



JOINT-STOCK FINANCIAL CORPORATION

SISTEMA

Sistema JSFC

Financial Results

3Q 2015

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DISCLAIMER

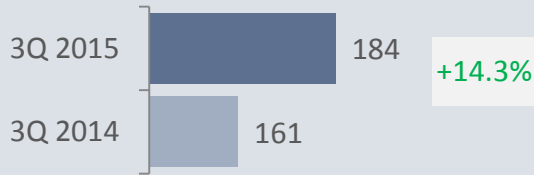
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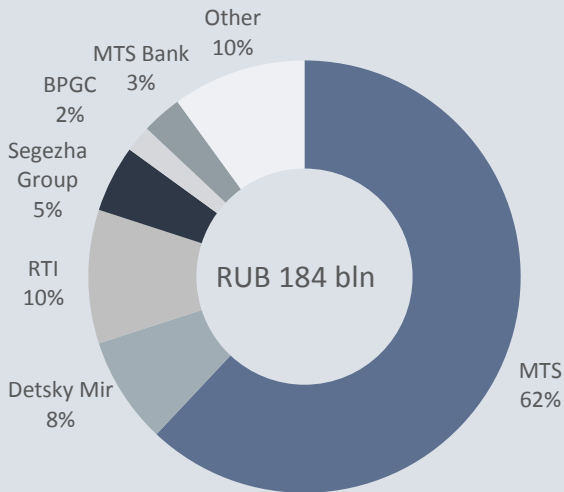
IFRS, RUB bln

KEY HIGHLIGHTS

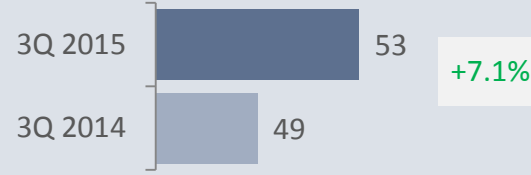
CONSOLIDATED REVENUE, RUB bln



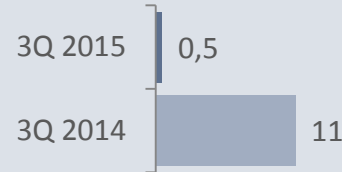
REVENUE BREAKDOWN BY ASSETS



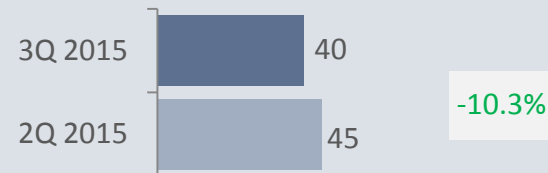
ADJUSTED OIBDA, RUB bln



NET INCOME, RUB bln



NET DEBT AT HOLD CO*, RUB bln



- Main contributors to the Group's revenue growth were MTS, RTI, Segezha Group and Detsky Mir. Notably, the largest contributors to the Group's growth are also Sistema's largest assets.
- Sistema's adjusted OIBDA increased mostly due to growth at non-public assets and consolidation of Segezha Group started in 4Q 2014.
- Net income was impacted by the recognised foreign exchange loss in the amount of RUB 9.6 bln, as well as by increased net loss of MTS Bank.
- Net debt at the Corporate Centre decreased mostly due to received dividends from subsidiaries in 3Q 2015.

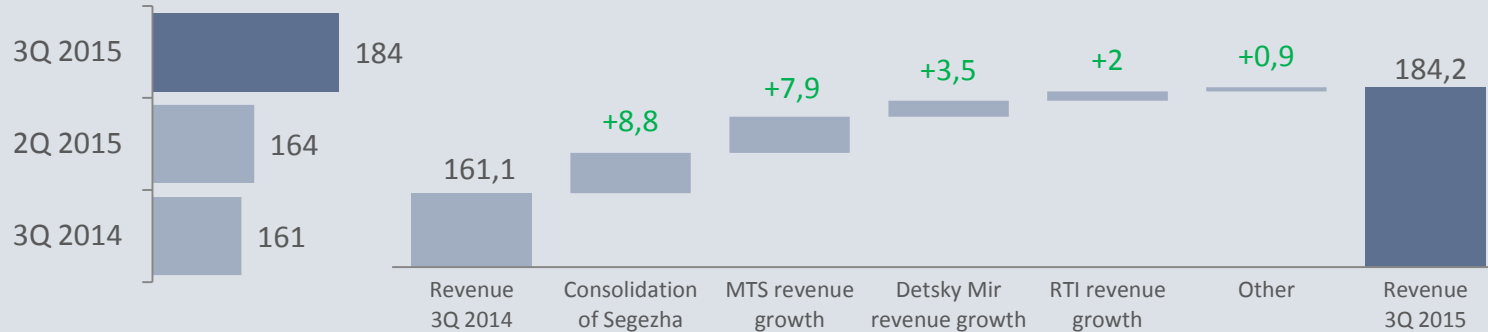
*Including highly liquid deposits and liquid financial investments



