



FOR IMMEDIATE RELEASE

April 2, 2015

FINANCIAL RESULTS FOR THE FOURTH QUARTER AND THE FULL YEAR ENDED DECEMBER 31, 2014

Moscow, Russia – April 2, 2015 – Sistema JSFC (“Sistema” or the “Company”, together with its subsidiaries, “the Group”) (LSE: SSA), a publicly-traded diversified holding company operating primarily in Russia and the CIS, today announces its audited consolidated US GAAP financial results for the fourth quarter and the full year ended December 31, 2014¹. Following its transfer to the Russian Federation in December 2014 of shares in JSOC “Bashneft”, Bashneft’s results are treated as a disposal, reported as discontinued operations and excluded from the Group’s financial results for all periods presented. The Group’s financial results for the fourth quarter and the full year of 2014 were impacted by the rouble depreciating significantly against the US dollar².

FULL YEAR HIGHLIGHTS

- Consolidated revenues up 7.2% YoY to RUB 631.9 billion (US\$ 16.6 billion)
- Adjusted OIBDA³ down 6.9% YoY to RUB 165.2 billion (US\$ 4.4 billion), with an adjusted OIBDA margin of 26.1%
- Adjusted net income attributable to the Group of RUB 44.2 billion (US\$ 1.2 billion)

FOURTH QUARTER HIGHLIGHTS

- Revenues up 2.1% YoY to RUB 182.9 billion (US\$ 3.9 billion)
- Adjusted OIBDA of RUB 29.9 billion (US\$ 616.0 million)
- Net debt⁴ at the Corporate Holding level amounted to RUB 40.0 billion (US\$ 711 million) as at December 31, 2014
- Cash position⁵ at the Corporate Holding level amounted to RUB 28.8 billion (US\$ 512 million)

BASHNEFT

- On November 7, 2014, the Arbitrazh (Commercial) Court of the City of Moscow (“Arbitrazh Court”) ruled in favor of the civil claim filed by the First Deputy General Prosecutor of Russia seeking to return the shares of JSOC Bashneft (“Bashneft”) held by Sistema and its wholly owned subsidiary Sistema-Invest (“Bashneft Shares”) to the Russian Federation.
- In December 2014, the Bashneft Shares, owned by Sistema and Sistema-Invest, were transferred to the Russian Federation.
- In December 2014, Sistema filed a civil claim with the Arbitrazh Court for the recovery of damages from LLC Ural-Invest (“Ural Invest”), suffered by Sistema as a result of loss of the Bashneft Shares.
- In February 2015, the Arbitrazh Court ruled in favour of Sistema’s claim against Ural-Invest.
- In March 2015, Sistema and Ural-Invest signed a settlement agreement, to the effect that all property owned by Ural-Invest, i.e. cash assets of approximately RUB 46.5 billion, will be transferred to Sistema, of which Sistema has agreed to invest RUB 4.6 billion in the socially important projects of URAL Charitable Fund. On March 30, 2015 the Arbitrazh Court approved the settlement agreement signed by Sistema and Ural-Invest.

¹ Results for the full year are based on the Group’s audited annual financial statements. Results for the fourth quarter 2014 is unaudited.

² The reporting currency of the Group’s US GAAP consolidated financial statements is the US dollar. Here and hereafter, the financial information in Russian roubles has been presented for the users’ convenience and is not derived from audited financial statements. Financial figures in US dollars were converted to roubles using following approach: amounts from the statement of financial position – using closing rates as of the reporting dates, amounts from the income statement – using average rates of the reporting periods except for significant transactions / accruals, which were converted using exchange rate as of date of a transaction /accrual or actual rouble amounts for transactions/accruals nominated in roubles.

³ See Attachment A for definitions and reconciliation of adjusted financial measures to GAAP financial measures.

⁴ Including liquid financial investments, based on management accounts.

⁵ Including liquid financial investments, based on management accounts.

KEY CORPORATE HIGHLIGHTS FOR 2014

- Sistema's wholly-owned subsidiary LLC LesInvest ("LesInvest") acquired 100% of OJSC Segezha Pulp and Paper Mill and 100% of LLC Derevoobrabotka-Proekt. In the fourth quarter of 2014, LesInvest contributed RUB 7.2 billion and RUB 1.1 billion to the Group's consolidated revenue and OIBDA. According to management accounts, total revenues of the newly acquired business amounted to RUB 24.7 billion in 2014, with an OIBDA margin of 12.9%.
- Acquired a 10.8% stake in OZON Holdings Limited ("OZON"), one of Russia's largest e-commerce businesses, for US\$ 75 million. MTS also acquired a 10.8% stake in OZON at the same price.
- Acquired a 40% stake in a holding company that owns Concept Group, one of Russia's leading fashion clothing retailers by revenue growth, for a total consideration of approximately RUB 1 billion.
- Acquired 2,474,818 ordinary shares of MTS Bank's additional share issue for RUB 9.46 billion.
- Acquired 38.75% and 11.25% stakes in CJSC NVision Group ("NVision") in two transactions. As a result, the Group's shareholding in NVision increased to 100%.
- Acquired 49% of the ordinary shares of CJSC Business Nedvizhimost from CJSC MGTS-Nedvizhimost, for RUB 3.1 billion. As a result, Sistema's ownership in CJSC Business Nedvizhimost increased to 100%.

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

"In spite of the severe challenges and macroeconomic difficulties faced by Sistema in 2014, we have yet again demonstrated the resilience of our business model by generating a 7.2% year-on-year rouble top-line growth. We remain a diversified and balanced investment company with our developing assets contributing more than 40% of the Group's total revenues in the fourth quarter. Our companies are now more resilient to withstand downturns than they were in 2008 with a comfortable net debt/adjusted OIBDA ratio of below 2 in the reporting year.

Despite the fact that the Group's results were largely impacted by certain non-cash one-off items and the deconsolidation of Bashneft, we reported strong operating and financial results, particularly Detsky mir demonstrated excellent performance. As of the end of 2014, we have started to consolidate our pulp and paper asset LesInvest, which brought RUB 7.2 billion of revenues and RUB 1.1 billion of OIBDA in the fourth quarter alone. We are seeing the first results of our restructuring of Targin, which earned RUB 23.5 billion of revenues and improved its OIBDA margin from 8% in 2013 to 13% in 2014.

Our reshaped investment portfolio includes a number of strong promising businesses, offering a unique exposure to Russia's growing sectors. In 2014, despite all the challenges, we continued implementing our strategy and acquired stakes in OZON Holdings Limited and Concept Group, giving us access to the e-commerce and clothes retail sectors. We also entered the pulp and paper market by investing in industry leaders with exciting prospects and substantial turnaround potential.

Looking ahead, we are optimistic about the prospects of the Russian market and are focused on developing and enhancing our investment portfolio both organically and through M&A, driving high returns, and continuing to reward our shareholders."

Conference call information

Sistema's management will host an analyst conference call today at 10.00 am (EST)/ 3.00 pm (London time) / 4.00 pm (CET)/ 5.00 pm (Moscow time) to present and discuss the fourth quarter and full year 2014 results.

The dial-in numbers for the conference call are:

UK/ International: +44 (0)20 3427 1900

US: +1 646 254 3363

Conference ID: 1369878

Alternatively you can quote the conference call title: "Sistema Fourth Quarter and Full Year 2014 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.

