segezha’s operating strategy to expand its assets and to enter new export markets as we believe its investment program continues to be an important driver of value for Sistema and its shareholders.

“I have no doubt that we are well on track to build new market leaders as we continue to leverage our Russia-focused expertise and remain strong believers in the potential of our home economy. We expect our new businesses to become important drivers of shareholder returns continuing our track record of success.”

Conference call information

Sistema’s management will host a conference call for analysts and investors today at 10:00 am (EST)/ 3:00 pm (London) / 4:00 pm (CET)/ 5:00 pm (Moscow) to present and discuss the fourth quarter and full year 2015 results.

The dial-in numbers for the conference call are:

Russia

+7 495 213 0978
8 800 500 9312 (toll free)

United Kingdom

+44 20 3427 1907
0800 279 4977 (toll free)

US

+1 646 254 3366
+1 877 280 1254 (toll free)

Conference ID: 6924522

Alternatively, you can quote the conference call title: “Sistema Fourth Quarter and Full Year 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>	4Q 2015	4Q 2014	Change	FY 2015	FY 2014	Change
Revenues	192,726	194,026	<i>(0.7%)</i>	708,641	646,269	<i>9.7%</i>
Adjusted OIBDA	35,612	29,773	<i>19.6%</i>	176,438	165,335	<i>6.7%</i>
Operating income	1,215	(17,504)	-	69,048	60,329	<i>14.5%</i>
Net income/ (loss) attributable to Sistema	(13,584)	(196,722)	-	33,592	(156,237)	-
<i>Adjusted net income/ (loss) attributable to Sistema</i>	<i>(9,537)</i>	<i>(20,380)</i>	-	<i>(5,354)</i>	<i>(19,123)</i>	-

In 2015, the Group's revenues increased by 9.7% due to consolidation of Segezha Group since the fourth quarter of 2014, robust growth in MTS data traffic revenues and handset sales and continued expansion of Detsky Mir in the Russian market. The share of Sistema's non-public assets in the consolidated revenues increased from 36% in 2014 to 39% in 2015 and 41% in the fourth quarter of 2015. Newly consolidated Segezha Group contributed 5% to total revenues in 2015.

Sistema's revenues declined in the fourth quarter of 2015 year-on-year due to uneven revenue recognition on a number of long-term contracts of RTI. Excluding the effect of RTI's revenue changes, Sistema's revenues increased mainly as a result of growth at MTS and Detsky Mir. Acquisitions of Kronshtadt and agricultural businesses in the fourth quarter of 2015 contributed RUB 1.2 billion and RUB 0.8 billion, respectively, to the Group's revenues.

In 2015, selling, general and administrative expenses (SG&A) grew by 7.7% year-on-year, which is lower than the rate of inflation in Russia over the same period, despite consolidation of Segezha Group and other new assets in 2015. Depreciation and amortisation expenses increased by 8.6% year-on-year in 2015.

The Group's adjusted OIBDA increased by 6.7% year-on-year in 2015, mainly due to consolidation of Segezha Group, organic growth at Detsky Mir and OIBDA improvements at RTI's Defence Solutions and Information and Communication Technologies (ICT) business units. Sistema's non-public assets showed profit on aggregated OIBDA.

Sistema's adjusted OIBDA grew year-on-year in the fourth quarter of 2015 following OIBDA growth at Detsky Mir, contraction of OIBDA loss in SSTL, as well as Medsi and Intourist delivering positive OIBDA.

In 2015, consolidated net income attributable to Sistema amounted to RUB 33.6 billion as compared to net loss in 2014 due to recognised gain from settlement agreements with Ural-Invest.

OPERATING REVIEW⁴

MTS

<i>(RUB millions)</i>	4Q 2015	4Q 2014	Change	FY 2015	FY 2014	Change
Revenues	113,325	107,202	5.7%	431,232	410,780	5.0%
Adjusted OIBDA ⁵	41,505	38,088	9.0%	171,821	171,558	0.2%
Operating income	16,886	16,594	1.8%	84,135	98,133	(14.3%)
Net income attributable to Sistema	3,815	1,381	176.2%	26,460	28,075	(5.8%)

MTS reported robust results in the fourth quarter and full year 2015, retaining its leadership position among the “Big Three” mobile operators in Russia, and delivering 5.7% year-on-year revenue growth in the fourth quarter and 5.0% revenue growth in 2015. This was primarily driven by increased sales of mobile phones as part of the rapid expansion of MTS’ retail business, higher data revenues and also by growing sales in Uzbekistan.

MTS’ total subscriber base increased by 3.5% to 107.8 million customers as of December 31, 2015. In Russia, MTS continues to attract and retain high-quality subscribers by promoting innovative tariff plans and driving sales through its proprietary network.