IFRS, RUB bln

FINANCIAL REVIEW

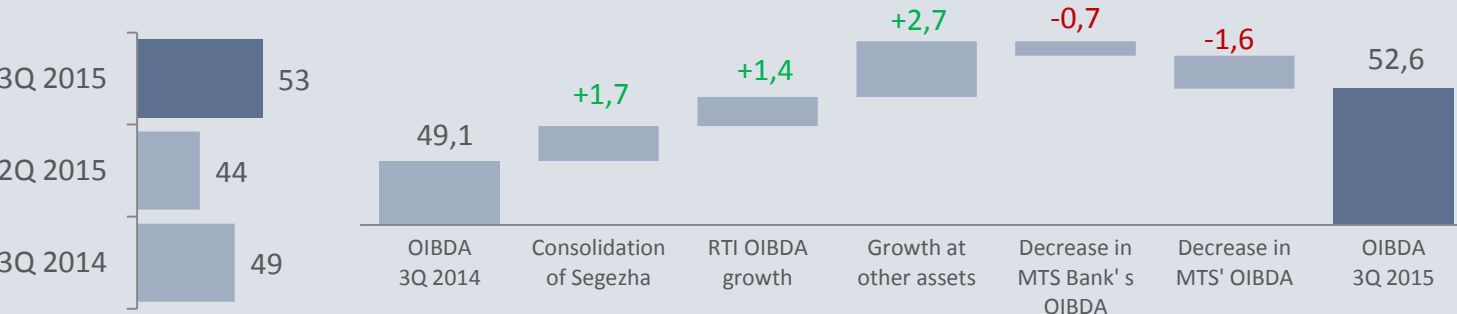
CONSOLIDATED REVENUE ANALYSIS, RUB bln



Sistema's revenue grew due to:

- Consolidation of Segezha Group starting from 4Q 2014
- MTS revenue growth on the back of higher data services consumption and higher handset sales
- Detsky Mir sales growth and increase of RTI's revenue

ADJUSTED OIBDA ANALYSIS, RUB bln



Sistema's OIBDA increased mainly as a result of:

- Consolidation of Segezha Group starting from 4Q 2014
- Improved profitability at RTI and reversed provisions for ICT business unit

Positive effects were partially offset by:

- Decreased OIBDA at MTS Bank due to reduced loan portfolio to individuals and interest income
- Decreased OIBDA at MTS due to higher contribution from sales of handsets in Russia to the sales mix, build out of the retail chain in Russia, increased roaming and international calling costs



MERGER OF TELECOM ASSETS IN INDIA



SSTL's telecoms business is valued at 10% of RCom

- SSTL's telecoms business includes: spectrum, including future liabilities and any potential additional payments; the entire telecoms infrastructure, including the network; current infrastructure lease contracts (towers, sites, etc.) with potential penalties; revenues and subscriber base; >90% employees

RCom will pay licence related fees

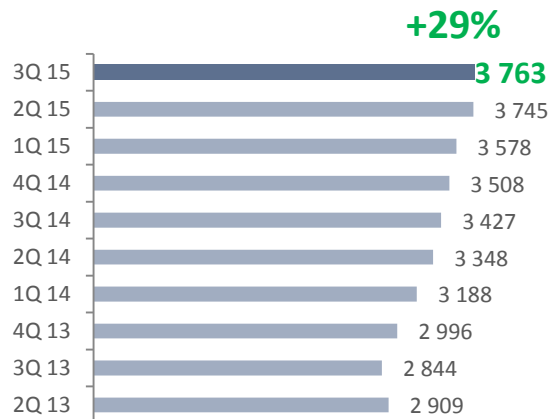
- Licence related fees include frequency spectrum licensing fees (starting from 2016 in the amount of US\$ 62 mln each year for 10 years), any potential additional payments for spectrum contingency and other licence-related fees
- RCom will also pay SSTL an earn out up to US\$ 300 mln in the event that Indian telecommunication authorities confirm that SSTL's spectrum can be used for building-out a 4G network (at 5MHz contiguous spectrum) without any additional payments