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FINANCIAL SUMMARY AND GROUP OPERATING REVIEW

<i>(US\$ millions)</i>	4Q 2014	4Q 2013	Change	FY 2014	FY 2013	Change
Revenues	3,897.9	5,530.3	(29.5%)	16,585.0	18,502.0	(10.4%)
Adjusted OIBDA	616.0	1,411.8	(56.4%)	4,438.3	5,570.2	(20.3%)
Operating (loss)/ income	(388.8)	(140.0)	-	1,738.4	3,566.6	(51.3%)
<i>Adjusted operating income</i>	120.9	751.7	(83.9%)	2,146.1	2,936.7	(26.9%)
Net (loss)/ income attributable to Sistema	(5,339.8)	47.7	-	(4,087.6)	2,257.5	-
<i>Adjusted net (loss)/income attributable to Sistema</i>	(2.6)	556.4	-	1,194.9	1,623.5	(26.4%)

<i>(RUB millions)</i>	4Q 2014	4Q 2013	Change	FY 2014	FY 2013	Change
Revenues	182,897	179,124	2.1%	631,865	589,251	7.2%
Adjusted OIBDA	29,910	45,922	(34.9%)	165,171	177,400	(6.9%)
Operating (loss)/ income	(14,402)	(3,602)	-	60,876	113,588	(46.4%)
<i>Adjusted operating income</i>	6,685	24,445	(72.7%)	78,353	93,527	(16.2%)
Net (loss)/ income attributable to Sistema	(276,866)	2,029	-	(232,556)	71,898	-
<i>Adjusted net income attributable to Sistema</i>	1,814	17,967	(89.9%)	44,194	51,706	(14.5%)

In the fourth quarter and in 2014, the Group's revenues decreased in US dollar terms, mainly as a result of the rouble depreciating against the US dollar by an average of 20.8% in 2014 and by 45.8% in the fourth quarter.

In 2014, Sistema recognised loss from certain one-off items, which significantly impacted the Company's financial results. The largest one-off items include: US\$ 5.0 billion loss from the deconsolidation of Bashneft, US\$ 290.0 million loss from the impairment of long-lived assets in India (SSTL) and US\$ 92.5 million of accrued provisions for cash and deposits in Delta Bank (MTS).

Sistema's consolidated revenues in rouble terms increased by 7.2% year-on-year in 2014 and by 2.1% year-on-year in the fourth quarter despite the challenging economic environment, and reflect a strong contribution from all the Group's companies, particularly from MTS, Detsky mir, as well as Targin (acquired in the third quarter of 2013) and the pulp and paper business (acquired in the third quarter of 2014). Ten of Sistema's 13 major assets demonstrated revenue growth in 2014 in rouble terms.

As of the fourth quarter of 2014, the Company began consolidating LesInvest into the Group's financial results. In the fourth quarter of 2014, LesInvest already contributed RUB 7.2 billion and RUB 1.1 billion to the Group's consolidated revenue and OIBDA. The consolidation of Targin contributed approximately RUB 16 billion to the Group's revenue growth for the full year of 2014.

In 2014, selling, general and administrative expenses (SG&A) grew in rouble terms by 6.2% year-on-year, which is lower than the rate of inflation. Depreciation and amortisation expenses increased by 3.5% year-on-year in rouble terms in 2014.

The Group's adjusted OIBDA decreased by 6.9% year-on-year in rouble terms in 2014, mainly due to accrued provisions for the loan portfolio to individuals at MTS Bank. Eleven of Sistema's 13 major companies reported positive adjusted OIBDA in the reporting year.

In 2014, adjusted consolidated net income attributable to Sistema decreased by 14.5% year-on-year in rouble terms, mainly due to US\$ 548.6 million (RUB 21.1 billion) worth of foreign exchange losses. Nine of Sistema's 13 major companies reported net income in 2014. The Group's net income includes Sistema's share in Bashneft's net profit for the period of ownership: US\$ 1.2 billion in 2014 and US\$ 1.1 billion in 2013.

OPERATING REVIEW⁶

MTS

<i>(US\$ millions)</i>	4Q 2014	4Q 2013	Change	FY 2014	FY 2013	Change
Revenues	2,291.1	3,221.7	<i>(28.9%)</i>	10,865.6	12,510.8	<i>(13.1%)</i>
Adjusted OIBDA	833.7	1,402.7	<i>(40.6%)</i>	4,611.1	5,535.7	<i>(16.7%)</i>
Operating income	406.3	882.5	<i>(54.0%)</i>	2,722.8	3,606.7	<i>(24.5%)</i>
Net income attributable to Sistema	33.5	323.4	<i>(89.6%)</i>	787.1	1,264.6	<i>(37.8%)</i>

<i>(RUB millions)</i>	4Q 2014	4Q 2013	Change	FY 2014	FY 2013	Change
Revenues	107,185	104,750	2.3%	410,758	398,443	3.1%
Adjusted OIBDA	37,838	45,628	<i>(17.1%)</i>	171,812	176,299	<i>(2.5%)</i>
Operating income	16,420	28,735	<i>(42.9%)</i>	98,698	114,866	<i>(14.1%)</i>
Net income attributable to Sistema	909	10,518	<i>(91.4%)</i>	27,725	42,270	<i>(34.4%)</i>

MTS retained its leading position among the “Big Three” operators in Russian telecoms in 2014, both in terms of revenue and profitability. MTS’ revenue in rouble terms increased by 3.1% year-on-year in 2014 and by 2.3% year-on-year in the fourth quarter, as a result of the continued development of its data services and subscriber base growth. The total subscriber base increased by 4.1% to 104.1 million customers as of December 31, 2014. MTS is outperforming the market in terms of revenue growth from mobile data services with a 37% market share⁷ at the end of 2014.

MTS’ adjusted OIBDA decreased by 2.5% year-on-year in rouble terms in 2014, due to impairment of equity stake in MTS Bank. MTS’ net income was down year-on-year as a result of significant foreign exchange losses, which amounted to RUB 18.0 billion in 2014.

In 2014, MTS’ data revenue in Russia increased by 35.9% year-on-year in rouble terms, demonstrating the operator’s sustained investment in 3G/LTE networks, as well as due to offering its subscribers a strong value proposition. Average monthly revenue per user (ARPU) of the mobile business in Russia grew to RUB 339 in the reporting year, reflecting an increase in data services usage. Russian subscribers’ average monthly minutes of usage (MOU) was up 3.6% year-on-year to 372 minutes in 2014. In the fixed broadband business, the number of households passed grew by 2.2% year-on-year to 12.5 million in the reporting year.

During 2014, MTS developed and launched its LTE network in 76 regions and installed a record number for MTS of over 15,000 3G/4G base stations across Russia.

In December 2014, Universal Mobile Systems LLC, MTS’ subsidiary in the Republic of Uzbekistan, commercially launched mobile networks in Uzbekistan. Earlier in November, the International Centre for Settlement of the Investment Disputes discontinued international arbitration proceedings between MTS and the Republic of Uzbekistan following the submission of a joint application by both parties.

In December 2014, MTS acquired Penza-GSM CJSC, SMARTS-Ivanovo CJSC and SMARTS-Ufa CJSC, the regional subsidiaries of SMARTS OJSC, a mobile operator active in the Volga and Central Regions, for a total of RUB 3.13 billion, including debt.

In December 2014, MTS repurchased the Series 03 rouble bond for RUB 3.71 billion put by the bondholders upon the change of its coupon rate to 12.0% per annum. The RUB 10 billion Series 03 rouble-denominated bond with maturity on June 12, 2018 and a two-year put option was issued on June 24, 2008.

In December 2014, MTS signed a partnership agreement with VimpelCom to jointly plan, develop and use LTE networks in certain Russian regions. Under the agreement, between 2014 and 2016, MTS will develop shared mobile data networks in 19 regions, while VimpelCom will construct networks in 17 regions.

In November 2014, MTS completed its dividend payments based on the first half 2014 financial results, which amounted to RUB 6.2 per MTS ordinary share (RUB 12.4 per ADR), or a total of RUB 12.8 billion. In July 2014, MTS paid out annual dividends of RUB 18.6 per MTS ordinary share (RUB 37.2 per ADR), or a total of RUB 38.4 billion, based on the full-year 2013 financial results.

⁶ 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.

⁷ MTS data

In December 2014, MTS participated in MTS Banks rights issue and acquired 952,000 ordinary shares of MTS Bank for RUB 3.64 billion.

Significant events after the end of the reporting period

In February 2015, MTS' subsidiary MTS Ukraine won a tender for a nationwide licence for providing of 3G telecommunications services in the 1950-1965 MHz/2140-2155 MHz ranges as a result of the open tender held by the National Commission for the State Regulation of Communications and Informatization (NCSRCI). Granted for a term of 15 years, the licence cost UAH 2.715 billion. In accordance with the conditions stipulated in the tender documentation, MTS is required to launch 3G services in all of the regional centres across Ukraine within 18 months upon allocation of the licence.

