



FOR IMMEDIATE RELEASE

November 27, 2014

**UNAUDITED FINANCIAL RESULTS FOR
THE THIRD QUARTER ENDED SEPTEMBER 30, 2014**

Moscow, Russia – November 27, 2014 – Sistema JSFC (“Sistema” or the “Company”, together with its subsidiaries, “the Group”) (LSE: SSA), the largest publicly-traded diversified holding company in Russia and the CIS, today announces its unaudited consolidated US GAAP financial results for the third quarter ended September 30, 2014.

BASHNEFT RELATED EVENTS

- On September 24, 2014, a civil claim was filed with the Arbitrazh (Commercial) Court of the City of Moscow by the First Deputy General Prosecutor seeking the return to federal ownership of all shares in Bashneft held by Sistema and Sistema-Invest.
- On November 7, 2014, the Arbitrazh (Commercial) Court of the City of Moscow issued a written decision, ruling in favour of the civil claim seeking the return of Bashneft shares to the Russian Federation. On November 12, 2014, Sistema’s Board of Directors has decided not to appeal this decision and is focusing on filing claims as a buyer in good faith to recover damages from the counterparties and/or their legal successors (Ural-Invest LLC) that sold the Bashneft shares to Sistema and Sistema-Invest.
- In response to these events the Company has launched an internal review of its investment strategy, portfolio composition and corporate costs in order to optimise the Company’s current and future performance.

FINANCIAL HIGHLIGHTS

- Consolidated revenues¹ increased by 5.6% YoY in rouble terms, and were down 4.3% YoY in dollar terms to US\$ 8.9 billion
- Adjusted OIBDA² grew by 2.2% YoY in rouble terms, and decreased by 7.3% YoY in dollar terms to US\$ 2.3 billion, with an adjusted OIBDA margin of 26.0%
- Net income attributable to Sistema amounted to US\$ 379.2 million
- Net debt³ at the Corporate Holding level amounted to US\$ 536 million; cash position at the Corporate Holding level amounted to US\$ 1,139 million as at September 30, 2014.

CORPORATE HIGHLIGHTS FOR THE THIRD QUARTER AND FOLLOWING THE REPORTING PERIOD

- In October 2014, Sistema completed the purchase of 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.
- In October 2014, Sistema signed a binding agreement with OJSC MTS Bank, to acquire 2,474,818 ordinary shares of the bank’s additional share issue for RUB 9,460,684,754.

¹ Here and from hereon, Group’s financial information for the third quarter and nine months of 2014 are presented including Bashneft. Comparison of Sistema’s US GAAP consolidated financial information as of September 30, 2014 and for the nine months then ended to the respective “proforma” financial information prepared as if Bashneft and UPC were deconsolidated starting from January 1, 2014 is presented in Attachment B.

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

³ Net debt is calculated as difference between total debt and cash and cash equivalents, highly liquid deposits and liquid financial investments; based on management accounts. Cash position at the Holding level includes cash and cash equivalents, highly liquid deposits and liquid financial investments; based on management accounts.

- In September 2014, Sistema's subsidiary LLC LesInvest completed the deal to acquire 100% of OJSC Segezha Pulp and Paper Mill and 100% of LLC Derevoobrabotka-Proekt, together with all of their debt obligations to the Bank of Moscow.
- Sistema paid dividends on Sistema's shares of RUB 19.9 billion, representing a payment of RUB 2.06 per ordinary share in the third quarter of 2014.

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

“The reporting period and recent weeks have been the most challenging the Company has faced. Despite our key investments posting a steady performance with consolidated revenue increasing 5.6% to 321 billion roubles and OIBDA growing 2.2% to 83 billion roubles, our results have largely been overshadowed by the events surrounding Bashneft which have unfolded in recent months.

It is clear that this episode has a significant impact on Sistema. A substantive review of our future strategy has already commenced with internal analysis and consultations regarding our future portfolio, corporate costs and investment capacity. Whilst these discussions are still preliminary, we hope that, subject to a swift resolution of the aforementioned legal issues, a more focused holding structure will emerge allowing us to invest further in Russia”.

Conference call information

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

The dial-in numbers for the conference call are:

UK/ International: +44 (0) 20 3427 1919

US: +1 212 444 0896

Conference ID: 7092719

Or quote the conference call title: “Sistema Third Quarter 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.

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

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

Public Relations
Sergey Kopytov
Tel.: +7 (495) 228 15 27
kopytov@sistema.ru

FINANCIAL SUMMARY AND GROUP OPERATING REVIEW

<i>(US\$ millions)</i>	3Q 2014	3Q 2013	Year on Year Change	2Q 2014	Quarter on Quarter Change
Revenues	8,856.5	9,251.0	(4.3%)	8,827.0	0.3%
Adjusted OIBDA	2,304.8	2,487.4	(7.3%)	2,104.2	9.5%
Operating income	1,537.4	2,368.2	(35.1%)	1,340.5	14.7%
<i>Adjusted operating income</i>	1,537.4	1,692.0	(9.1%)	1,340.5	14.7%
Net income attributable to Sistema	379.2	1,329.7	(71.5%)	509.6	(25.6%)
<i>Adjusted net income attributable to Sistema</i>	379.2	644.6	(41.2%)	509.6	(25.6%)

In the third quarter of 2014, Sistema's consolidated revenues increased by 3.7% quarter-on-quarter in rouble terms and by 0.3% quarter-on-quarter in US dollar terms, reflecting strong operating performance at MTS, as well as revenue growth at Detsky mir and RTI. The Group's revenues decreased by 4.3% year-on-year in US dollar terms, but were up 5.6% year-on-year in rouble terms in the reporting period, due to continuing increase in voice and data services consumption at MTS and revenue growth at Bashneft on the back of rouble depreciation against the US dollar.

Selling, general and administrative expenses (SG&A) decreased by 7.1% year-on-year and by 3.2% quarter-on-quarter to US\$ 976.2 million in the reporting quarter, mainly as a result of rouble depreciation against the US dollar. SG&A at the Corporate Holding level decreased by 38.1% year-on-year and 12.5% quarter-on-quarter to US\$ 59.9 million in the reporting quarter. Depreciation, depletion and amortisation expenses were down 3.5% year-on-year to US\$ 767.4 million in the third quarter of 2014.