Sistema's financial profile will improve

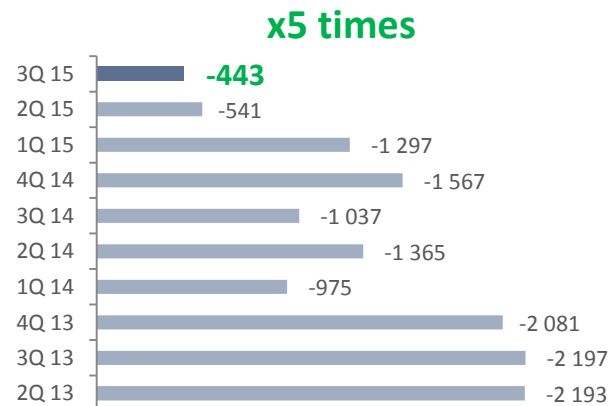
- Repayment of SSTL's debt decreases Group's debt in foreign currency (60% of SSTL's debt is denominated in US dollars, 40% in Indian rupees)
- Sistema is in discussions with the Russian Government to restructure it's put option in SSTL

SSTL's business improvements

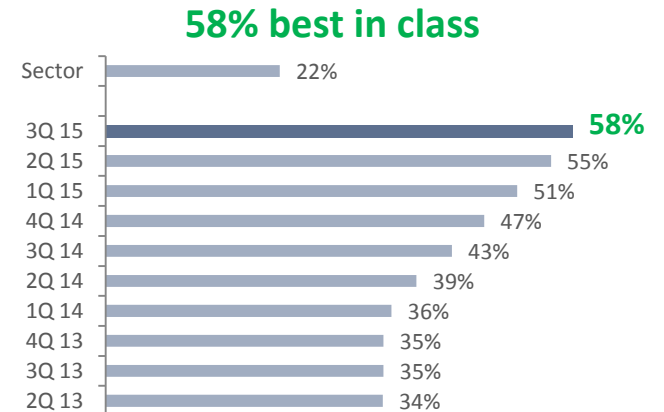
SSTL's revenues are growing...
Revenue in mln rupees increased by 29% over the last 2 years



SSTL's financial results improved...
OIBDA loss in Indian rupees reduced 5 times in the last 2 years



Share of data services in total SSTL revenues exceeded 50% - the best result in telecoms sector of India...





ACHIEVEMENTS in 3Q 2015 and after the reporting period

Acquisitions

Acquisition of Kronshtadt Group

- Acquisition of Kronshtadt Group from Industrial Investors Group and its partners for RUB 4.8 bln
- Business that is complementary to Sistema Group and has strong growth potential. Significant synergies with RTI across key business lines
- Entry into new market segments: commercial UAV systems, integrated simulators and training units, airborne control and navigation equipment
- Projected 2015 revenue of RUB 5 bln; forecasted OIBDA margin of 11%

Acquisition of 25% in Medsi

- Acquisition of a 25.02% stake in Medsi from the SUE (state enterprise) for RUB 6.1 bln, with 50% to be paid over the course of a year
- The SUE received 25.05% of Medsi's shares in 2012 as part of a merger into Medsi of the state medical assets (3 hospitals, 3 sanatoriums and clinics)
- A 3-year state contract (signed in 2012) already provided Medsi with RUB 6 bln of revenues
- Share increase will allow Sistema to increase and rationalise the asset base of Medsi and implement commercial growth strategy

Portfolio achievements in 3Q 2015

- **MTS:** 7.4% YoY and 12.0% QoQ revenue growth with 41% OIBDA margin
- **Segezha Group:** 41.7% YoY and 12.2% QoQ revenue growth with 18.8% OIBDA margin
- **RTI:** 13.2% YoY and 5.6% QoQ revenue growth with 16.1% OIBDA margin
- **Detsky Mir:** 30.3% YoY and 20.9% QoQ revenue growth with 10.7% OIBDA margin
- **SSTL:** 4.7% QoQ and 11.9% YoY revenue growth in Indian rupees; OIBDA loss decreased by 60.3% YoY and 58.2% QoQ