In January 2015, MTS' majority-owned subsidiary MGTS divested its 49.95% stake in Intellect Telecom OJSC to Sistema for RUB 344 million. MGTS also acquired a 89.53% stake in NIS PJSC from Sistema for RUB 44 million.

Detsky mir

<i>(US\$ millions)</i>	4Q 2014	4Q 2013	Change	FY 2014	FY 2013	Change
Revenues	340.9	368.9	<i>(7.6%)</i>	1,182.8	1,130.4	<i>4.6%</i>
OIBDA	63.8	57.1	<i>11.8%</i>	127.8	87.0	<i>46.9%</i>
Operating income	59.7	52.0	<i>14.8%</i>	108.5	67.1	<i>61.7%</i>
Net income attributable to Sistema	35.8	35.0	<i>2.4%</i>	53.2	40.8	<i>30.3%</i>

<i>(RUB millions)</i>	4Q 2014	4Q 2013	Change	FY 2014	FY 2013	Change
Revenues	15,652	11,925	<i>31.3%</i>	45,446	36,001	<i>26.2%</i>
OIBDA	2,647	1,826	<i>44.9%</i>	4,910	2,771	<i>77.2%</i>
Operating income	2,441	1,660	<i>47.1%</i>	4,170	2,137	<i>95.1%</i>
Net income attributable to Sistema	1,430	1,116	<i>28.1%</i>	2,043	1,299	<i>57.2%</i>

Detsky mir saw its rouble revenues increase by 26.2% year-on-year in 2014 to RUB 45.4 billion as a result of double-digit growth in like-for-like sales and high revenue growth dynamics in stores opened in 2012 and 2013. Like-for-like sales increased by 13.6% year-on-year in rouble terms.

During 2014, Detsky mir opened 72 new stores, including 56 Detsky mir stores and 16 ELC stores. The retailer's market share expanded to 10.0% in 2014 from 8.2% in 2013, particularly Detsky mir's market share increased from 13.2% to 16.3% in the "toys" segment and from 9.2% to 11.9% in the "baby products" segment⁸.

Detsky mir's OIBDA in rouble terms grew by 77.2% year-on-year in 2014 and by 44.9% year-on-year in the fourth quarter. The OIBDA margin increased to 10.8% in 2014 compared to 7.7% in 2013, reflecting improved operating efficiency. Detsky mir's SG&A expenses declined as a percentage of revenues to 29.4% in 2014, compared to 31.8% in the previous year.

Key projects implemented during the reporting year include the construction of Detsky mir's warehouse in the Moscow region, the introduction of a unified SAP IT platform and the launch of a 7,000 sq.m. flagship store in the centre of Moscow, which became the biggest children's goods store in Russia.

In December 2014, Vladimir Chirakhov, CEO of Detsky mir, became its minority shareholder, owning a 1.08% stake, as part of a long-term incentive programme for the top management.

In August and December 2014, Detsky mir paid RUB 2.5 billion in dividends to its shareholders.

Medsi

<i>(US\$ millions)</i>	4Q 2014	4Q 2013	Change	FY 2014	FY 2013	Change
Revenues	47.8	77.7	<i>(38.6%)</i>	254.2	294.0	<i>(13.5%)</i>
OIBDA	(10.5)	13.0	-	22.5	44.2	<i>(49.0%)</i>
Operating (loss)/ income	(13.5)	9.5	-	9.9	30.4	<i>(67.4%)</i>
Net (loss)/ income attributable to Sistema	(8.7)	28.4	-	13.9	31.8	<i>(56.3%)</i>

<i>(RUB millions)</i>	4Q 2014	4Q 2013	Change	FY 2014	FY 2013	Change
Revenues	2,461	2,526	<i>(2.6%)</i>	9,767	9,362	<i>4.3%</i>

⁸ Source: Synovate Comcon

OIBDA	(303)	422	-	866	1,408	(38.5%)
Operating (loss)/ income	(449)	307	-	382	970	(60.6%)
Net (loss)/ income attributable to Sistema	(264)	904	-	533	1,011	(47.3%)

Medsi's rouble revenues grew by 4.3% year-on-year in 2014, reflecting an 0.7% rise in the number of patient visits, and a 4.0% increase in the average bill in rouble terms, which totalled RUB 1,618. The number of patient visits in 2014 increased to 6,035 thousand. This growth was, however, offset by the closure of inefficient clinics in the regions, as well as by the temporary closure of some of Medsi's facilities in Moscow and the Moscow region for reconstruction. While revenue per one square meter increased by 13.6%.

The share of individual contracts in the company's revenues decreased by 0.5 p.p. to 24%, while the share represented by insurance companies and legal entities increased to 42% and 11%, respectively. Medsi's largest asset, clinical and diagnostic centre at Belorusskaya, generated 12.9% revenue growth in rouble terms, and an OIBDA margin of 45.9% in 2014.

SG&A expenses increased by 22.5% year-on-year in 2014 as a result of higher personnel and marketing costs in the fourth quarter of 2014. The new marketing programme was designed to increase the utilisation of existing and new facilities, as well as to enhance brand awareness. Medsi's OIBDA decreased by 38.5% year-on-year in rouble terms.

Medsi's healthcare facilities currently span an area of 228,700 sq.m, an 8.1% year-on-year decrease following the closure of some clinics, and the temporary closure of the first pavilion of the "Otradnoe" sanatorium for reconstruction. As of December 31, 2014, Medsi's network consisted of 17 medical clinics, including specialised children's clinics and large clinical and diagnostic centres, 7 clinics in the Russian regions, 55 first aid stations across the country, 3 hospitals, an ambulance service, a home treatment service, wellness centres and 3 sanatoriums.

In 2014, Medsi launched three investment projects in Moscow, including the construction of a new clinical and diagnostic centre in Krasnaya Presnya, which will include an adult and children's in-patient hospital. This new clinical and diagnostic centre is scheduled to open in the second half of 2015. The company also commenced reconstructing the clinics in Otradnoe and on Khoroshevskoye highway, which is planned to be converted into a specialised children's clinic.

Bashkirian Power Grid Company (BPGC)

<i>(US\$ millions)</i>	4Q 2014	4Q 2013	Change	FY 2014	FY 2013	Change
Revenues	76.6	116.5	(34.3%)	358.6	416.7	(13.9%)
OIBDA	19.5	54.5	(64.1%)	137.1	177.4	(22.7%)
Operating income	9.0	39.4	(77.1%)	89.6	123.4	(27.4%)
Net income attributable to Sistema	8.9	28.3	(68.4%)	70.3	87.5	(19.7%)

<i>(RUB millions)</i>	4Q 2014	4Q 2013	Change	FY 2014	FY 2013	Change
Revenues	3,797	3,779	0.5%	13,778	13,271	3.8%
OIBDA	1,107	1,763	(37.2%)	5,267	5,651	(6.8%)
Operating income	592	1,325	(55.4%)	3,444	3,981	(13.5%)
Net income attributable to Sistema	542	915	(40.7%)	2,701	2,786	(3.1%)

BPGC's rouble revenue grew by 3.8% year-on-year in 2014 and by 0.5% year-on-year in the fourth quarter, reflecting organic growth in electricity consumption and an increase in technological connections to the power grids. Boiler tariffs for transmission services were frozen in 2014.

BPGC's OIBDA in rouble terms declined by 6.8% year-on-year in 2014 and by 37.2% year-on-year in the fourth quarter. This mainly resulted from a rise in operating expenses in 2014 compared to 2013, as well as from the recognition of income from one-off transactions in 2013, including the disposal of fixed assets and accrued penalties for late customer payments.

Power consumption in 2014 was up 3.2% year-on-year, largely as a result of acceleration of power connections, BPGC obtained 19,790 new consumers, 15.2% more than in 2013.

Distribution grid losses increased from 8.27% in 2013 to 8.46% in 2014, as BPGC started to operate electric grid systems previously owned by territorial grid operators (OJSC Rosenergoatom Concern and LLC Teploelektroset) from the second half of 2014, in addition to the grids already in operation.