The Group's adjusted OIBDA was up 9.5% quarter-on-quarter in US dollar terms and 13.3% quarter-on-quarter in rouble terms in the third quarter, mainly as a result of positive growth trends at MTS. The Group's adjusted OIBDA declined by 7.3% year-on-year in US dollar terms, but was up 2.2% year-on-year in rouble terms in the reporting quarter. Sistema's Indian subsidiary, SSTL, reduced its OIBDA loss by 51.3% year-on-year and by 25.3% quarter-on-quarter, while Detsky mir more than doubled its OIBDA quarter-on-quarter and delivered a 38.5% year-on-year increase in rouble terms.

Adjusted consolidated net income attributable to Sistema decreased by 25.6% quarter-on-quarter and by 41.2% year-on-year in US dollar terms in the third quarter, mainly due to US\$ 356.5 million of foreign exchange losses in the third quarter of 2014. The average rouble to US dollar exchange rate decreased by 3.4% quarter-on-quarter and 10.3% year-on-year.

OPERATING REVIEW⁴

MTS

<i>(US\$ millions)</i>	3Q 2014	3Q 2013	Year on Year Change	2Q 2014	Quarter on Quarter
Revenues	2,959.2	3,153.6	(6.2%)	2,824.6	4.8%
Adjusted OIBDA	1,431.0	1,450.5	(1.3%)	1,246.2	14.8%
Operating income	905.1	852.7	6.1%	724.6	24.9%
Net income attributable to Sistema	234.6	289.6	(19.0%)	319.7	(26.6%)

In the third quarter of 2014, MTS increased its revenue by 3.5% year-on-year in rouble terms, as a result of the continued rise in usage of voice and data services. This year-on-year revenue growth was, however, impacted by the devaluation of the Ukrainian hryvnia. MTS' revenues were up 8.3% quarter-on-quarter in rouble terms reflecting seasonally higher roaming revenues, subscriber base growth and increased sales of smartphones. In the reporting quarter, adjusted OIBDA increased by 8.9% year-on-year in rouble terms following revenue growth and the transfer of a 50.01% stake in Universal Mobile Systems LLC ("UMS"), a subsidiary in Uzbekistan, to MTS. At the same time, adjusted OIBDA was impacted by higher expenses related to MTS' expansion in Russia. The operator's revenues and OIBDA in US dollar terms were down year-on-year as a result of depreciation of the average rouble exchange rate vs. the US dollar.

MTS' mobile subscriber base grew by 8.1% year-on-year to 100 million⁵ customers as of September 30, 2014. Average monthly revenue per user (ARPU) of the mobile business in Russia increased by 2.8% year-on-year to RUB 358 in the third

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 Excluding Belarus subscribers.

quarter, as a result of upselling customers to tariff plans with larger data packages and higher penetration of smartphones and tablets. Russian subscribers' average monthly minutes of usage (MOU) increased by 2.4% year-on-year to 377 minutes.

In the fixed broadband business, the number of households passed grew by 6.5% year-on-year to 12.5 million in the reporting quarter as a result of MTS' expansion in the regions. The fixed-line subscriber base decreased by 6.6% year-on-year, due to the ongoing migration of pay-TV subscribers to MTS' digital TV platform, which, in turn, led to defection of certain types of subscribers and decline in the number of telephony subscribers in Moscow. Fixed-line ARPU grew by 6.2% year-on-year in the reporting quarter as a result of customers increasingly subscribing to packaged services, subscribers switching to higher tariff plans in the regions and the migration of ADSL customers in Moscow to GPON.

In September 2014, MTS obtained a controlling stake in the Russian-Uzbek joint venture Universal Mobile Systems LLC ("UMS"). In accordance with the terms of a Settlement Agreement between MTS and the Republic of Uzbekistan, a 50.01% stake in the charter capital of UMS was transferred to MTS, while a state-owned unitary enterprise established and managed by the State Committee for Communications, Development of Information Systems and Telecommunications Technologies of the Republic of Uzbekistan will retain the remaining 49.99% stake. The assets, equipment and infrastructure, which were previously owned by Uzdurobita FE LLC, a former subsidiary of MTS in Uzbekistan, were transferred to UMS. Operations across Uzbekistan are due to be commercially launched on December 1, 2014.

In September 2014, MTS' Extraordinary General Meeting of shareholders approved semi-annual dividends of RUB 6.20 per ordinary MTS share (RUB 12.40 per ADR), which equates to a total of RUB 12.8 billion based on the operator's first half 2014 financial and operating results. The dividends were paid in full in November, 2014.

Significant events after the end of the reporting period

In October 2014, MTS opened a non-revolving line of credit with Sberbank of Russia worth RUB 50 billion, which will mature in September 2021. The funds will be used for general corporate needs. The operator has also amended the terms of the credit agreement originally signed with Sberbank of Russia in April 2014 by extending the final maturity of the facility from July 2015 to September 2017.

Bashneft

<i>(US\$ millions)</i>	3Q 2014	3Q 2013	Year on Year Change	2Q 2014	Quarter on Quarter Change
Revenues	4,500.0	4,792.7	(6.1%)	4,662.7	(3.5%)
Adjusted OIBDA ⁶	826.4	971.7	(14.9%)	787.6	4.9%
Operating income	674.4	331.4	103.5%	632.7	6.6%
<i>Adjusted operating income</i>	674.4	823.4	(18.1%)	632.7	6.6%
Net income attributable to Sistema	347.2	175.8	97.4%	334.9	3.7%
<i>Adjusted net income attributable to Sistema</i>	347.2	471.0	(26.3%)	334.9	3.7%

Bashneft's revenues fell by 6.1% year-on-year and by 3.5% quarter-on-quarter in US dollar terms in the reporting period, due to lower export prices for oil and oil products. In the third quarter, adjusted OIBDA was down 14.9% year-on-year following a decline in revenues, but grew by 4.9% quarter-on-quarter in US dollar terms as a result of a decreased extraction tax rate, reduced transportation cost, lower prices for oil purchased and rouble depreciation.

In the reporting quarter, Bashneft produced 4.6 million tonnes of oil, representing an increase of 11.2% year-on-year. This was mainly a result of a 3.8% year-on-year rise in oil production at mature fields in Bashkortostan. Oil production also increased at the Trebs and Titov fields and at Burneftegaz, which accounted for 9.4% of the total oil produced in the reporting period.