Despite continued volatility during the reporting period, adjusted OIBDA remained stable and amounted to RUB 171.8 million in 2015. Adjusted OIBDA margins were only slightly down year-on-year as a result of higher sales volumes of relatively low-margin mobile phones, retail expansion and increased costs of international calls and roaming in connection with the weakening of the rouble.

Net income attributable to Sistema in 2015 declined due to expenses associated with the development of operations in Uzbekistan, goodwill impairment with regards to MTS’ Armenia business and more expensive financing. Net income increased in the fourth quarter of 2015 year-on-year thanks to lower foreign exchange losses compared to 2014.

MTS paid out record dividends of RUB 52.0 billion, during calendar year 2015.

Significant events after the end of the reporting period

In March 2016, MTS announced the transfer of 67,995,335 of its own ordinary shares (in the form of 33,997,667 ADRs), or 3.29% of registered share capital. The shares were transferred to accounts owned by MTS, which qualifies them as treasury shares, which are not eligible to receive dividends. The shares were acquired through the liquidation of MTS Bermuda Ltd., which had held the shares since their acquisition in 2006-2008. Pending further corporate approvals, MTS intends to cancel these shares and reduce its charter capital accordingly.

Segezha Group⁶

<i>(RUB millions)</i>	4Q 2015	4Q 2014	Change	FY 2015
Revenues	8,651	7,171	20.6%	33,436
OIBDA	1,525	1,059	44.0%	6,805
Operating income	1,171	477	145.6%	4,639
Net income attributable to Sistema	1,189	405	193.7%	2,787

Segezha Group (“Segezha”) reported strong growth in revenues and OIBDA in the fourth quarter of 2015 and the full reporting year (based on management accounts of 2014), primarily due to increased sales in its core segments, as well as the strengthening of global currencies in relation to the Russian rouble. The share of export sales in overall revenue amounted to 79% in 2015.

In the fourth quarter of 2015, OIBDA continued to grow as a result of higher sales volumes, stronger energy efficiency, an increased share of high-margin products (namely paper and plywood) and exports in overall sales volumes. In addition, Segezha managed to ramp up sales in its new markets of Asia and North America. Segezha’s OIBDA margin was 17.7% in the fourth quarter, up from 14.8% a year ago. In 2015, Segezha’s OIBDA margin reached 20.4% compared to 13.0% in 2014 (based on management accounts).

⁴ 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.

⁵ Including share in net losses of MTS Bank

⁶ Sistema acquired Segezha Group on September 30, 2014, and has consolidated it starting from the fourth quarter of 2014.

Detsky Mir

<i>(RUB millions)</i>	4Q 2015	4Q 2014	Change	FY 2015	FY 2014	Change
Revenues	20,578	15,652	31.5%	60,544	45,446	33.2%
Adjusted OIBDA	3,245	2,200	47.5%	6,185	4,463	38.6%
Operating income	1,503	2,441	(38.4%)	3,805	4,170	(8.8%)
Adjusted net income attributable to Sistema	1,510	987	52.9%	2,167	1,600	35.4%
Net income	319	1,430	(77.7%)	976	2,043	(52.2%)

Detsky Mir revenues increased by 33.2% for the full year 2015 thanks to like-for-like sales growth of 12.4% combined with continued expansion of the retail space by 26% to 491,000 sq.m. Detsky Mir opened 104 new stores in 2015 (the company's record), bringing the total number of its stores to 425 as of December 31, 2015.

Adjusted OIBDA increased by 38.6% for the full year 2015 as a result of improved operational efficiency. The ratio of administrative expenses to revenues declined from 29.4% in 2014 to 27.8% in 2015 as efficiencies came on line, including further automatization of key business processes.

In 2015, Detsky Mir paid out a record dividend of RUB 3.0 billion.

In December 2015, Sistema, through its subsidiary CJSC DM-Finance, sold 23.1% of JSC Detsky Mir to the Russia-China Investment Fund ("RCIF") for a total consideration of RUB 9.75 billion.

Medsi

<i>(RUB millions)</i>	4Q 2015	4Q 2014	Change	FY 2015	FY 2014	Change
Revenues	2,294	2,458	(6.7%)	8,227	9,764	(15.7%)
OIBDA	377	(326)	-	471	843	(44.1%)
Operating income	307	(581)	-	(161)	249	-
Net income attributable to Sistema	235	(536)	-	(127)	261	-

Revenues at Medsi declined year-on-year in the fourth quarter and full year 2015 as a result of the ending of a state contract in 2014 that had accounted for 24% of total revenues. However, new clients partially offset this effect, with sales to individuals accounting for 37% of revenues in 2015 versus 24% in 2014. Revenue from individuals rose more than 26% in 2015 as patient visits in this segment increased by 29%.