In 2014, BPGC's subsidiary, Bashkirenergo LLC, became the first power company in Russia to switch to a 10-year tariff regulation and to determine its rates based on return on invested capital (RAB), while rates of other power companies are set for no more than 5 years. Regulation of tariffs by return on invested capital has a number of advantages for power grid companies, consumers and the country as a whole. These include incentives to reduce costs, solid investments with favourable rates, an opportunity for distribution grid companies to plan development programmes over the long-term, as well

as to improve their service quality and offer predictable tariffs. The 10-year regulation period will allow both energy consumers and energy providers to effectively implement long-term business development planning with the aim of enhancing their investment attractiveness. Investments into the Republic of Bashkortostan's electricity sector will total more than RUB 29 billion for the 10-year period.

In September 2014, Sistema-Invest received a notice from OJSC REESTR about restrictions on transactions with the shares of JSC Bashkirian Power Grid Company owned by Sistema-Invest.

RTI⁹

<i>(US\$ millions)</i>	4Q 2014	4Q 2013	Change	FY 2014	FY 2013	Change
Revenues	654.6	792.5	<i>(17.4%)</i>	1,845.1	2,195.5	<i>(16.0%)</i>
Adjusted OIBDA ¹⁰	60.5	63.1	<i>(4.2%)</i>	118.8	122.7	<i>(3.2%)</i>
Adjusted operating income	40.3	37.1	8.7%	33.0	26.4	25.2%
Adjusted net (loss)/income attributable to Sistema	(41.8)	25.6	-	(114.9)	(21.0)	-

<i>(RUB millions)</i>	4Q 2014	4Q 2013	Change	FY 2014	FY 2013	Change
Revenues	28,763	25,562	12.5%	70,892	69,923	1.4%
Adjusted OIBDA	2,500	2,023	23.6%	4,564	3,908	16.8%
Adjusted operating income	1,525	1,178	29.5%	1,267	839	51.1%
Adjusted net (loss)/ income attributable to Sistema	(1,829)	804	-	(4,416)	(670)	-

In 2014, RTI's rouble revenues increased by 1.4% year-on-year as a result of revenue growth at the Defence Solutions BU and the Microelectronics Solutions BU. In 2014, the Defence Solutions BU delivered a 29.0% year-on-year increase in rouble revenue, following the accelerating execution of radar station construction contracts, which were put on experimental combat duty during the reporting period. Rouble revenue at the Microelectronics Solutions BU grew by 4.1% year-on-year in 2014, reflecting higher sales of integrated circuits as a result of an increase in demand for home technology in the current economic environment. Thus, in 2014, Mikron produced more than 2.8 million chips for passports, delivered 300 million transport tickets, and exported 713 million chips. The revenue growth in both BUs was however offset by decreased revenues at the Information and Communication Technologies BU.

RTI's adjusted OIBDA in rouble terms increased by 16.8% year-on-year in 2014 and by 23.6% year-on-year in the fourth quarter, following revenue growth. The OIBDA margin of Defence Solutions BU exceeded 15% and the OIBDA margin of Microelectronics Solutions BU increased to 11%. The OIBDA loss of the Information and Communication Technologies BU reduced from RUB 2.5 billion in 2013 to RUB 0.8 billion in 2014.

In December 2014, Mikron released its first "Elbrus-2GM" processors using 90 nm technology, based on which JSC MCST plans to launch its production of compact mother cards.

In February 2014, Mikron completed the technological development process behind the creation of its 65 nm integral circuits. The company also is conducting exploratory research to develop its own 45 nm technology.

Sistema Shyam TeleServices Ltd. (SSTL)

<i>(US\$ millions)</i>	4Q 2014	4Q 2013	Change	FY 2014	FY 2013	Change
Revenues	56.7	47.9	18.2%	220.7	209.4	5.4%
Adjusted OIBDA	(25.9)	(33.3)	-	(81.5)	(146.5)	-
Adjusted operating loss	(41.1)	(52.5)	-	(141.8)	(210.2)	-
Adjusted net loss attributable to Sistema	(39.6)	(36.5)	-	(129.7)	(225.1)	-

SSTL's revenues increased by 5.4% year-on-year in 2014 and by 18.2% year-on-year in the fourth quarter, mainly as a result of development of its data segment. Non-voice revenues from both data and VAS accounted for 46.9% of the operator's total revenue in the fourth quarter of 2014, compared to 34.5% in the corresponding period of 2013. SSTL was able to rapidly develop its data services by introducing measures to streamline and improve sales efficiency. This included implementing a pilot project to launch SSTL's distribution sales model in Gurgaon and New Delhi, a pilot project in Kerala providing distributors with loans to purchase voice devices and data transmission equipment, and a model for sharing revenue with distributors in Delhi.

⁹ 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.

¹⁰ Here and hereafter, financial measures of RTI for the second quarter of 2014 were adjusted to exclude one-off item – gain from sale of non-core assets.

In the fourth quarter and in 2014, SSTL significantly narrowed its year-on-year adjusted OIBDA loss despite the active marketing campaign it conducted in the fourth quarter of 2014.

As of December 31, 2014, SSTL's wireless (voice and data) subscriber base totalled 9.0 million. The data subscriber base grew by 23.0% year-on-year in 2014 to 1.6 million. In the fourth quarter, subscribers' MOU increased by 6% year-on-year to 396 minutes. Blended mobile ARPU in rupees grew by 26% year-on-year to INR 122.

In March 2014, in order to develop its data segment, SSTL launched India's cheapest data tariff plans, which provide customers with the MTS Movies service, a free online movie service. SSTL also ran the "MTS Internet Baby" marketing campaign, which was viewed by 25 million people on YouTube.

Sistema Mass Media (SMM)

<i>(US\$ millions)</i>	4Q 2014	4Q 2013	Change	FY 2014	FY 2013	Change
Revenues	22.6	46.0	<i>(51.0%)</i>	87.6	109.8	<i>(20.2%)</i>
OIBDA	6.4	27.2	<i>(76.3%)</i>	25.4	45.7	<i>(44.3%)</i>
Operating income	3.2	7.8	<i>(59.8%)</i>	8.0	6.2	<i>28.3%</i>
Net income attributable to Sistema	2.5	6.1	<i>(59.5%)</i>	2.5	0.5	<i>442.1%</i>

<i>(RUB millions)</i>	4Q 2014	4Q 2013	Change	FY 2014	FY 2013	Change
Revenues	1,064	1,480	<i>(28.1%)</i>	3,366	3,498	<i>(3.8%)</i>
OIBDA	305	870	<i>(65.0%)</i>	977	1,454	<i>(32.8%)</i>
Operating income	136	249	<i>(45.5%)</i>	308	199	<i>54.7%</i>
Net income attributable to Sistema	95	194	<i>(50.8%)</i>	95	15	<i>554.0%</i>

SMM's revenues decreased in rouble terms by 3.8% year-on-year in 2014 and by 28.1% year-on-year in the fourth quarter, while its OIBDA in rouble terms was down 32.8% year-on-year in 2014 and 65.0% year-on-year in the fourth quarter. This reduction mainly reflects the deteriorating market situation, which translated into lower advertising budgets and a consequent drop in demand for TV series, as well as the loss of the Ukrainian market for re-selling and distributing TV shows.

During the reporting year, Stream continued actively developing its ring-back tone service "GOOD'OK" and its informational service "MTS Info". In addition, it launched a new mobile entertainment service, "MTS Pulse". In 2014, MTS Ukraine and MTS Belarus also launched the "GOOD'OK" service for their customers. Primary sales of RBT Stream for MTS Russia customers grew by 31% year-on-year in 2014. Its revenue increased by 60% year-on-year to approximately RUB 1.3 billion and OIBDA totalled approximately RUB 330 million.

Russian World Studios (RWS) remained focused on producing short TV series, expanding its content library to 1,868 hours in 2014, compared to 1,729 in 2013".

In 2014, the Stream-TV subscriber base grew by 10.3% year-on-year to 11.8 million subscribers following its active expansion in Russia and the CIS.