The company sold 6.9 million tonnes of oil and oil products in the third quarter, a 3.3% year-on-year increase, with exports amounting to 1.5 million tonnes of crude oil and 2.3 million tonnes of oil and petrochemical products.

Refining volumes increased by 0.8% quarter-on-quarter to 5.5 million tonnes of crude oil. In the reporting quarter, the average refining depth was 85.0% and light-product yield was 59.3%.

In July 2014, in conjunction with the criminal investigation, Sistema received a notice from OJSC REESTR related to the shares of Bashneft, owned by Sistema and Sistema-Invest, which imposed a restriction on transactions with those shares.

In September 2014, a similar notice restricting transactions with Bashneft shares was received as part of a civil claim against Sistema and Sistema-Invest.

⁶ In the third quarter of 2013, Bashneft's OIBDA was impacted by the effect from the sale of Bashneft's stake in OJSC Belkamneft.

Significant events after the end of the reporting period

In November 2014, the Arbitrazh (Commercial) Court of the City of Moscow issued a written decision, ruling in favour of the civil claim seeking the return of Bashneft shares owned by Sistema and Sistema-Invest to the Russian Federation. In the best interests of the Company, as a good faith buyer, Sistema's Board of Directors has decided not to appeal this decision and to instead focus on filing claims to recover damages.

Bashkirian Power Grid Company (BPGC)

<i>(US\$ millions)</i>	3Q 2014	3Q 2013	Year on Year Change	2Q 2014	Quarter on Quarter Change
Revenues	84.0	95.6	(12.1%)	89.9	(6.5%)
OIBDA	38.6	45.3	(14.8%)	35.2	9.8%
Operating income	26.7	32.4	(17.6%)	22.8	16.8%
Net income attributable to Sistema	22.7	21.5	5.6%	17.9	26.7%

In the third quarter of 2014, BPGC's revenues decreased by 6.5% quarter-on-quarter reflecting a seasonal decline in consumption. The company's revenues and OIBDA declined year-on-year in US dollar terms mainly due to rouble depreciation against the US dollar, as well as a redistribution of tariff revenues in favour of territorial grid companies in accordance with the regulation policy of the Republic of Bashkortostan.

The volume of electricity transmitted through distribution grids was down 4.0% quarter-on-quarter mainly due to seasonal factors, but it grew by 2.0% year-on-year reflecting an overall increase in electricity consumption. Distribution grid losses decreased by 0.26 p.p. year-on-year to 5.62%, as a result of installing a power metering system and monitoring off-the-meter usage.

In the reporting quarter, the effective transmission grid output decreased by 13.7% year-on-year and by 4.0% quarter-on-quarter, due to changes in the power system mode. Transmission grid losses were up 0.25 p.p. year-on-year as a result of an increase in reversed cross-flows in adjacent sites through 500kV overhead power transmission lines.

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. The restrictions are related to the criminal investigation, to which Sistema is not party.

Sistema Shyam TeleServices Ltd. (SSTL)

<i>(US\$ millions)</i>	3Q 2014	3Q 2013	Year on Year Change	2Q 2014	Quarter on Quarter Change
Revenues	56.5	44.6	26.6%	55.9	1.1%
OIBDA	(17.0)	(35.0)	-	(22.8)	-
Operating loss	(32.6)	(45.9)	-	(30.2)	-
Net loss attributable to Sistema	(36.2)	(60.2)	-	(29.1)	-

In the third quarter of 2014, SSTL's revenues increased by 26.6% year-on-year and 1.1% quarter-on-quarter, reflecting an increase in data services usage. The company narrowed its OIBDA loss year-on-year as a result of this revenue growth, as well as due to the company's ongoing cost optimisation programme.

SSTL's wireless (voice and data) subscriber base totalled 9.2 million as of September 30, 2014. The data subscriber base grew by 6.3% quarter-on-quarter to 1.5 million. In the third quarter, subscribers' MOU decreased by 3.7% quarter-on-quarter to 401 minutes mainly due to seasonality factors. Blended mobile ARPU in rupees grew by 2.0% quarter-on-quarter and amounted to an equivalent of US\$ 1.93. Non-voice revenues from both data and VAS accounted for 43.0% of the company's total revenues in the reporting quarter compared to 38.6% in the second quarter of 2014.

During the third quarter, SSTL continued expanding its high-speed data footprint and is now providing its services in 700 towns across India.

Sistema Mass Media⁷ (SMM)

<i>(US\$ millions)</i>	3Q 2014	3Q 2013	Year on Year Change	2Q 2014	Quarter on Quarter Change
Revenues	22.6	30.2	(25.3%)	17.8	26.8%
OIBDA	7.8	16.8	(53.7%)	3.9	98.7%
Operating income	3.1	4.1	(25.0%)	0.6	378.5%
Net income/ (loss) attributable to Sistema	1.7	1.4	22.0%	(0.3)	-

SMM's revenues increased by 26.8% quarter-on-quarter in the third quarter due to the redistribution of revenue between different reporting periods. A year-on-year revenue decrease resulted mainly from deadlines for World Russian Studios' (WRS) TV projects being rescheduled to the fourth quarter of 2014, as well as from rouble depreciation.

In the third quarter of 2014, SMM's OIBDA doubled quarter-on-quarter, but decreased year-on-year due to rescheduling deadlines for WRS TV series, along with rouble depreciation.

The Stream-TV subscriber base grew by 18.1% year-on-year to 10.8 million subscribers in the reporting period, as a result of growth in the penetration of large operators' networks. The WRS content library was up 9.9% year-on-year to 1,851 hours as of September 30, 2014.

In the third quarter of 2014, SMM's subsidiary, LLC Digital Broadcasting, obtained a satellite broadcasting licence. The Federal Service for Supervision in the Sphere of Telecom, Information Technologies and Mass Communications (ROSCOMNADZOR) registered "Digital Broadcasting INFO", a subsidiary of Digital Broadcasting, as a media entity.