The OIBDA and OIBDA margin of Medsi were also impacted by ending of the large state contract due to decreased utilisation ratios in certain assets. Significant OIBDA growth in the fourth quarter of 2015 year-on-year resulted from optimisation of Medsi's administrative expenses.

Medsi's largest facility, the clinical-diagnostic centre at Belorusskaya accounted for 26% of revenues in 2015, with a 41% OIBDA margin and a 66% utilisation rate, which improved by 2 percentage points year-on-year in 2015.

In December 2015, Medsi opened newly constructed 22,800 square meter clinical-diagnostic centre at Krasnaya Presnya. The centre is able to service more than 1.8 million patient visits per year. Medsi targets to increase the centre's utilisation ratio to 30% during 2016.

Bashkirian Power Grid Company (BPGC)

<i>(RUB millions)</i>	4Q 2015	4Q 2014	Change	FY 2015	FY 2014	Change
Revenues	4,206	3,952	6.4%	14,816	14,061	5.4%
OIBDA	630	1,117	(43.6%)	4,325	5,083	(14.9%)
Operating income	40	610	(93.5%)	2,088	3,279	(36.3%)
Net income attributable to Sistema	124	602	(79.4%)	2,027	2,626	(22.8%)

BPGC's revenue grew by 6.4% in the fourth quarter and by 5.4% for the full year 2015 as a result of organic growth of electricity usage and an increase in the number of connections. Electricity consumption was up 1.7% year-on-year in 2015 thanks to the

addition of new connected customers, in part due to the backdrop of a growing economy in Bashkortostan. Successful implementation of the investment programme and accelerated connection to the distribution grids allowed BPGC to increase the number of new connections.

OIBDA and net income declined for the year as a result of the decreased gains from the sale of non-core assets, combined with the additional provisions to cover potential customer disputes. BPGC's net income excluding these effects for 2015 increased by 2.5%.

RTI

<i>(RUB millions)</i>	4Q 2015	4Q 2014	Change	FY 2015	FY 2014	Change
Revenues	20,815	38,899	(46.5%)	77,287	81,028	(4.6%)
Adjusted OIBDA	2,075	2,753	(24.6%)	7,030	4,816	46.0%
Operating income	1,484	(798)	-	4,548	4,067	11.8%
Adjusted net income attributable to Sistema	(299)	(1,379)	-	(2,074)	(5,622)	-
Net income attributable to Sistema	(299)	(3,589)	-	(2,074)	(3,476)	-

RTI's revenues declined for the full year 2015 and in the fourth quarter of 2015 year-on-year due to uneven revenue recognition on a number of long-term contracts, as well as decreased revenues in the Information and Communication Technologies business unit (ICT, mainly represented by NVision) in particular as a result of disposal of NVision in 2015. Excluding the ICT unit, RTI's revenues grew by 11.8% year-on-year in 2015. Revenue of the Defence Solutions business unit increased by 25% year-on-year in 2015.

Adjusted OIBDA increased for the reporting year by 46.0% following strong revenue performance at the Defence Solutions business unit as well as due to reduced OIBDA loss at ICT.

Sistema Shyam TeleServices Ltd. (SSTL)

<i>(RUB millions)</i>	4Q 2015	4Q 2014	Change	FY 2015	FY 2014	Change
Revenues	3,626	2,674	35.6%	13,965	8,480	64.7%
Adjusted OIBDA	(268)	(1,145)	-	(2,395)	(3,112)	-
Operating loss	(482)	(13,027)	-	(3,227)	(16,592)	-
Adjusted net loss attributable to Sistema	(1,958)	(6,057)	-	(7,721)	(10,202)	-
Net loss attributable to Sistema	(1,958)	(14,316)	-	(7,721)	(18,460)	-

SSTL's revenues increased by 35.6% year-on-year in the fourth quarter and by 64.7% for the full year 2015, mainly driven by rouble depreciation in 2015 and higher data service revenues. In the fourth quarter, total non-voice revenues grew by 28% year-on-year in Indian rupees.

SSTL's OIBDA loss contracted substantially year-on-year in 2015 due to the increase in data revenues, optimisation of sales and marketing costs and reduction in interconnect charges. In the fourth quarter 2015, SSTL became OIBDA positive in all operating circles in India (profitability of operations was offset by expenses at the holding level). SSTL's high-speed data services now cover over 1,250 towns across 9 circles.

Binnopharm

<i>(RUB millions)</i>	4Q 2015	4Q 2014	Change	FY 2015	FY 2014	Change
Revenues	620	659	(5.9%)	1,660	2,485	(33.2%)
OIBDA	236	(58)	-	193	322	(40.0%)
Operating income / (loss)	161	(88)	-	21	136	(84.4%)
Net income/ (loss) attributable to Sistema	104	(118)	-	(68)	(26)	-

Revenue at Binnopharm declined in 2015 and in the fourth quarter of 2015 primarily as a result of a planned reduction of the low-margin distribution business and lowered price for the vaccine of its own production.