Binnopharm

<i>(US\$ millions)</i>	4Q 2014	4Q 2013	Change	FY 2014	FY 2013	Change
Revenues	13.1	30.4	<i>(57.0%)</i>	64.7	104.3	<i>(38.0%)</i>
OIBDA	(2.3)	6.6	-	8.4	20.5	<i>(59.1%)</i>
Operating (loss)/income	(2.8)	4.6	-	3.5	13.4	<i>(73.5%)</i>
Net (loss)/income attributable to Sistema	(2.5)	1.0	-	0.1	8.9	<i>(98.7%)</i>

<i>(RUB millions)</i>	4Q 2014	4Q 2013	Change	FY 2014	FY 2013	Change
Revenues	659	985	<i>(33.1%)</i>	2,485	3,321	<i>(25.2%)</i>
OIBDA	(58)	212	-	322	652	<i>(50.7%)</i>
Operating (loss)/income	(88)	150	-	136	425	<i>(68.1%)</i>
Net (loss)/income attributable to Sistema	(88)	33	-	4	285	<i>(98.5%)</i>

Binnopharm's rouble revenue declined by 25.2% year-on-year in 2014 and by 33.1% year-on-year in the fourth quarter. The results were impacted by an entry into legal force of a Federal law "On contract system in the area of state procurement" and government's adoption of Federal contract system which practically put freeze on regional procurement of medicines and subsequently resulted in a temporary decrease of revenues from Binnopharm's distribution business by more than 45% in the

first half of 2014. The effects from this reorganisation are expected to normalize in 2015 with Government procurement of drugs generally expected to increase this year.

In the reporting year, Binnopharm continued to supply Regevak B, the vaccine against hepatitis, under the valid government contract. The volume of supply in 2014 decreased by 1.8 million doses year-on-year and amounted to 5.4 million doses which was also one of the reasons for Binnopharm's revenue decline.

In 2014, Binnopharm's OIBDA decreased following a decline in revenue and gross profit. A drop in revenue was expected due to structural changes, but this was supported by corresponding optimisation measures, which led to Binnopharm's SG&A expenses falling by RUB 70 million in 2014. The SG&A/revenue ratio therefore remained at the same level as in 2013.

MTS Bank

<i>(US\$ millions)</i>	4Q 2014	4Q 2013	Change	FY 2014	FY 2013	Change
Revenues	87.9	262.3	(66.5%)	691.4	903.1	(23.4%)
OIBDA	(259.3)	38.8	-	(379.2)	38.1	-
Operating (loss)/income	(262.7)	34.0	-	(397.0)	19.0	-
Net (loss)/income attributable to Sistema	(200.7)	22.2	-	(291.8)	18.8	-

<i>(RUB millions)</i>	4Q 2014	4Q 2013	Change	FY 2014	FY 2013	Change
Revenues	5,209	8,501	(38.7%)	26,565	28,763	(7.6%)
OIBDA	(10,328)	1,236	-	(14,571)	1,214	-
Operating (loss)/income	(10,502)	1,078	-	(15,252)	604	-
Net (loss)/income attributable to Sistema	(7,989)	707	-	(11,212)	598	-

In 2014, MTS Bank's revenues decreased by 7.6% year-on-year in rouble terms. This was largely due to lower revenues reported in the fourth quarter on the back of unfavourable market conditions. The bank reported a net loss in the fourth quarter and in 2014 as a result of accrued provisions needed for the loan portfolio to individuals.

The bank's capital base has grown since the beginning of 2012 from RUB 12 billion to RUB 28 billion in 2014. The equity to capital ratio reached 65% at the end of 2014. In 2014, MTS Bank carried out a cost cutting initiative and optimised its retail offices.

In December 2014, MTS Bank successfully completed its additional share issue and raised RUB 13.1 billion. Its capital adequacy ratio (N1) increased from 19% in 2013 to 25% at the end of 2014. Sistema acquired 2,474,818 ordinary shares of MTS Bank's additional share issue for RUB 9.5 billion.

MTS Bank was included in a government approved list of banks for receiving capitalisation support on preferential terms from the Deposit Insurance Agency.

Intourist

<i>(US\$ millions)</i>	4Q 2014	4Q 2013	Change	FY 2014	FY 2013	Change
Revenues	13.3	20.3	(34.5%)	75.7	88.4	(14.3%)
OIBDA	(9.2)	3.3	-	(1.4)	18.0	-
Operating (loss)/ income	(10.1)	1.8	-	(6.6)	12.3	-
Net loss attributable to Sistema	(9.3)	(1.8)	-	(11.3)	(0.9)	-

<i>(RUB millions)</i>	4Q 2014	4Q 2013	Change	FY 2014	FY 2013	Change
Revenues	701	663	5.6%	2,910	2,815	3.4%
OIBDA	(329)	107	-	(56)	573	-
Operating (loss)/ income	(376)	60	-	(252)	391	-
Net loss attributable to Sistema	(365)	(58)	-	(436)	(27)	-

Intourist's revenues in rouble terms increased by 3.4% year-on-year in 2014 and by 5.6% year-on-year in the fourth quarter, reflecting the strong performance of its hotels abroad, as well as the foreign exchange rate effects. Negative OIBDA was largely due to accrued provisions made for the impairment of certain assets. Excluding this effect, Intourist's OIBDA was up following an increase in revenues.

As of December 31, 2014, Intourist owned and managed 10 hotels across Russia, Italy, the Czech Republic and Namibia. The number of rooms owned, managed and rented in the reporting year totalled 2,617 rooms.

Targin

<i>(US\$ millions)</i>	FY 2014	<i>(RUB millions)</i>	FY 2014
Revenues	612.9	Revenues	23,549
OIBDA	78.3	OIBDA	3,008
Operating income	45.1	Operating income	1,731
Net income attributable to Sistema	26.9	Net income attributable to Sistema	1,032

Targin is an oil services company focused on onshore drilling and work over operations, equipment servicing and manufacturing, transportation and construction. Sistema acquired Targin (formerly known as Bashneft-Service Assets) in October 2013. During 2014, Targin contributed RUB 23.5 billion and RUB 3.0 billion to the Group's consolidated revenue and OIBDA, respectively. Share of revenues related to contracts with Bashneft amounted to 77%.

During 2014, Targin's business was restructured and its operating facilities underwent reconstruction. Capital expenditures totalled RUB 3.7 billion, through which Targin formed four new workover crews, purchased five mobile drilling rigs (160 tonnes each) and a 320 tonne drilling rig, and upgraded five rigs (250 tonnes each). In addition, it bought more than 290 units of special equipment, over 100 units of process equipment for various purposes and other. Approximately 40% of capital expenditure in 2014 was invested in production development, with about 63% of the total cost spent on the drilling segment.

Targin's largest projects in 2015 include the acquisition of four drilling rigs, two fleets of backfill equipment and two fleets of coiled tubing units with pumping nitrogen complexes; the modernisation of a drilling rig, the acquisition of more than 150 units of special equipment, as well as the development of new product lines.

Corporate

<i>(US\$ millions)</i>	4Q 2014	4Q 2013	Change	FY 2014	FY 2013	Change
Adjusted OIBDA ¹¹	(124.5)	(174.0)	-	(322.2)	(330.0)	-
Adjusted net income/(loss)	5.5	(143.0)	-	(314.4)	(441.9)	-
Indebtedness	1,223.1	1,574.5	(22.3%)	1,223.1	1,574.5	(22.3%)

<i>(RUB millions)</i>	4Q 2014	4Q 2013	Change	FY 2014	FY 2013	Change
Adjusted OIBDA	(5,384)	(5,301)	-	(12,381)	(10,511)	-
Adjusted net loss	(760)	(4,400)	-	(12,080)	(14,073)	-
Indebtedness	68,807	51,533	33.5%	68,807	51,533	33.5%

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

In 2014, the Corporate segment's SG&A increased by 4.9% year-on-year in rouble terms, mainly due to one-off optimisation costs in the fourth quarter of 2014. The Corporate segment's interest expense increased by 2.1% year-on-year in 2014 to RUB 5.1 billion.