RTI⁸

<i>(US\$ millions)</i>	3Q 2014	3Q 2013	Year on Year Change	2Q 2014	Quarter on Quarter Change
Revenues	435.3	477.4	(8.8%)	411.3	5.8%
Adjusted OIBDA ⁹	39.0	16.7	133.0%	18.4	111.7%
Adjusted operating income/ (loss)	13.8	38.0	(63.7%)	(4.7)	-
Adjusted net loss attributable to Sistema	(21.2)	(16.5)	-	(42.8)	-

In the third quarter of 2014, RTI's revenues grew by 9.4% quarter-on-quarter in rouble terms and by 5.8% quarter-on-quarter in US dollar terms, mainly as a result of revenue growth at Defence Solutions BU. A year-on-year revenue decrease in US dollar terms resulted largely from a decline in operations at Information and Communication Technologies BU. RTI's adjusted OIBDA increased significantly year-on-year and quarter-on-quarter in the third quarter of 2014, reflecting revenue growth.

Binnopharm

<i>(US\$ millions)</i>	3Q 2014	3Q 2013	Year on Year Change	2Q 2014	Quarter on Quarter Change
Revenues	15.0	26.3	(42.9%)	21.6	(30.3%)
OIBDA	1.4	2.2	(37.0%)	6.2	(77.4%)
Operating (loss)/income	(0.1)	0.6	-	4.7	-
Net (loss)/income attributable to Sistema	(0.7)	(0.01)	-	2.4	-

Binnopharm's revenues declined by 42.9% year-on-year in the third quarter, largely due to lower levels of government procurement in 2014, which consequently had a negative impact the company's distribution business. A 30.3% quarter-on-quarter decrease in revenue mainly resulted from biotech drugs (Regevak B vaccine and Erythropoietin beta) being unevenly distributed during the course of the year.

The company's OIBDA decreased, reflecting the lower share that production revenues have in Binnopharm's total sales structure.

⁷ Stream CJSC is owned by Sistema (55%) and MTS (45%). For reporting purposes, Stream's financial results were allocated to SMM segment.

⁸ RTI consolidates OJSC Concern RTI Systems, Mikron group of companies and CJSC NVision Group and comprises of four principal business units ("BU") – Defence Solutions BU, Comprehensive Security Systems BU, Microelectronics Solutions BU and Information and Communication Technologies BU. RTI results do not include the results of SITRONICS-N for all periods presented.

⁹ Financial measures for the second quarter of 2014 were adjusted to exclude one-off item – gain from sale of non-core assets.

In the reporting period, Binnopharm launched its upgraded filling line for infusion solutions at the Alium plant. Binnopharm also signed new cooperation agreements with international pharmaceutical companies.

Significant events after the end of the reporting period

In November 2014, the binding agreements signed in April 2014 with Fresenius Kabi and Zenitco Finance Management, the minority shareholder of Binnopharm CJSC¹⁰, to establish a pharmaceuticals joint venture for operations in Russia and the CIS, were terminated by mutual consent. Binnopharm, which in recent years has successfully produced a number of biotech products, intends to focus on developing its product portfolio and is exploring other options to continue its cooperation with Fresenius Kabi.

MTS Bank

<i>(US\$ millions)</i>	3Q 2014	3Q 2013	Year on Year Change	2Q 2014	Quarter on Quarter Change
Revenues	202.7	231.3	(12.3%)	207.9	(2.5%)
OIBDA	(91.0)	30.1	-	(10.9)	-
Operating (loss)/income	(95.9)	25.4	-	(15.8)	-
Net (loss)/income attributable to Sistema	(69.5)	24.5	-	(6.5)	-

In the third quarter of 2014, MTS Bank's interest income grew by 4.1% year-on-year in rouble terms, but fell by 5.6% year-on-year in US dollar terms due to the average rouble exchange rate depreciating against the US dollar by 10.3%. Operating income before provisions in rouble terms was up 3.8% year-on-year in the third quarter, while its cost/income ratio decreased to 51.0% from 53.0%. MTS Bank's assets increased by 5.6% quarter-on-quarter in rouble terms. The year-on-year decline in the bank's total loan portfolio was mainly due to a decrease in interbank lending.

In the reporting quarter, MTS Bank's AGM approved the bank's additional share issue by closed subscription. In October 2014, Sistema signed a binding agreement with MTS Bank to acquire 2,474,818 ordinary shares of the bank's additional share issue for RUB 9.46 billion. In November 2014, MTS signed a binding agreement with MTS Bank to acquire 952,000 ordinary shares of the bank's additional share issue for RUB 3.7 billion.

Detsky mir

<i>(US\$ millions)</i>	3Q 2014	3Q 2013	Year on Year Change	2Q 2014	Quarter on Quarter Change
Revenues	324.1	300.7	7.8%	256.4	26.4%
OIBDA	44.0	35.0	25.5%	18.1	143.0%
Operating income	38.9	30.1	29.3%	13.1	197.6%
Net income attributable to Sistema	26.3	19.6	34.5%	3.4	669.0%

In the third quarter, Detsky mir's revenues increased by 26.4% quarter-on-quarter and by 7.8% year-on-year in US dollar terms, reflecting like-for-like sales growth and high revenue growth dynamics in stores opened in 2012 and 2013. In the third quarter of 2014, Detsky mir opened 33 new stores, including 24 Detsky mir stores and nine ELC stores. Like-for-like sales increased by 8.1% year-on-year in rouble terms, supported by strong growth in the company's like-for-like average ticket.

In the reporting quarter, Detsky mir's OIBDA more than doubled quarter-on-quarter in US dollar terms, as a result of increased seasonal demand. The company reported a 25.5% year-on-year increase in OIBDA in US dollar terms, reflecting revenue growth and decreased operating expenses. Detsky mir's SG&A expenses declined as a percentage of revenue to 26.2% in the third quarter, compared to 30.0% in the previous quarter.

Detsky mir expanded its aggregate retail space by 21.0% year-on-year and by 11.0% quarter-on-quarter to 363,000 sq.m. as of September 30, 2014.

Medsi

<i>(US\$ millions)</i>	3Q 2014	3Q 2013	Year on Year Change	2Q 2014	Quarter on Quarter Change
Revenues	64.8	69.0	(6.2%)	70.2	(7.8%)
OIBDA	12.1	16.0	(24.6%)	8.9	36.0%

¹⁰ Zenitco Finance Management and Sistema JSFC own 26% and 74% of Binnopharm, respectively.

Operating income	8.9	12.7	(29.6%)	5.5	60.8%
Net income attributable to Sistema	9.9	3.1	216.0%	4.4	123.4%

Medsi's revenues decreased by 6.2% year-on-year in US dollar terms in the reporting quarter, but were up 3.5% year-on-year in rouble terms, largely as a result of organic growth, including an increase in the number of services provided. In the third quarter, OIBDA grew by 36.0% quarter-on-quarter, mainly due to reduced costs after some of Medsi's facilities were closed for reconstruction. This also resulted in a decreased number of patient visits.