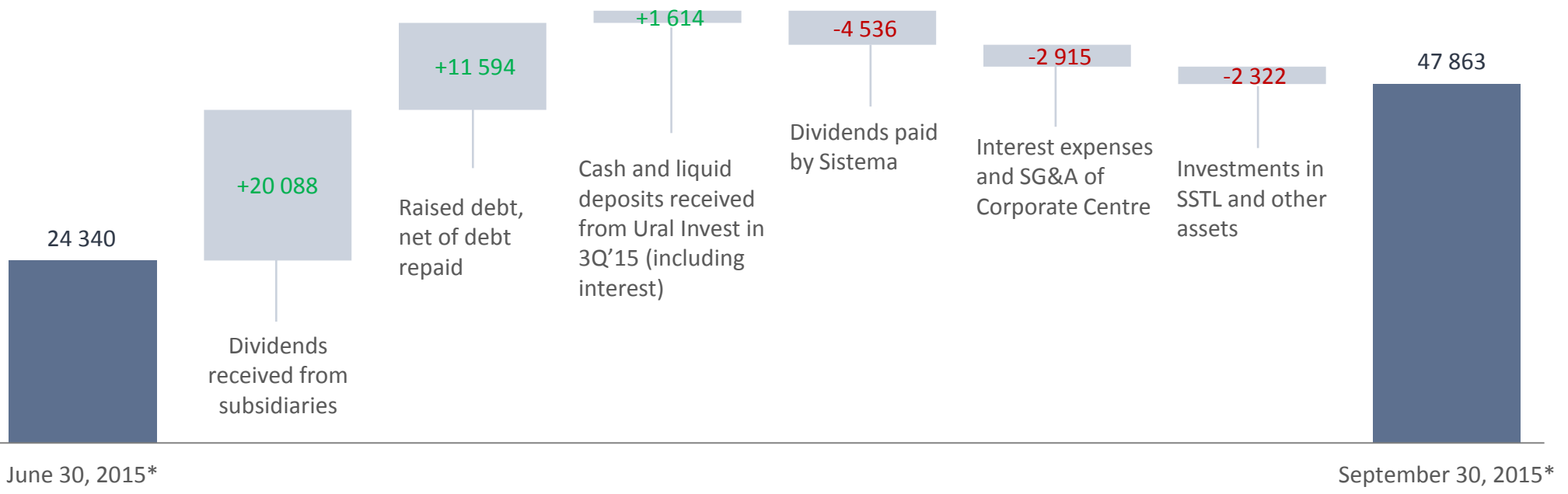
Corporate Centre

- **SG&A at Corporate Centre** reduced by 20.1% YoY and 10.1% QoQ and amounted to RUB 1.7 bln in 3Q 2015
- **Cash position at Corporate Centre** amounted to RUB 47.9 bln and RUB 33.2 bln were represented by other deposits and financial instruments
- In 3Q 2015, **Sistema received RUB 20.1 bln of dividends** from subsidiaries, in 4Q 2015 Sistema expects additional dividend inflow of apx. RUB 8.1 bln



CASH FLOWS AT HOLD CO

Management accounts, RUB bln



As of the end of 3Q 2015, Sistema’s cash position (together with long-term deposits) was 56% denominated in foreign currencies. In 3Q 2015, Sistema received dividends from subsidiaries: RUB 18.6 bln from MTS, RUB 0.9 bln from BPGC and RUB 0.6 bln from Detsky Mir.

At the end of 3Q 2015, Sistema’s cash position at Corporate Centre was RUB 47.9 bln, with RUB 33.2 bln were represented by other deposits and financial instruments were not included in cash position.

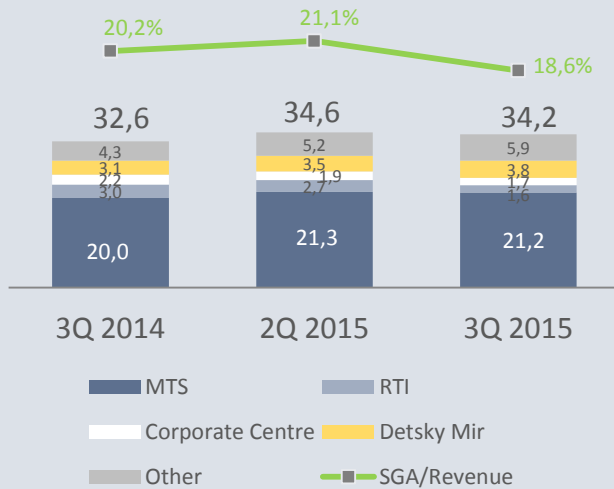
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IFRS, RUB bln