Significant events after the end of the reporting period

In February 2015, Sistema completed the placement of RUB 10 billion Series BO-01 unconvertible interest-bearing bonds with a par value of RUB 1,000 at the rate of 17% per annum. Coupon payments will be made on a semi-annual basis. The bonds mature in 15 years. In addition, bondholders have the right to redeem their bonds at the point of expiration, 18 months from the date the bonds were placed.

Events related to the deconsolidation of Bashneft

The civil proceedings brought against Sistema and Sistema-Invest

On September 24, 2014, a civil claim was filed with the Arbitrazh (Commercial) Court of the City of Moscow ("Arbitrazh Court") by the First Deputy General Prosecutor of Russia seeking to return shares of JSOC "Bashneft" (Bashneft) held by Sistema and its wholly owned subsidiary Sistema-Invest ("Bashneft Shares") to the Russian Federation (the "Civil Claim"). The Civil Claim asserted that the privatization of Bashneft was unlawful as Bashneft was originally the property of

¹¹ Here and further, OIBDA and net income (loss) of the Corporate segment are shown without an effect of intragroup dividends.

the Russian Federation and, as a result, the authorities of the Republic of Bashkortostan were not legally entitled to privatize Bashneft without obtaining the requisite consents from the Russian Federal authorities.

On November 7, 2014, the Arbitrazh Court issued a written decision, ruling in favour of the Civil Claim.

On November 12, 2014, Sistema's Board of Directors considered and decided not to appeal the decision of the Arbitrazh Court, but rather focus on filing claims for the recovery of damages from the counterparties and/or their legal successors (LLC Ural-Invest) which sold the Bashneft Shares to Sistema and Sistema-Invest.

In December 2014, Bashneft Shares were transferred to the Russian Federation.

In December 2014, Sistema as a good faith buyer filed a claim with the Arbitrazh Court for the recovery of damages from LLC Ural-Invest ("Ural-Invest"), suffered by Sistema as a result of loss of the Bashneft Shares.

In February 2015, the Arbitrazh Court ruled in favour of Sistema's claim for the recovery of RUB 70.7 billion damage from Ural-Invest.

In March 2015, Sistema and Ural-Invest signed a settlement agreement. In accordance with the terms of the settlement agreement, all the property owned by Ural-Invest, i.e. cash assets of approximately RUB 46.5 billion, will be transferred to Sistema.

Given the social importance of the projects of the URAL charitable fund ("Fund"), which is affiliated with Ural-Invest, and in accordance with the terms of the settlement agreement Sistema will invest RUB 4.6 billion of the funds receivable from Ural-Invest to the Fund's socially important charitable projects.

On March 30, the Arbitrazh Court approved the settlement agreement signed by Sistema and Ural-Invest.

Criminal proceedings relating to the privatization of Bashneft

In April 2014, a criminal investigation was commenced in respect of Mr. Ural Rakhimov (the son of Mr. Murtaza Rakhimov, who was the President of the Republic of Bashkortostan during the period when the BashTEK companies were privatized) and Mr. Levon Airapetyan. These persons have been accused of misappropriating Bashneft via an illegal privatization process and have also been accused of legalization with respect to Bashneft.

On September 16, 2014, the majority shareholder and Chairman of the Board of Directors of Sistema, Mr. Vladimir Evtushenkov was charged with legalization of assets that were wrongfully acquired by other persons, and placed under house arrest.

In December 2014, Mr. Vladimir Evtushenkov was released from house arrest and is now participating as normal in business of Sistema Group, as the Chairman of Sistema's Board of Directors.

FINANCIAL REVIEW

Net cash provided by operating activities excluding Bashneft in the fourth quarter decreased by 62.6% quarter-on-quarter and by 75.7% year-on-year to US\$ 288.4 million due to the changes in working capital.

Net cash used in investing activities excluding Bashneft in the fourth quarter of 2014 decreased by 28.7% quarter-on-quarter to US\$ 729.9 million. This was mainly due to the proceeds from closing long-term deposits and the net decrease in loans to customers in the banking division (US\$ 421.1 million and US\$ 230.6 million, respectively, in the reporting quarter). Net cash used in investing activities in 2014 grew by 52.0% year-on-year to US\$ 2,632.8 million, largely as a result of the Group's active acquisition policy. In the reporting year, the Group spent US\$ 594.0 million on purchasing subsidiaries and affiliates, net of cash acquired.

The Group's capital expenditure increased in the reporting quarter by 27.8% year-on-year to US\$ 1,043.7 million, mainly driven by MTS due to US dollar appreciation. The Group's annual capital expenditure slightly decreased by 3.1% year-on-year to US\$ 2,902.6 million in 2014.

Net cash inflow from financing activities excluding Bashneft amounted to US\$ 625.6 million in the fourth quarter of 2014, mostly due to net proceeds of US\$ 519.7 million (excess of proceeds over principal payments) from long-term borrowings. This compared to an outflow of US\$ 959.3 million in the third quarter of 2014 and an outflow of US\$ 1,293.7 million in the corresponding quarter of 2013. In the reporting year, net cash used by the Group in financing activities compared to the previous year, decreased by 53.5% to US\$ 1,164.3 million, as a result of US\$ 761.7 million net proceeds from long-term and short-term borrowings and a US\$ 231.5 million decline in the payments for additional stock in the existing subsidiaries. The decrease also resulted from a US\$ 308.7 million reduction in the dividends paid by the Group to the shareholders of subsidiary companies. This was partly compensated by the US\$ 281.3 million growth in dividend payments to the Group's shareholders in 2014.

The Group's cash and cash equivalents stood at US\$ 1,288.7 million as of December 31, 2014 (net of US\$ 843.7 million attributable to the Group's banking activities) compared to US\$ 1,256.4 million as of September 30, 2014 (net of US\$ 1,303.4 million attributable to the Group's banking activities and of US\$ 521.6 million attributable to Bashneft). The Group's short-term and long-term debt, less cash and cash equivalents and liquid financial instruments, amounted to US\$ 6,974.0 million as of December 31, 2014, compared to US\$ 7,959.5 million as of September 30, 2014.

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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 US\$ 16.6 billion for the full year of 2014, and total assets of US\$ 20.7 billion as at December 31, 2014. 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 STATEMENTS OF OPERATIONS
FOR THE YEARS AND THREE MONTHS ENDED DECEMBER 31, 2014 AND 2013
(Amounts in thousands of U.S. dollars, except per share amounts)

	Year ended December 31,		Three months ended December 31,	
	2014	2013	2014	2013
Sales	\$ 15,886,775	\$ 17,623,153	\$ 3,798,967	\$ 5,271,611
Revenue from banking activities	698,182	878,832	98,903	258,650
TOTAL REVENUES	16,584,957	18,501,985	3,897,870	5,530,261
Cost of sales, exclusive of depreciation and amortization shown separately below	(7,460,524)	(7,907,148)	(1,960,010)	(2,596,788)
Cost related to banking activities, exclusive of depreciation and amortization shown separately below	(760,084)	(523,960)	(304,553)	(129,322)
Selling, general and administrative expenses	(3,431,075)	(3,896,207)	(845,601)	(1,133,446)
Depreciation and amortization	(2,292,118)	(2,633,548)	(495,087)	(660,053)
Taxes other than income tax	(193,122)	(239,814)	(45,336)	(50,096)
Equity in results of affiliates	73,124	29,866	25,423	(28,701)
Impairment of goodwill	-	(258,048)	-	(259,043)
Impairment of other assets	(864,629)	(804,545)	(664,048)	(701,097)
Gain on disposal of investment in RussNeft	-	1,200,000	-	-
Gain from reentry into Uzbekistan	181,305	-	181,305	-
Gain on Bitel case resolution	-	371,100	-	25,000
Other operating expenses	(99,385)	(273,109)	(178,752)	(136,706)
OPERATING INCOME	1,738,449	3,566,572	(388,789)	(139,991)
Interest income	212,774	182,447	46,865	37,580
Interest expense	(811,346)	(960,136)	(165,629)	(207,563)
Change in fair value of derivative instruments	-	30,199	-	32,048
Foreign currency transaction loss	(548,596)	(298,264)	(221,750)	(26,511)
Income / (loss) before income tax	591,281	2,520,818	(729,303)	(304,437)
Income tax expense	(453,417)	(842,107)	26,163	(105,167)
Income / (loss) from continuing operations	137,864	1,678,711	(703,140)	(409,604)
Income of Bashneft operations, net of tax effect of \$427,716 and \$455,637	1,517,054	1,540,489	216,384	467,961
Loss on deconsolidation of Bashneft, net of tax effect of nil	(4,969,011)	-	(4,969,011)	-
NET (LOSS) / INCOME	\$ (3,314,093)	\$ 3,219,200	\$ (5,455,767)	\$ 58,357
Noncontrolling interests	(773,539)	(961,672)	116,016	(10,677)
NET (LOSS) / INCOME ATTRIBUTABLE TO SISTEMA JSFC	\$ (4,087,632)	\$ 2,257,528	\$ (5,339,751)	\$ 47,680
(Loss) / income per share, basic and diluted, U.S. cent	(43.72)	24.43	(56.94)	0.51