The number of services provided increased by 3.2% year-on-year, while the average bill was up 5.1% year-on-year in rouble terms and totalled RUB 1,711. As of September 30, 2014, Medsi's network consisted of 23 medical clinics, a clinical and diagnostic centre, 3 hospitals, an ambulance service, 3 wellness centres and 3 sanatoriums.

During the third quarter, Medsi continued implementing its investment projects, including constructing a new clinical and diagnostic centre and reconstructing one of its medical clinics.

Intourist

<i>(US\$ millions)</i>	3Q 2014	3Q 2013	Year on Year Change	2Q 2014	Quarter on Quarter Change
Revenues	24.2	27.3	(11.4%)	21.1	15.0%
OIBDA	6.3	8.9	(28.8%)	3.8	66.8%
Operating income	4.9	7.4	(33.6%)	2.4	106.1%
Net income/ (loss) attributable to Sistema	2.2	3.3	(33.2%)	(0.1)	-

In the third quarter of 2014, Intourist's revenues increased by 15.0% quarter-on-quarter in US dollar terms and by 18.9% quarter-on-quarter in rouble terms, primarily driven by increased seasonal demand for the hotels abroad. Intourist's revenues fell by 11.4% year-on-year in US dollar terms and by 2.2% year-on-year in rouble terms, mainly as a result of a decline in the number of tourists from Russia travelling abroad, and a reduction in inbound tourism in Russia.

Intourist's OIBDA was down 28.8% year-on-year in the third quarter of 2014, following a decrease in revenues. As of September 30, 2014, Intourist owned, managed and rented 2,947 rooms.

CORPORATE

<i>(US\$ millions)</i>	3Q 2014	3Q 2013	Year on Year Change	2Q 2014	Quarter on Quarter Change
OIBDA ¹¹	(57.0)	1,107.8	-	(68.2)	-
Net loss	(138.6)	879.3	-	(98.2)	-
Indebtedness	1,675.1	1,605.3	4.3%	1,774.7	(5.6%)

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

In the reporting quarter, Sistema paid annual dividends of RUB 2.06 per ordinary share for 2013, amounting to a total of RUB 19.9 billion. Dividend flow to Sistema from subsidiaries totalled US\$ 1,364.0 million in the third quarter of 2014.

In the third quarter of 2014, the Corporate segment's SG&A expenses decreased by 38.1% year-on-year and by 12.5% quarter-on-quarter to US\$ 59.9 million. The Corporate segment's interest expense fell by 8.0% year-on-year and by 25.7% quarter-on-quarter to US\$ 35.5 million.

In September 2014, Sistema terminated the contract for the acquisition of a 98% stake in OJSC United Petrochemical Company from Bashneft.

Bashneft related events

During the reporting quarter, a civil claim was filed with the Arbitrazh (Commercial) Court of the City of Moscow by the First Deputy General Prosecutor seeking to return all shares in Bashneft held by Sistema and Sistema-Invest to the Russian Federation.

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

On September 16, 2014, the majority shareholder and Chairman of the Board of Directors of Sistema, Mr Vladimir Evtushenkov, was charged with legalisation with respect to the BashTEK companies and placed under house arrest. These charges are related to criminal investigation and stem from Sistema and Sistema-Invest's acquisition of the BashTEK shares. Mr Vladimir Evtushenkov maintains his innocence and intends to contest the charges.

Later, on November 7, 2014, the Arbitrazh (Commercial) Court of the City of Moscow ruled in favour of the civil claim seeking to return the Bashneft shares owned by Sistema and Sistema-Invest to the Russian Federation.

After careful consideration, Sistema's Board of Directors decided not to appeal this decision. In the best interests of the Company, as a buyer in good faith, it was decided that Sistema should, without delay, focus on filing claims to recover damages from the counterparties and/or their legal successors (Ural-Invest LLC) that sold the Bashneft shares to Sistema and Sistema-Invest.

Significant events after the end of the reporting period

In October 2014, Sistema completed the purchase of 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. In accordance with the terms of the signed documentation, Sistema has the option to increase its shareholding in Concept Group to a controlling stake within three years.

In October 2014, Sistema signed a binding agreement with its subsidiary MTS Bank to acquire 2,474,818 ordinary shares of the Bank's additional share issue for RUB 9,460,684,754. The deal is expected to close by the end of 2014 after all the conditions as set out in the emission documentation are fulfilled.

In October 2014, Sistema terminated the contract for the acquisition of 162,837,500 Sistema ordinary shares for RUB 7.6 billion as announced on July 18, 2014.

FINANCIAL REVIEW

Net cash provided by operations in the third quarter of 2014 decreased by 29.9% quarter-on-quarter and by 33.9% year-on-year to US\$ 1,614.1 million, due to changes in working capital.

Net cash used in investing activities in the third quarter of 2014 increased by 74.1% quarter-on-quarter to US\$ 1,690.5 million mainly due to the growth of the Group's capital expenditure in the reporting quarter by 23.7% to US\$ 1,213.3 million resulted from the increase investment programme at MTS.

Net cash from investing activities in the third quarter of 2014 decreased by US\$ 1,868.2 million compared to the corresponding period of 2013 mainly due to receiving proceeds from selling investments in RussNeft and OJSC Belkamneft (US\$ 1,200.0 million and US\$ 199.0 million, respectively).

Net cash outflow from financing activities amounted to US\$ 1,087.9 million in the third quarter of 2014, compared to US\$ 383.1 million in the second quarter of 2014 and US\$ 2,337.9 million in the corresponding quarter of 2013. The Group's proceeds from borrowings in the reporting quarter increased from US\$ 333.7 million in the third quarter of 2013 to US\$ 692.9 million, including long-term borrowings of US\$ 579.2 million. This was mainly due to Sistema obtaining bank loans in the third quarter of 2014.

The Group's payments on borrowings in the reporting quarter were US\$ 761.5 million compared to US\$ 1,267.1 million in the second quarter of 2014 and US\$ 1,751.4 million in the third quarter of 2013. In the third quarter of 2014, Sistema repaid the second rouble bond issue and partially repaid the fourth issue in the total amount of US\$ 452.5 million (approximately RUB 16.6 billion).