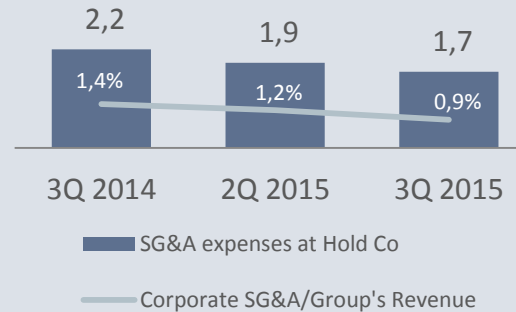
SG&A AND CAPEX

GROUP'S SG&A, bln RUB



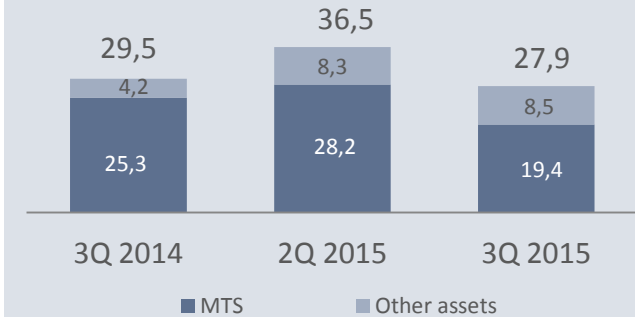
- Group's SG&A/Revenue ratio decreased YoY and QoQ, key areas of improved efficiency:
- RTI's SG&A/Revenue reduced from 19.2% to 9.1% YoY
- Detsky Mir's SG&A/Revenue reduced from 26.3% to 24.7% YoY
- SSTL's SG&A/Revenue reduced from 46.7% to 35.5% YoY

CORPORATE CENTRE'S SG&A, bln RUB



- SG&A at Corporate Centre declined by 20.1% YoY and 10.1% QoQ
- Corporate SG&A/Revenue ratio decreased YoY from 1.4% to 0.9%

GROUP'S CAPEX, bln RUB

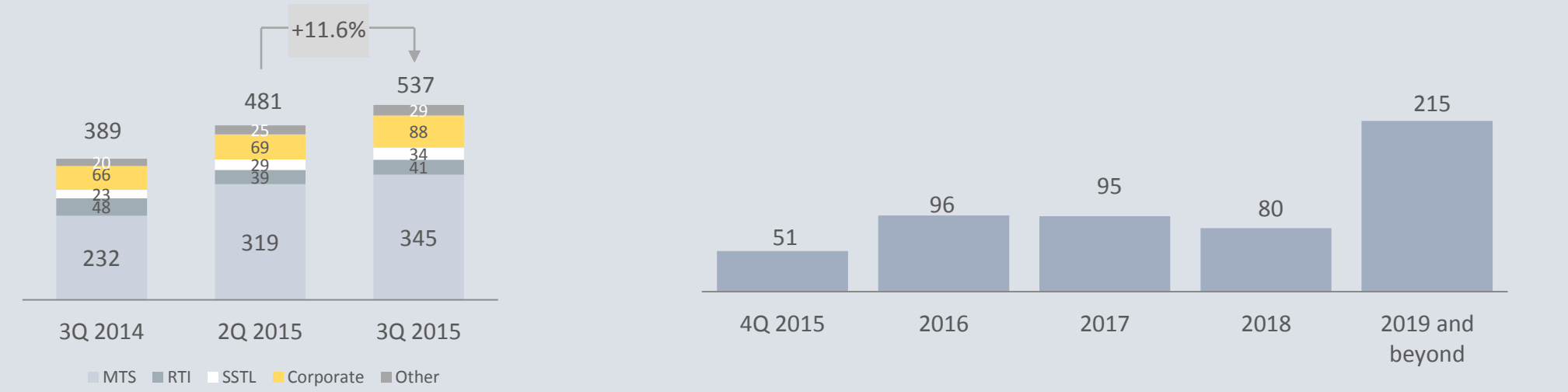


- Group CAPEX decreased by 23.6% QoQ and by 5.5% YoY largely due to uneven distribution of capital expenditures at MTS.
- RTI's capex grew to RUB 2.1 bln in 3Q 2015 due to increased R&D expenses.
- Detsky Mir CAPEX grew YoY and QoQ to RUB 2.7 bln due to construction of Bekasovo warehouse completed in 3Q 2015.