The reason for OIBDA decline in 2015, apart from the lower revenue, was an increase in SG&A, as well as expenses to set up the sales and marketing function. Binnopharm's OIBDA was restored in the fourth quarter of 2015, following increased share of sales

from its own products. Earlier in 2015, 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.

In the fourth quarter of 2015, Binnopharm reported net income as compared to net loss in the corresponding period of 2014, following growth of the profitable business lines, as well as due to lower finance expenses.

Binnopharm initiated registration of seven new drugs in the fourth quarter of 2015. In 2015, Binnopharm also completed the roll-out of a commercial division responsible for marketing and sales of its own products.

MTS Bank

<i>(RUB millions)</i>	4Q 2015	4Q 2014	Change	FY 2015	FY 2014	Change
Revenues	5,253	5,209	0.8%	25,619	26,965	(5.0%)
OIBDA	(9,908)	(10,328)	-	(16,969)	(14,571)	-
Operating loss	(10,045)	(10,502)	-	(17,658)	(15,252)	-
Net loss attributable to Sistema	(8,822)	(9,168)	-	(15,282)	(12,392)	-

MTS Bank's revenue was essentially flat year-on-year in the fourth quarter and interest income declined by 27.3% year-on-year for the quarter. For the full year 2015, revenue declined by 3.6% and interest income was down by 18.5%. The bank's OIBDA loss in 2015 was also impacted by an increase in provisions for the loan portfolio to corporate clients. In 2015, the share of corporate clients in the total provision expense amounted to 62%.

The bank continued to cut costs throughout the year. Administrative expenses declined by 16.2% year-on-year in the fourth quarter and by 9.2% for the year.

MTS Bank's gross loans⁷ decreased by 11.4% in 2015 as the bank continued to manage its balance sheet and reduce risk. MTS Bank's top priorities in 2016 are improving the quality of its loan book and continuing to optimise administrative expenses.

Intourist

<i>(RUB millions)</i>	4Q 2015	4Q 2014	Change	FY 2015	FY 2014	Change
Revenues	590	701	(15.8%)	2,454	2,910	(15.7%)
OIBDA	110	(329)	-	441	(56)	-
Operating (loss)/income	53	(376)	-	217	(252)	-
Net loss attributable to Sistema	(44)	(551)	-	(141)	(622)	-

Intourist's revenues declined in the fourth quarter and for the full year 2015 as a result of the expiration of leases with Maxim Resort in Turkey and two hotels in Russia at the end of 2014.

Intourist posted strong OIBDA margins both for the quarter and the full year, following the 2014 write-offs of non-performing assets.

As per the end of 2015, Intourist owned, leased or managed a total of 2,501 hotel rooms across eight properties in Russia, Italy, the Czech Republic and Namibia.

Targin

<i>(RUB millions)</i>	4Q 2015	4Q 2014	Change	FY 2015	FY 2014	Change
Revenues	6,912	7,063	(2.1%)	25,538	27,516	(7.2%)
OIBDA	954	485	96.6%	3,330	3,109	7.1%
Operating income	492	(123)	-	1,711	1,786	(4.2%)
Net income/(loss) attributable to Sistema	293	(287)	-	1,156	1,032	12.0%

⁷ On a stand-alone basis

Targin's revenues decreased year-on-year in the fourth quarter and for the reporting year following disposal of its construction segment. Revenue from key business segments (excluding the construction segment) in 2015 increased by 7.1% largely driven by growth in Targin's core drilling segment, where drilling volumes were up 18% for the year.

Strong growth in OIBDA and OIBDA margin both for the quarter and the full year were due to an increase in revenues attributable to high-margin services, successful well-workover operations in Serbia and optimisation of the business structure. The ratio of administrative expenses to revenues decreased to 1.8% in the fourth quarter of 2015 versus 3.6% in the corresponding period of 2014. The ratio of administrative expenses to revenues for the full year 2015 was 1.9%.

Targin continued to modernise and expand its fleet of drilling rigs and specialised equipment during the reporting period. In 2015, it added five drilling rigs with 160 tonnes of capacity each and one drilling rig with 320 tonnes of capacity. As of December 31, 2015, Targin owned 52 drilling rigs.

Corporate

<i>(RUB millions)</i>	4Q 2015	4Q 2014	Change	FY 2015	FY 2014	Change
Adjusted OIBDA	(6,484)	(5,416)	-	(10,579)	(12,408)	-
Net income/ (loss)	(7,172)	(21,186)	-	25,359	(38,026)	-
Indebtedness	116,806	68,807	69.8%	116,806	68,807	69.8%

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

As of December 31, 2015, Sistema accumulated RUB 50.6 billion of cash⁸ at the Corporate Centre, excluding RUB 38.0 billion represented by other deposits.