In addition, the Group paid US\$ 1,265.1 million of dividends in the third quarter of 2014 (including US\$ 556.4 million paid by Sistema to its shareholders) compared to US\$ 763.8 million paid in the third quarter of 2013 (including US\$ 275.1 million paid by Sistema).

The Group's cash and cash equivalents stood at US\$ 1,944.0 million as of September 30, 2014 (net of US\$ 1,303.4 million attributable to the Group's banking activities) compared to US\$ 3,577.2 million as of June 30, 2014 (net of US\$ 1,402.7 million attributable to the Group's banking activities). The Group's short-term and long-term debt, less cash and cash equivalents and highly liquid deposits, amounted to US\$ 12,180.4 million as of September 30, 2014, compared to US\$ 12,161.1 million as of June 30, 2014.

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

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

Public Relations
Sergey Kopytov
Tel.: +7 (495) 228 15 27
kopytov@sistema.ru

Sistema is the largest 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, oil and energy, radars and aerospace, banking, retail, mass-media, tourism and healthcare services. Founded in 1993, the Company reported revenues of US\$ 8.9 billion for the third quarter of 2014, and total assets of US\$ 40.0 billion as at September 30, 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. Sistema was ranked number 308 in the 2013 edition of the Fortune Global 500 list. Website: www.sistema.com

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

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

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013
(Amounts in thousands of U.S. dollars, except per share amounts)

	Nine months ended September 30,		Three months ended September 30,	
	2014	2013	2014	2013
Sales	\$ 25,299,252	\$ 25,449,080	\$ 8,654,797	\$ 9,022,529
Revenue from banking activities	599,279	620,182	201,682	228,500
TOTAL REVENUES	25,898,531	26,069,262	8,856,479	9,251,029
Cost of sales, exclusive of depreciation, depletion and amortization shown separately below	(9,694,881)	(9,738,313)	(3,322,380)	(3,407,472)
Cost related to banking activities, exclusive of depreciation and amortization shown separately below	(455,531)	(394,638)	(220,115)	(130,437)
Selling, general and administrative expenses	(2,963,220)	(3,163,888)	(976,205)	(1,050,468)
Depreciation, depletion and amortization	(2,268,563)	(2,410,849)	(767,413)	(795,465)
Transportation costs	(658,829)	(673,200)	(207,850)	(211,807)
Taxes other than income tax	(5,646,839)	(5,341,848)	(1,873,750)	(1,893,137)
Equity in results of affiliates	48,879	52,720	25,107	11,663
Gain on Bitel case resolution	-	346,100	-	-
Gain on disposal of RussNeft	-	1,200,000	-	1,200,000
Impairment of investment in Belkamneft	-	(491,986)	-	(491,986)
Other operating (expenses)/income, net	(225,672)	(262,170)	23,494	(113,753)
OPERATING INCOME	4,033,875	5,191,190	1,537,367	2,368,167
Interest income	244,259	203,879	76,213	80,904
Change in fair value of derivative instruments	-	(1,849)	-	(534)
Interest expense, net of amounts capitalized	(890,756)	(929,250)	(318,461)	(285,995)
Foreign currency transactions losses	(399,133)	(257,482)	(356,461)	(52,406)
Income from continuing operations before income tax	2,988,245	4,206,488	938,727	2,110,136
Income tax expense	(844,702)	(1,029,067)	(279,837)	(483,117)
Income from continuing operations	2,143,543	3,177,421	658,890	1,627,019
Gain/(loss) from discontinued operations, net of income tax effect	2,502	(15,918)	(3,791)	-
Effect from disposal	(3,987)	-	(3,987)	(15,918)
NET INCOME	\$ 2,142,058	\$ 3,161,503	\$ 651,112	\$ 1,611,101
Noncontrolling interest	(889,936)	(951,654)	(271,901)	(281,392)
NET INCOME attributable to Sistema JSFC	\$ 1,252,122	\$ 2,209,849	\$ 379,211	\$ 1,329,709
Income per share, basic and diluted, U.S. cent	13.38	23.95	4.04	14.38

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2014 AND DECEMBER 31, 2013
(Amounts in thousands of U.S. dollars, except share amounts)

	September 30, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,944,026	\$ 2,059,092
Short-term investments	1,437,779	1,719,223
Assets from banking activities, current portion (including cash and cash equivalents of \$1,303,384 and \$1,132,368)	3,339,120	3,898,740
Accounts receivable, net	2,106,905	2,173,972
VAT receivable	702,696	720,181
Inventories and spare parts	1,860,194	1,848,145
Deferred tax assets, current portion	349,315	390,238
Disposal group held for sale	51,806	-
Other current assets	1,974,299	1,756,082
Total current assets	<u>13,766,140</u>	<u>14,565,673</u>
NON-CURRENT ASSETS:		
Property, plant and equipment, net	18,865,550	19,945,701
Advance payments for non-current assets	173,399	187,850
Goodwill	1,115,961	1,327,779
Other intangible assets, net	2,057,360	2,225,927
Investments in affiliates	640,395	946,759
Assets from banking activities, net of current portion	1,915,256	2,554,229
Debt issuance costs, net	67,275	87,226
Deferred tax assets, net of current portion	415,986	344,965
Long-term investments	251,388	249,071
Other non-current assets	701,440	813,814
Total non-current assets	<u>26,204,010</u>	<u>28,683,321</u>
TOTAL ASSETS	<u>\$ 39,970,150</u>	<u>\$ 43,248,994</u>

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2014 AND DECEMBER 31, 2013 (CONTINUED)
(Amounts in thousands of U.S. dollars, except share amounts)