SISTEMA JSFC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014 AND 2013
(Amounts in thousands of U.S. dollars, except share amounts)

	December 31, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,288,722	\$ 1,537,492
Short-term investments	479,341	1,562,547
Assets from banking activities, current portion (including cash and cash equivalents of \$843,715 and \$1,132,368)	2,180,196	3,898,740
Accounts receivable,	1,163,092	1,630,593
VAT receivable	236,438	335,289
Inventories and spare parts	1,244,509	1,131,302
Deferred tax assets	245,571	330,388
Other current assets	832,060	1,084,547
Current assets of Bashneft	-	3,054,728
	<u>7,669,929</u>	<u>14,565,626</u>
NON-CURRENT ASSETS:		
Property, plant and equipment,	7,191,394	11,151,341
Advance payments for non-current assets	84,560	162,978
Goodwill	817,537	1,327,779
Other intangible assets,	1,721,389	2,162,700
Investments in affiliates	356,018	365,266
Assets from banking activities, net of current portion	1,374,367	2,554,229
Debt issuance costs,	42,267	78,348
Deferred tax assets	392,866	297,419
Long-term investments	316,625	249,071
Other non-current assets	703,525	714,458
Non-current assets of Bashneft	-	9,619,779
	<u>13,000,548</u>	<u>28,683,368</u>
TOTAL ASSETS	<u>\$ 20,670,477</u>	<u>\$ 43,248,994</u>

SISTEMA JSFC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014 AND 2013 (CONTINUED)
(Amounts in thousands of U.S. dollars, except share amounts)

	December 31, 2014	December 31, 2013
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,584,251	\$ 1,943,133
Liabilities from banking activities, current portion	2,180,491	3,864,415
Taxes payable	290,635	490,564
Deferred tax liabilities	64,947	114,192
Subscriber prepayments, current portion	390,736	620,281
Accrued expenses and other current liabilities	1,315,656	1,567,890
Short-term loans payable	129,938	40,836
Current portion of long-term debt	1,598,770	2,102,911
Current liabilities of Bashneft	-	2,663,432
Total current liabilities	<u>7,555,424</u>	<u>13,407,654</u>
LONG-TERM LIABILITIES:		
Long-term debt, net of current portion	6,534,055	8,375,161
Subscriber prepayments, net of current portion	59,064	101,240
Liabilities from banking activities, net of current portion	167,860	772,525
Deferred tax liabilities	787,631	902,591
Asset retirement obligations	53,715	83,809
Postretirement benefits obligations	45,344	53,943
Property, plant and equipment contributions	41,358	74,174
Other long-term liabilities	475,713	443,032
Non-current liabilities of Bashneft	-	3,734,024
Total long-term liabilities	<u>8,164,740</u>	<u>14,540,499</u>
TOTAL LIABILITIES	<u>15,720,164</u>	<u>27,948,153</u>
Commitments and contingencies	-	-
Redeemable noncontrolling interests	<u>792,766</u>	<u>805,130</u>
SHAREHOLDERS' EQUITY:		
Share capital (9,650,000,000 shares issued; 9,435,902,596 and 9,274,755,045 shares outstanding with par value of 0.09 Russian Rubles, respectively)	30,057	30,057
Treasury stock (214,097,404 and 375,244,955 shares with par value of 0.09 Russian Rubles, respectively)	(246,351)	(426,715)
Additional paid-in capital	2,604,913	2,616,608
Retained earnings	4,210,623	8,993,469
Accumulated other comprehensive loss	(3,743,402)	(906,718)
Total shareholders' equity	<u>2,855,840</u>	<u>10,306,701</u>
Non-redeemable noncontrolling interests	1,301,707	4,189,010
TOTAL EQUITY	<u>4,157,547</u>	<u>14,495,711</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 20,670,477</u>	<u>\$ 43,248,994</u>

SISTEMA JSFC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Amounts in thousands of U.S. dollars, except share amounts)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss)/income	\$ (3,314,093)	\$ 3,219,200
Income from Bashneft	(1,517,054)	(1,540,489)
Loss on deconsolidation of Bashneft	4,969,011	-
Income from continuing operations	<u>137,864</u>	<u>1,678,711</u>
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	2,292,118	2,633,548
Equity in net income of investees	(73,124)	(29,866)
Deferred income tax expense	36,338	140,292
Foreign currency transactions loss	548,596	298,264
Gain from disposal of investment in RussNeft	-	(1,200,000)
Gain on Bitel resolution, net of cash received of \$125,000	-	(246,100)
Gain on reentrance into Uzbekistan	(181,305)	-
Gain on disposal of property, plant and equipment	(26,731)	(7,226)
Gain on disposal of subsidiaries	(139,082)	-
Amortization of connection fees	(23,019)	(60,309)
Allowance for loan losses	260,417	212,081
Dividends received from affiliates	70,369	65,247
Non-cash compensation to employees	79,430	54,158
Impairment of goodwill	-	258,048
Impairment of other assets	864,629	804,545
Other non-cash items	19,937	(15,057)
Changes in operating assets and liabilities, net of effects from purchase of businesses:		
Trading securities	267,153	(406,687)
Accounts receivable	(44,241)	(240,586)
VAT receivable	(17,192)	(174,951)
Inventories and spare parts	(490,362)	(171,320)
Other current assets	(114,574)	(93,381)
Accounts payable	560,603	533,948
Subscriber prepayments	(11,593)	110,112
Taxes payable	(5,394)	109,503
Accrued expenses and other liabilities	<u>281,592</u>	<u>(54,127)</u>
Net cash provided by operating activities excluding Bashneft	4,292,429	4,198,847
Net cash provided by operating activities of Bashneft	<u>2,755,291</u>	<u>2,629,988</u>
Net cash provided by operating activities	<u>\$ 7,047,720</u>	<u>\$ 6,828,835</u>

SISTEMA JSFC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Amounts in thousands of U.S. dollars, except share amounts)