In 2015, Sistema generated RUB 39.8 billion of cash at the Corporate Centre through monetisations and dividends from subsidiaries. Sistema received RUB 23.6 billion of dividends from MTS and RUB 5.1 billion from its non-public assets.

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

In February 2016, Sistema's subsidiary LLC LesInvest (parent holding company of Segezha Group) acquired a controlling stake in OJSC Lesosibirsk LDK No. 1, one of the largest vertically integrated wood processing enterprise in Russia, based in Krasnoyarsk region. OJSC Lesosibirsk LDK No. 1 is one of Russia's largest producers of lumber, fibre board, planed mouldings and furniture made from Angara pine. It processes more than 1 million cubic meters of logs annually. The total annual allowable cut comprises 2.9 million cubic meters.

In January 2016, Sistema received official documents confirming that the Russian authorities have dropped all criminal charges and abandoned the criminal case against Sistema's majority shareholder and Chairman of the Board of Directors, Mr Vladimir Evtushenkov, in connection with the acquisition of BashTEK group as it was found that no crime was committed.

In December 2015, Sistema, through its subsidiary CJSC DM-Finance, sold 23.1% of JSC Detsky Mir to the Russia-China Investment Fund ("RCIF") for a total consideration of RUB 9.75 billion.

In December 2015, Sistema acquired all of an additional share issue of its 100% subsidiary Agroholding Steppe for RUB 8.9 billion. The proceeds from the transaction were used by Agroholding Steppe to acquire new businesses, in particular a large milk producer, Rodina; the largest greenhouse complex in Russia, Agrokombinat Yuzhny; and orchard assets.

In December 2015, LLC Razvitie, a real estate development joint venture (50/50) between Sistema and a leading Russian real estate developer LSR Group, won the right to acquire 100% of LLC ZIL-Yug. LLC Razvitie will pay RUB 34.2 billion over the course of eight years for the asset, which has development rights for 109.9 hectares of land in the south-central district Moscow. Sistema plans to finance with its own funds up to 10% of its share of the acquisition cost (or up to RUB 1.7 billion), while the rest of the funds are expected to come from private third-party investors.

In November 2015, 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. Following the completion of the transaction, RCom will take responsibility for payment of SSTL's frequency spectrum licensing fees payable by installments to the Department

⁸ Based on management accounts.

of Telecommunications of India. The stock exchange and the Competition Commission of India have both approved the transaction. Similarly, all necessary shareholder and creditor approvals have been properly secured. The completion of the transaction is now subject to final courts and DoT approvals.

In October 2015, Sistema acquired an additional 25.02% stake in Medsi Group JSC for RUB 6.1 billion, with 50% to be paid over the course of one year. Increasing Sistema's stake to 100% will enable Medsi to expand its private clinic network, actively build new medical facilities, and improve management efficiency. It will also support Medsi's further growth by opening up opportunities to bring in new strategic and financial investors as shareholders.

In October 2015, Sistema acquired 100% of JSC Kronshtadt Group ("Kronshtadt") and its subsidiaries for RUB 4.8 billion. Kronshtadt produces world-class high-technology products and solutions for the aircraft manufacturing, defence, security and transportation industries.

In February 2016, Sistema acquired 2,641,957 ordinary shares of MTS Bank, placed as part of an earlier approved additional issue, for a total consideration of RUB 3.7 billion. Sistema's direct ownership of MTS Bank increased from 69% to 70% as a result of the transaction.

In December 2015, Sistema agreed an unsecured six-year credit line with a total limit of US\$ 350 million from China Development Bank and Bank of China.

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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, pulp and paper, banking, retail, tourism and healthcare services. Founded in 1993, the Company reported revenues of RUB 708.6 billion for 2015, and total assets of RUB 1.3 trillion as at December 31, 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
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEARS AND THREE MONTHS ENDED DECEMBER 31, 2015 AND 2014
(Amounts in millions of Russian roubles, except for per share amounts)