	September 30, 2014	December 31, 2013
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,064,323	\$ 3,144,233
Liabilities from banking activities, current portion	2,579,593	3,864,415
Taxes payable	912,287	812,880
Deferred tax liabilities, current portion	181,750	229,038
Subscriber prepayments, current portion	438,681	620,281
Accrued expenses and other current liabilities	2,806,822	2,225,913
Short-term loans payable	365,374	40,836
Current portion of long-term debt	1,862,488	2,470,058
Disposal group held for sale	49,276	-
Total current liabilities	<u>11,260,594</u>	<u>13,407,654</u>
LONG-TERM LIABILITIES:		
Long-term debt, net of current portion	11,926,549	10,764,278
Subscriber prepayments, net of current portion	80,072	101,240
Liabilities from banking activities, net of current portion	329,825	772,525
Deferred tax liabilities, net of current portion	2,013,818	1,956,472
Asset retirement obligations	171,156	184,261
Postretirement benefits obligations	94,192	91,640
Property, plant and equipment contributions	59,751	74,174
Other long-term liabilities	944,715	595,909
Total long-term liabilities	<u>15,620,078</u>	<u>14,540,499</u>
TOTAL LIABILITIES	<u>26,880,672</u>	<u>27,948,153</u>
Commitments and contingencies	-	-
Redeemable noncontrolling interests	<u>805,079</u>	<u>805,130</u>
SHAREHOLDERS' EQUITY:		
Share capital (9,650,000,000 shares issued; 9,375,987,084 and 9,274,755,045 shares outstanding with par value of 0.09 Russian Roubles, respectively)	30,057	30,057
Treasury stock (274,012,916 and 375,244,955 shares with par value of 0.09 Russian Roubles, respectively)	(310,949)	(426,715)
Additional paid-in capital	2,674,105	2,616,608
Retained earnings	9,620,089	8,993,469
Accumulated other comprehensive loss	(2,853,264)	(906,718)
Total Sistema JSFC shareholders' equity	<u>9,160,038</u>	<u>10,306,701</u>
Non-redeemable noncontrolling interests	3,124,361	4,189,010
TOTAL EQUITY	<u>12,284,399</u>	<u>14,495,711</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 39,970,150</u>	<u>\$ 43,248,994</u>

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013
(Amounts in thousands of U.S. dollars)

	Nine months ended September 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 2,142,058	\$ 3,161,503
Loss from disposal of discontinued operations	3,987	-
(Gain)/loss from discontinued operations	(2,502)	15,918
Income from continuing operations	<u>2,143,543</u>	<u>3,177,421</u>
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation, depletion and amortization	2,268,563	2,410,849
Equity in net income of investees	(48,879)	(52,720)
Deferred income tax expense	68,678	170,314
Foreign currency transactions losses	399,133	257,482
Effect from disposal of Russneft and Belkamneft	-	(708,014)
Gain on Bitel resolution, net of cash received of \$125,000	-	(221,100)
Non cash gain - UMS (Uzbekistan)	(101,849)	-
(Gain)/loss on disposal of property, plant and equipment	(124,152)	16,303
Amortization of connection fees	(23,019)	(23,287)
Allowance for loan losses	276,451	175,720
Dividends received from affiliates	53,902	46,083
Non-cash compensation to employees	64,616	32,538
Other non-cash items	270,487	100,846
Changes in operating assets and liabilities, net of effects from purchase of businesses:		
Trading securities	163,714	(172,495)
Accounts receivable	(221,608)	(411,745)
VAT receivable	(20,921)	(72,545)
Inventories and spare parts	(205,729)	(246,894)
Other current assets	(471,756)	(144,529)
Accounts payable	(464,935)	106,310
Subscriber prepayments	(81,343)	(15,488)
Taxes payable	164,871	287,461
Accrued expenses and other liabilities	<u>1,398,071</u>	<u>309,369</u>
Net cash provided by operating activities of continuing operations	5,507,838	5,021,879
Net cash used in operating activities of discontinued operations	<u>-</u>	<u>(15,814)</u>
Net cash provided by operating activities	<u>\$ 5,507,838</u>	<u>\$ 5,006,065</u>

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013 (CONTINUED)
(Amounts in thousands of U.S. dollars)

	Nine months ended September 30,	
	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchases of property, plant and equipment	\$ (2,427,935)	\$ (2,096,374)
Payments for purchases of intangible assets	(421,163)	(315,459)
Payments for businesses, net of cash acquired	(1,511,463)	(34,664)
Purchase of investments in affiliated companies	(264,458)	(289,660)
Payments for purchases of long-term investments	(540,150)	(62,981)
Payments for purchases of short-term investments	(1,171,234)	(989,926)
Payments for purchases of other non-current assets	-	(78,600)
Increase in restricted cash	(7,353)	(74,253)
Proceeds from sale of subsidiaries, net of cash disposed	-	341,235
Proceeds from sale of property, plant and equipment	140,779	42,706
Proceeds from loans given to affiliated companies	89,608	-
Proceeds from sale of long-term investments	90,000	1,485,292
Proceeds from sale of other non-current assets	-	14,233
Proceeds from sale of short-term investments	1,418,430	1,011,364
Net decrease/(increase) in loans to customers of the banking division	433,515	(243,292)
Net cash used in investing activities	<u>(4,171,424)</u>	<u>(1,290,379)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term borrowings, net	339,279	(153,772)
Net (decrease)/increase in deposits from customers of the banking division	(1,133,465)	397,355
Proceeds from long-term borrowings	3,669,623	2,660,061
Debt issuance costs	-	(5,814)
Principal payments on long-term borrowings	(1,782,447)	(4,055,024)
Acquisition of non-controlling interests in existing subsidiaries	(595,048)	(223,146)
Dividends paid	(1,265,290)	(763,846)
Proceeds from capital transactions with shares of existing subsidiaries	41,141	24,023
Net cash provided by financing activities	<u>(726,207)</u>	<u>(2,120,163)</u>
Effect of foreign currency translation on cash and cash equivalents	<u>(554,257)</u>	<u>(405,188)</u>
Net increase in cash and cash equivalents	55,950	1,190,335
Cash and cash equivalents at the beginning of the period (including cash of discontinued operations)	3,191,460	2,629,544
Cash and cash equivalents at the end of the period (including cash of discontinued operations)	3,247,410	3,819,879
Cash and cash equivalents of discontinued operations at the end of the period	-	(1,598)
Cash and cash equivalents of continuing operations at end of the period *	<u>\$ 3,247,410</u>	<u>\$ 3,818,281</u>
<i>* Cash and cash equivalents at the end of the period comprised of the following:</i>		
<i>Non-banking activities</i>	<u>\$ 1,944,026</u>	<u>\$ 2,469,902</u>
<i>Banking activity</i>	<u>1,303,384</u>	<u>1,348,379</u>
	<u>\$ 3,247,410</u>	<u>\$ 3,818,281</u>

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED SEGMENTAL BREAKDOWN FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013
(Amounts in thousands of U.S. dollars)