	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchases of property, plant and equipment	\$ (2,362,652)	\$ (2,455,276)
Proceeds from sale of property, plant and equipment	80,332	39,592
Payments for purchases of intangible assets	(539,930)	(539,117)
Payments for businesses, net of cash acquired	(392,409)	(34,664)
Proceeds from sale of subsidiaries, net of cash disposed	150,000	561,402
Purchase of investments in affiliated companies	(201,582)	(63,753)
Payments for purchases of long-term investments	(836,916)	(105,000)
Proceeds from sale of long-term investments	511,227	1,286,292
Payments for purchases of short-term investments	(1,327,702)	(1,337,304)
Proceeds from sale of short-term investments	1,622,718	1,047,317
Payments for purchases of other non-current assets	-	(44,879)
Increase in restricted cash	-	(15,819)
Net decrease/(increase) in loans to customers of the banking division	664,089	(70,458)
Net cash used in investing activities excluding Bashneft	(2,632,825)	(1,731,667)
Net cash used in investing activities of Bashneft (net of cash disposed of \$961,733)	(3,256,540)	(1,158,995)
Net cash used in investing activities	(5,889,365)	(2,890,662)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from/(principal payments on) short-term borrowings, net	185,838	(231,036)
Net decrease in deposits from customers of the banking division	(701,620)	(177,105)
Proceeds from long-term borrowings	2,850,171	1,900,322
Principal payments on long-term borrowings	(2,274,350)	(2,539,405)
Acquisition of non-controlling interests in existing subsidiaries	(67,432)	(299,184)
Dividends paid	(1,198,028)	(1,225,440)
Proceeds from capital transactions with shares of existing subsidiaries	41,141	69,002
Net cash used in financing activities excluding Bashneft	(1,164,280)	(2,502,846)
Net cash provided by/(used in) financing activities of Bashneft	885,338	(580,164)
Net cash used in financing activities	(278,942)	(3,083,010)
Effect of foreign currency translation on cash and cash equivalents	(1,938,436)	(293,247)
Net (decrease)/increase in cash and cash equivalents	(1,059,023)	561,916
Cash and cash equivalents at the beginning of the period including Bashneft	3,191,460	2,629,544
Cash and cash equivalents at the end of the period including Bashneft	2,132,437	3,191,460
Less: cash and cash equivalents of Bashneft at the end of the year	-	(521,600)
Cash and cash equivalents at end of the period *	\$ 2,132,437	\$ 2,669,860
<i>* Cash and cash equivalents at the end of the period comprised of the following:</i>		
<i>Non-banking activities</i>	\$ 1,288,722	\$ 1,537,492
<i>Banking activity</i>	843,715	1,132,368
	\$ 2,132,437	\$ 2,669,860

SISTEMA JSFC AND SUBSIDIARIES
SEGMENTAL BREAKDOWN FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Amounts in thousands of U.S. dollars)

For the year ended December 31, 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)	10,837,126	1,528,287	698,182	220,717	49,967	13,334,279	3,250,678	16,584,957
Intersegment sales	28,521	316,820	17,263	-	25,391	387,995	37,242	425,237
Equity in results of affiliates ^(b)	(37,940)	-	-	-	-	(37,940)	(24,477)	(62,417)
Net interest expense ^(c)	-	-	(377,575)	-	-	(377,575)	-	(377,575)
Depreciation and amortization	1,934,339	85,796	17,735	60,374	14,274	2,112,518	179,600	2,292,118
Operating income/(loss)	2,765,484	172,070	(396,963)	(431,828)	(546,842)	1,561,921	286,744	1,848,665
Interest income	120,926	42,160	-	7,477	106,825	277,388	50,609	327,997
Interest expense	435,117	143,175	-	90,277	135,031	803,600	73,809	877,409
Income tax expense/(benefit)	533,856	33,831	(61,779)	-	(127,264)	378,644	74,773	453,417
Investments in affiliates	152,262	36	-	-	100,448	252,746	95,815	348,561
Segment assets	11,014,182	2,125,279	3,882,609	485,465	1,949,713	19,457,248	3,201,538	22,658,786
Indebtedness ^(d)	5,191,423	841,307	-	568,170	1,223,056	7,823,956	438,807	8,262,763
Capital expenditures ^(e)	2,314,951	105,052	27,592	43,296	28,099	2,518,990	383,592	2,902,582

For the year ended December 31, 2013	<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)	12,488,877	1,685,546	878,832	209,432	46,237	15,308,924	3,193,061	18,501,985
Intersegment sales	21,884	509,963	24,301	-	36,742	592,890	18,115	611,005
Equity in results of affiliates ^(b)	77,615	(1,696)	-	-	-	75,919	(40,165)	35,754
Net interest revenue ^(c)	-	-	40,678	-	-	40,678	-	40,678
Depreciation and amortization	2,244,014	96,374	19,152	63,666	14,378	2,437,584	195,964	2,633,548
Operating income/(loss)	3,662,740	(776,878)	18,954	(210,185)	834,945	3,529,576	84,721	3,614,297
Interest income	87,704	45,045	-	9,522	116,328	258,599	45,791	304,390
Interest expense	486,636	138,020	-	121,513	159,215	905,384	129,802	1,035,186
Income tax expense/(benefit)	720,893	(80,025)	(2,645)	-	140,376	778,599	63,508	842,107
Investments in affiliates	153,168	-	-	-	45,210	198,378	166,886	365,264
Segment assets	15,218,084	2,530,299	6,919,610	847,342	3,572,805	29,088,140	3,250,757	32,338,897
Indebtedness ^(d)	6,682,047	1,228,635	-	596,641	1,574,531	10,081,854	437,054	10,518,908
Capital expenditures ^(e)	2,561,310	95,009	21,379	45,765	73,224	2,796,687	197,706	2,994,393

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

(b) Equity in results of affiliates of MTS segment for the year ended December 31, 2014 includes \$135 million of its share of the earnings of MTS Bank and Stream, which is further eliminated on consolidation (2013: \$5 million).

(c) Represents the net interest result of the Group's 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.

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

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

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.

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>US\$ millions</i>	<i>4Q 2014</i>	<i>3Q 2014</i>	<i>4Q 2013</i>	<i>2014</i>	<i>2013</i>
Operating income	(388.8)	847.0	(140.0)	1,738.4	3,566.6
Impairment of long-lived assets in India (SSTL)	290.0	-	-	290.0	-
Gain from re-entrance into Uzbekistan (MTS)	(79.3)	(102.0)	-	(181.3)	-
Provision cash and deposits in Delta Bank (MTS)	92.5	-	-	92.5	-
Impairment of goodwill and other long-lived assets in RTI	-	-	810.9	-	810.9
Gain on disposal of investment in RussNeft	-	-	-	-	(1,200.0)
Gain on Bitel case resolution	-	-	(25.0)	-	(371.1)
Impairment of financial assets	206.5	-	-	206.5	-
Other	-	-	86.8	-	86.8
Adjusted operating income	120.9	745.0	732.7	2,146.1	2,936.7
Depreciation and amortisation	495.1	605.2	660.1	2,292.1	2,633.5
Adjusted OIBDA	616.0	1,350.2	1,392.8	4,438.3	5,570.2

<i>RUB millions</i>	<i>4Q 2014</i>	<i>3Q 2014</i>	<i>4Q 2013</i>	<i>2014</i>	<i>2013</i>
Operating income	(14,402)	30,495	(3,602)	60,876	113,588
Impairment of long-lived assets in India (SSTL)	11,142	-	-	11,142	-
Gain from re-entrance into Uzbekistan (MTS)	(3,130)	(3,604.0)	-	(6,734)	-
Provision for cash and deposits in Delta Bank (MTS)	5,138	-	-	5,138	-
Impairment of goodwill and other long-lived assets in RTI	-	-	25,789	-	25,789
Gain on disposal of investment in RussNeft	-	-	-	-	(37,932)
Gain on Bitel case resolution	-	-	(777)	-	(11,512)
Impairment of financial assets	7,932	-	-	7,932	-
Other	-	-	2,434	-	3,594
Adjusted operating income	6,685	26,886	23,844	78,353	93,527
Depreciation and amortisation	23,225	21,905	21,477	86,817	83,873
Adjusted OIBDA	29,910	48,790	45,321	165,171	177,400

Adjusted net income attributable to Sistema is calculated as net income attributable to Sistema adjusted for the impacts of the items described above in the amounts attributable to the parent company.

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 US GAAP 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:

US\$ millions	<i>4Q 2014</i>	<i>3Q 2014</i>	<i>4Q 2013</i>
Indebtedness	1,223.1	1,675.1	1,574.5
Cash and cash equivalents	(327.5)	(722.3)	(362.0)
Liquid financial investments	(184.6)	(416.8)	(915.7)
Net debt	711.0	536.0	296.8

RUB millions	<i>4Q 2014</i>	<i>3Q 2014</i>	<i>4Q 2013</i>
Indebtedness	68,807	65,978	51,533
Cash and cash equivalents	(18,424)	(28,451)	(11,849)
Liquid financial investments	(10,389)	(16,416)	(29,970)
Net debt	39,994	21,111	9,714