	Year ended December 31, (audited)		Three months ended December 31, (unaudited)	
	2015	2014	2015	2014
Revenue	708,641	646,269	192,726	194,026
Cost of sales	(377,516)	(326,920)	(111,907)	(115,194)
Selling, general and administrative expenses	(149,636)	(138,991)	(46,419)	(41,620)
Depreciation and amortisation	(94,915)	(87,401)	(23,620)	(23,578)
Impairment of long-lived assets	(7,675)	(16,785)	(2,130)	(10,520)
Impairment of financial assets	(7,327)	(18,991)	(7,095)	(18,991)
Taxes other than income tax	(4,524)	(7,406)	166	(2,184)
Share of the profit or loss of associates and joint ventures	4,377	2,092	1,267	404
Gain on reentry into Uzbekistan	-	6,734	-	3,127
Gain on acquisition of Segezha Group	-	2,488	-	-
Other income/(expense)	(2,377)	(760)	(1,773)	(2,974)
OPERATING INCOME	69,048	60,329	1,215	(17,504)
Finance income	18,526	8,047	6,445	2,176
Finance expense	(51,174)	(33,030)	(14,612)	(8,677)
Foreign currency transaction loss	(16,319)	(37,135)	(6,538)	(20,893)
PROFIT/(LOSS) BEFORE INCOME TAX	20,081	(1,789)	(13,490)	(44,898)
Income tax expense	(17,944)	(17,314)	(3,306)	(730)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	2,137	(19,103)	(16,796)	(45,628)
Profit/(loss) from discontinued operations	49,029	(109,215)	5,213	(155,243)
PROFIT/(LOSS) FOR THE YEAR	51,166	(128,318)	(11,583)	(200,871)
Noncontrolling interests	(17,574)	(27,919)	(2,001)	4,149
PROFIT/(LOSS) ATTRIBUTABLE TO SISTEMA JSFC	33,592	(156,237)	(13,584)	(196,722)
Income per share, basic and diluted, Russian roubles	3.57	(16.71)	(1.44)	(20.98)

SISTEMA JSFC AND SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015, 2014 AND JANUARY 1, 2014
(Amounts in millions of Russian roubles)

	December 31,	December 31,	January 1,
	2015	2014	2014
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	429,163	400,648	649,215
Investment property	14,085	10,229	8,041
Goodwill	43,861	45,992	43,457
Other intangible assets	118,188	97,950	72,517
Investments in associates and joint ventures	22,219	20,219	30,925
Deferred tax assets	25,966	23,699	13,055
Other financial assets	112,236	112,756	102,929
Deposits in banks	45,696	14,042	3,000
Other assets	15,328	10,115	13,130
Total non-current assets	<u>826,742</u>	<u>735,650</u>	<u>936,269</u>
CURRENT ASSETS:			
Inventories	73,736	47,582	61,029
Trade and other accounts receivable	74,276	78,961	81,348
Advances paid and prepaid expenses	17,544	22,335	39,609
Current income tax receivable	6,051	8,723	7,370
Other taxes receivable	20,993	19,918	23,496
Other financial assets	78,020	92,126	127,706
Deposits in banks	76,117	10,668	21,148
Other assets	2,101	1,011	1,203
Cash and cash equivalents	122,775	119,967	104,464
Total current assets	<u>471,613</u>	<u>401,291</u>	<u>467,373</u>
TOTAL ASSETS	<u>1,298,355</u>	<u>1,136,941</u>	<u>1,403,642</u>

SISTEMA JSFC AND SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015, 2014 AND JANUARY 1, 2014 (CONTINUED)
(Amounts in millions of Russian roubles)

	December 31, 2015	December 31, 2014	January 1, 2014
LIABILITIES AND EQUITY			
SHAREHOLDERS' EQUITY:			
Share capital	869	869	869
Treasury stock	(4,806)	(6,913)	(12,118)
Additional paid-in capital	80,778	72,202	72,977
Retained earnings	118,615	89,444	264,994
Accumulated other comprehensive (loss)/income	(7,079)	418	1,875
Total Sistema JSFC shareholders' equity	<u>188,377</u>	<u>156,020</u>	<u>328,597</u>
Noncontrolling interests	62,013	77,687	138,357
TOTAL EQUITY	<u>250,390</u>	<u>233,707</u>	<u>466,954</u>
NON-CURRENT LIABILITIES:			
Borrowings	414,103	336,425	349,874
Put options over non-controlling interests	-	47,531	32,481
Bank deposits and liabilities	7,275	15,543	25,284
Deferred tax liabilities	43,599	38,130	61,026
Provisions	4,190	4,341	14,521
Other financial liabilities	28,224	24,684	12,666
Other liabilities	11,172	8,866	11,413
Total long-term liabilities	<u>508,563</u>	<u>475,520</u>	<u>507,265</u>
CURRENT LIABILITIES:			
Borrowings	142,657	126,008	81,689
Put options over non-controlling interests	65,684	3,192	-
Trade and other accounts payable	137,055	115,158	135,912
Bank deposits and liabilities	115,529	115,067	126,479
Advances received	24,953	23,294	26,264
Subscriber prepayments	20,955	20,424	20,252
Income tax payable	831	1,025	233
Other taxes payable	14,524	11,589	26,422
Dividends payable	210	75	495
Provisions	10,151	9,854	11,677
Other short-term financial liabilities	6,853	2,028	-
Total current liabilities	<u>539,402</u>	<u>427,714</u>	<u>429,423</u>
TOTAL LIABILITIES	<u>1,047,965</u>	<u>903,234</u>	<u>936,688</u>
TOTAL LIABILITIES AND EQUITY	<u>1,298,355</u>	<u>1,136,941</u>	<u>1,403,642</u>