For the nine months ended September 30, 2014	<u>MTS</u>	<u>Bashneft</u>	<u>SSTL</u>	<u>MTS Bank</u>	<u>RTI</u>	<u>Corporate</u>	<u>Total reportable segment</u>	<u>Other</u>	<u>Total</u>
Net sales to external customers ^(a)	8,554,232	13,065,231	164,066	599,279	1,009,815	35,557	23,428,180	2,470,351	25,898,531
Intersegment sales	20,281	292,759	-	4,220	180,673	23,862	521,795	228,681	750,476
Equity in results of affiliates	40,571	1,650	-	-	-	-	42,221	2,372	44,593
Net interest expense ^(b)	-	-	-	(118,622)	-	-	(118,622)	-	(118,622)
Depreciation, depletion and amortization	1,527,708	440,456	45,142	14,347	65,597	11,697	2,104,947	163,616	2,268,563
Operating income/(loss)	2,351,701	1,866,793	(100,740)	(134,238)	137,487	(209,410)	3,911,593	143,109	4,054,702
Interest income	96,447	88,693	6,094	-	37,059	85,527	313,820	58,947	372,767
Interest expense	343,924	244,051	68,087	-	108,672	128,536	893,270	55,191	948,461
Income tax expense/(benefit)	468,045	368,680	-	(29,402)	30,636	(38,884)	799,075	45,627	844,702
Segment assets	13,721,052	13,134,065	836,543	5,607,661	2,712,379	3,197,376	39,209,076	4,189,071	43,398,147
Indebtedness ^(c)	5,924,613	4,220,911	595,132	-	1,217,854	1,675,137	13,633,647	520,764	14,154,411
Capital expenditures ^(d)	1,520,871	906,527	20,379	18,547	71,003	28,099	2,565,426	283,672	2,849,098
For the nine months ended September 30, 2013	<u>MTS</u>	<u>Bashneft</u>	<u>SSTL</u>	<u>MTS Bank</u>	<u>RTI</u>	<u>Corporate</u>	<u>Total reportable segment</u>	<u>Other</u>	<u>Total</u>
Net sales to external customers ^(a)	9,271,967	13,190,812	161,509	620,182	1,131,629	33,983	24,410,082	1,659,180	26,069,262
Intersegment sales	17,092	-	-	20,684	344,096	32,787	414,659	85,877	500,536
Equity in results of affiliates	47,314	(5,847)	-	-	(1,708)	-	39,759	10,928	50,687
Net interest expense ^(b)	-	-	-	1,429	-	-	1,429	-	1,429
Depreciation, depletion and amortization	1,711,547	437,354	44,473	14,307	70,994	11,754	2,290,429	120,420	2,410,849
Operating income/(loss)	2,767,513	1,475,534	(157,726)	(15,011)	(49,738)	1,032,220	5,052,792	164,935	5,217,727
Interest income	66,999	127,142	7,044	-	25,204	81,571	307,960	12,862	320,822
Interest expense	395,832	217,366	96,680	-	104,795	118,652	933,325	88,559	1,021,884
Income tax expense/(benefit)	565,865	301,400	-	(11,015)	(24,031)	162,955	995,174	33,893	1,029,067
Segment assets	15,417,123	13,780,697	925,446	7,388,513	3,427,529	3,724,976	44,664,284	4,126,066	48,790,350
Indebtedness ^(c)	6,911,269	2,439,639	620,867	-	1,311,459	1,605,347	12,888,581	460,597	13,349,178
Capital expenditures ^(d)	1,388,914	733,941	15,611	16,282	49,979	73,224	2,277,951	133,882	2,411,833

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

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

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

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

Attachment A

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:

	3Q 2014	3Q 2013	2Q 2014
Operating income	1,537.4	2,368.2	1,340.5
Effect from the sale of Bashneft's stake in OJSC Belkamneft	-	492.0	-
Gain from sale of Sistema's stake in OJSC RussNeft	-	(1,200.0)	-
Other	-	31.8	-
Adjusted operating income	1,537.4	1,692.0	1,340.5
Depreciation, depletion and amortisation	767.4	795.5	763.6
Adjusted OIBDA	2,304.8	2,487.4	2,104.2

Adjusted net income attributable to Sistema is calculated as net income attributable to Sistema adjusted for the impacts of the one-off 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:

Corporate Centre's net debt reconciliation

	3Q 2014	3Q 2013	2Q 2014
Indebtedness	1,675.1	1,605.3	1,774.7
Cash and cash equivalents	(722.3)	(699.8)	(608.1)
Highly liquid deposits and liquid financial instruments	(416.8)	(120.4)	(338.9)
Net debt	536.0	785.1	827.7

Attachment B

On November 07, 2014 the Arbitrazh (Commercial) Court of the City of Moscow issued a written decision, ruling in favour of the civil claim seeking to return the shares of JSOC Bashneft owned by Sistema and its subsidiary Sistema-Invest to the Russian Federation.

In November 2014 Sistema's Board of Directors has carefully considered and decided not to appeal the decision of the Arbitrazh (Commercial) Court of the City of Moscow.

In the best interests of the company, as a buyer in good faith, Sistema will now focus on filing claims for the recovery of damages from the counterparties and/or their legal successors (Ural-Invest LLC) that sold the Bashneft shares to Sistema and Sistema-Invest.

It is highly likely that these decisions will have significant impact on Sistema's consolidated financial statements in the future periods, including deconsolidation of Bashneft. We believe that the presentation of Sistema's consolidated financial information excluding Bashneft (together with OJSC UPC) provides useful information to investors.

Comparison of Sistema's US GAAP consolidated financial information as of September 30, 2014 and for the nine months then ended to the respective "proforma" financial information prepared as if Bashneft and UPC were deconsolidated starting from January 1, 2014 is presented below. This comparison does not account for possible effects from filing claims for the recovery of damages from the mentioned above counterparties.

Financial indicator, mln US\$	US GAAP consolidated financial information	Proforma financial information excluding Bashneft and UPC
As of September 30, 2014:		
Total assets	39,970.2	27,383.9
Indebtedness	14,154.4	9,933.5
Other liabilities	12,726.3	9,565.5
Equity and redeemable non-controlling interests	13,089.5	7,884.9
For the nine months then ended:		
Revenues	25,898.5	12,686.0
Adjusted OIBDA	6,302.4	3,939.4
Net income attributable to Sistema	1,252.1	239.8