SISTEMA JSFC AND SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Amounts in millions of Russian roubles)

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit/(loss) for the period	51,166	(128,318)
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	94,915	109,200
Share of the profit or loss of associates and joint ventures	(4,377)	(1,985)
Finance income	(18,526)	(12,398)
Finance costs	51,174	45,000
Income tax expense	17,944	17,314
Foreign currency transactions loss	16,319	35,944
Net gain from fair value adjustment of financial instruments through profit or loss	(1,076)	-
Loss/(profit) on disposal of property, plant and equipment	461	789
Gain from settlement with Ural-Invest, net of tax effect	(49,029)	-
Loss from deconsolidation of Bashneft	-	164,163
Gain on disposal of subsidiaries	(1,262)	(4,777)
Gain on reentry into Uzbekistan	-	(6,734)
Gain on acquisition of Segezha Group	-	(2,488)
Amortization of connection fees	(2,362)	(1,912)
Allowance for loan losses	21,788	16,257
Dividends received from affiliates	3,622	2,704
Non-cash compensation to employees	3,292	3,052
Impairment of long-lived assets	7,675	16,785
Impairment of financial assets	7,327	26,761
Other non-cash items	2,447	2,738
	<u>201,498</u>	<u>282,095</u>
Movements in working capital:		
Bank loans to customers and interbank loans due from banks	14,279	38,758
Bank deposits and liabilities	(7,806)	(19,649)
Financial assets at fair value through profit or loss	(966)	12,868
Trade and other accounts receivable	7,845	(3,744)
Advances paid and prepaid expenses	5,814	9,707
Other taxes receivable	(776)	(24,171)
Inventories and spare parts	(24,926)	(7,767)
Trade and other accounts payable	19,050	29,319
Subscriber prepayments	2,892	2,672
Other taxes payable	2,805	(1,119)
Advances received and other accrued expenses	1,451	20,578
Interest paid	(48,304)	(45,749)
Income tax paid	(16,784)	(29,330)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>156,072</u>	<u>264,468</u>

SISTEMA JSFC AND SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Amounts in millions of Russian roubles)

	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchases of property, plant and equipment	(106,561)	(136,558)
Proceeds from sale of property, plant and equipment	3,682	3,064
Net cash provided by/(used in) investing activities of Bashneft	10,821	(52,818)
Payments for purchases of intangible assets	(32,662)	(20,626)
Payments for businesses, net of cash acquired	(14,421)	(57,713)
Purchase of investments in affiliated companies	(3,077)	(8,614)
Purchase of financial assets, long-term	(56,584)	(36,679)
Proceeds from sale of financial assets, long-term	1,482	24,132
Increase in restricted cash	(1,885)	-
Purchase of financial assets, short-term	(41,425)	(56,184)
Proceeds from sale of subsidiaries, net of cash disposed	-	5,947
Proceeds from sale of financial assets, short-term	42,103	77,848
Interest received	18,283	11,116
NET CASH USED IN INVESTING ACTIVITIES	(180,244)	(247,085)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	177,606	221,238
Principal payments on borrowings	(129,478)	(125,655)
Debt issued costs	(1,162)	-
Payments to purchase treasury stock	(456)	-
Acquisition of non-controlling interests in existing subsidiaries	(3,452)	(20,643)
Dividends paid	(27,535)	(79,041)
Cash inflow under credit guarantee agreement related to foreign-currency hedge	6,706	-
Proceeds from capital transactions with non-controlling interests	9,718	1,457
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	31,947	(2,644)
Impairment of cash and cash equivalents	(1,697)	-
Effect of foreign currency translation on cash and cash equivalents	(3,270)	764
Net increase in cash and cash equivalents	2,808	15,503
Cash and cash equivalents at the beginning of the period, including discontinued operations	119,967	104,464
Cash and cash equivalents at end of the period	122,775	119,967

SISTEMA JSFC AND SUBSIDIARIES
SEGMENTAL BREAKDOWN FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Amounts in millions of Russian roubles)

	External revenues		Inter-segment revenue		Segment operating income	
	2015	2014	2015	2014	2015	2014
MTS	430,267	410,780	965	-	85,645	99,772
RTI	69,384	68,855	7,903	12,173	4,548	4,067
MTS Bank	25,157	26,825	462	139	(17,658)	(15,252)
SSTL	13,965	8,480	-	-	(3,227)	(16,592)
Corporate	2,272	1,920	1,145	976	(14,392)	(20,887)
Other	167,596	129,408	5,027	1,024	10,257	3,962
	708,641	646,269	15,503	14,312	65,173	55,070
Inter-segment eliminations					3,875	5,259
Operating income					69,048	60,329
Finance income					18,526	8,047
Finance costs					(51,174)	(33,030)
Foreign currency exchange loss					(16,319)	(37,135)
Profit before tax					20,081	(1,789)

	Additions to non-current assets		Depreciation and amortisation		Other non-cash items	
	2015	2014	2015	2014	2015	2014
MTS	99,477	126,040	82,473	75,021	5,216	(1,501)
RTI	4,768	4,954	2,482	3,273	431	2,778
MTS Bank	1,145	2,196	689	681	19,207	10,006
SSTL	-	1,538	832	2,320	-	11,160
Corporate	2,476	1,080	523	548	1,273	8,421
Other	41,973	32,118	7,916	5,558	4,160	1,785
	149,839	167,926	94,915	87,401	30,287	32,649

Attachment A

Operating Income Before Depreciation and Amortization (OIBDA) and OIBDA margin. OIBDA represents operating income before depreciation and amortisation. 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 under IFRS and should be considered in addition to, but not as a substitute for, the information contained in our consolidated statement of profit and loss. 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 IFRS, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. OIBDA 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/(loss) attributable to Sistema shareholders. The Company uses adjusted OIBDA, adjusted operating income and adjusted net income/(loss) attributable to Sistema shareholders to evaluate financial performance of the Group. These represent underlying financial measures adjusted for a number of one-off gains and losses. 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 one-off gains and losses.

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

<i>RUB millions</i>	2015	2014	4Q 2015	4Q 2014
Operating income	69,048	60,329	1,216	(17,503)
Impairment of goodwill (MTS Armenia)	3,516	-	3,516	-
Impairment of goodwill (Detsky Mir)	363	-	363	-
Impairment of long-lived assets (SSTL)	-	11,160	-	11,160
Impairment of long-lived assets (RTI)	-	2,600	-	2,600
Impairment of other long-lived assets (SG-trading and other)	3,609	-	3,609	-
Impairment of cash and deposits in Delta Bank (MTS)	1,698	5,138	-	5,138
Impairment of other financial assets	1,273	7,930	1,273	7,930
Other non-recurring expenses	2,016	-	2,016	-
Gain on acquisition of Segezha Group	-	(2,488)	-	-
Gain from re-entrance into Uzbekistan (MTS)	-	(6,734)	-	(3,131)
Adjusted operating income	81,523	77,935	11,993	6,194
Depreciation and amortisation	94,915	87,400	23,619	23,579
Adjusted OIBDA	176,438	165,335	35,612	29,773

Adjusted net loss attributable to Sistema shareholders can be reconciled to our consolidated statements of profit and loss as follows:

<i>RUB millions</i>	2015	2014	4Q 2015	4Q 2014
Net income/(loss) attributable to Sistema	33,592	(156,237)	(13,580)	(196,721)
Impairment of goodwill (MTS Armenia)	1,880	-	1,880	-
Impairment of goodwill (Detsky Mir)	363	-	363	-
Impairment of long-lived assets (SSTL)	-	8,258	-	8,258
Impairment of long-lived assets (RTI)	-	2,145	-	2,145
Impairment of other long-lived assets (SG-trading and other)	3,609	-	3,609	-
Impairment of cash and deposits in Delta Bank (MTS)	908	2,747	-	2,747
Impairment of other financial assets	1,273	7,932	1,273	7,932
Other non-recurring expenses	2,016	-	2,016	-
Gain on acquisition of Segezha Group	-	(2,488)	-	-
Gain from re-entrance into Uzbekistan (MTS)	-	(3,601)	-	(3,601)
Gain on settlement agreements with Ural-Invest	(43,897)	-	-	-
Reversal of impairment on deposits (related to deposits received from Ural-Invest)	(5,136)	-	(5,136)	-
Loss on Bashneft disposal (net of Bashneft's net income attributable to Sistema)	-	122,121	-	156,860
Adjusted loss attributable to Sistema	(5,354)	(19,123)	(9,537)	(20,380)

Net debt at the Corporate Centre level. We define net debt as indebtedness less cash, cash equivalents and other 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 Centre level provides useful information to investors because we use this measure in our management of the Corporate Centre's liquidity, financial flexibility, capital structure and leverage. The IFRS financial measure most directly comparable to net debt at the Corporate Centre level is the indebtedness of our Corporate segment as reported in our segment disclosures. Net debt at the Corporate Centre level can be reconciled to the indebtedness of our Corporate segment as follows:

<i>RUB millions</i>	4Q 2015	4Q 2014
Indebtedness of the Corporate segment	116,806	68,807
Cash and cash equivalents	(28,716)	(18,424)
Liquid deposits and financial instruments	(21,864)	(10,389)
Net debt at the Corporate Centre level	66,226	39,994