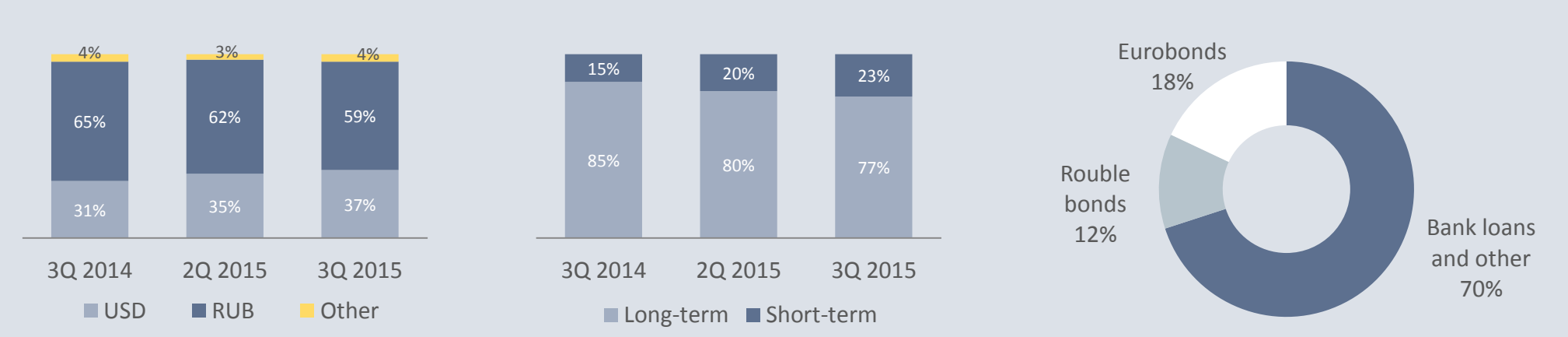


CONSOLIDATED DEBT

CONSOLIDATED DEBT AND MATURITY PROFILE*, bIn RUB



CONSOLIDATED DEBT STRUCTURE*

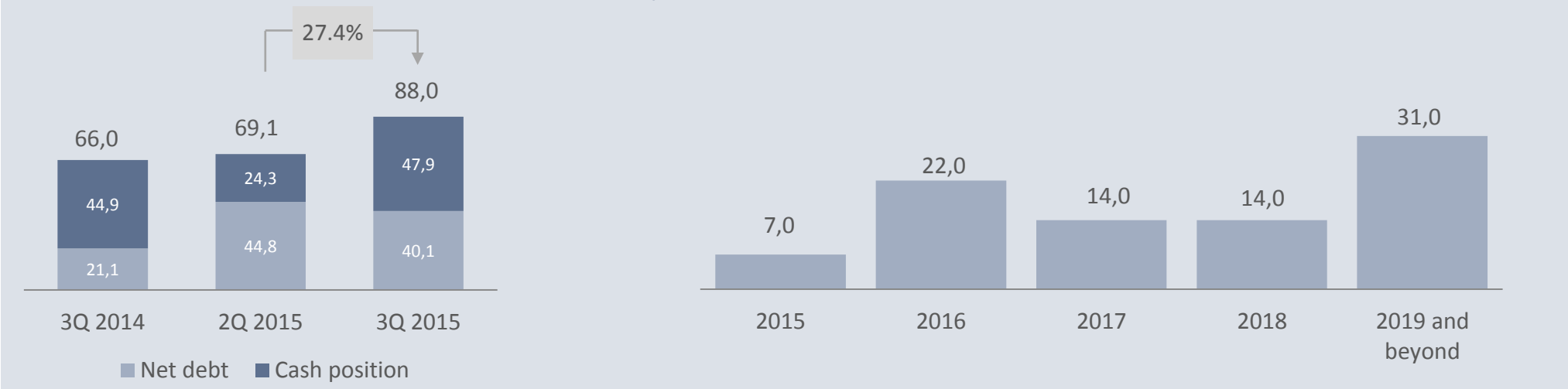


*Source: management accounts

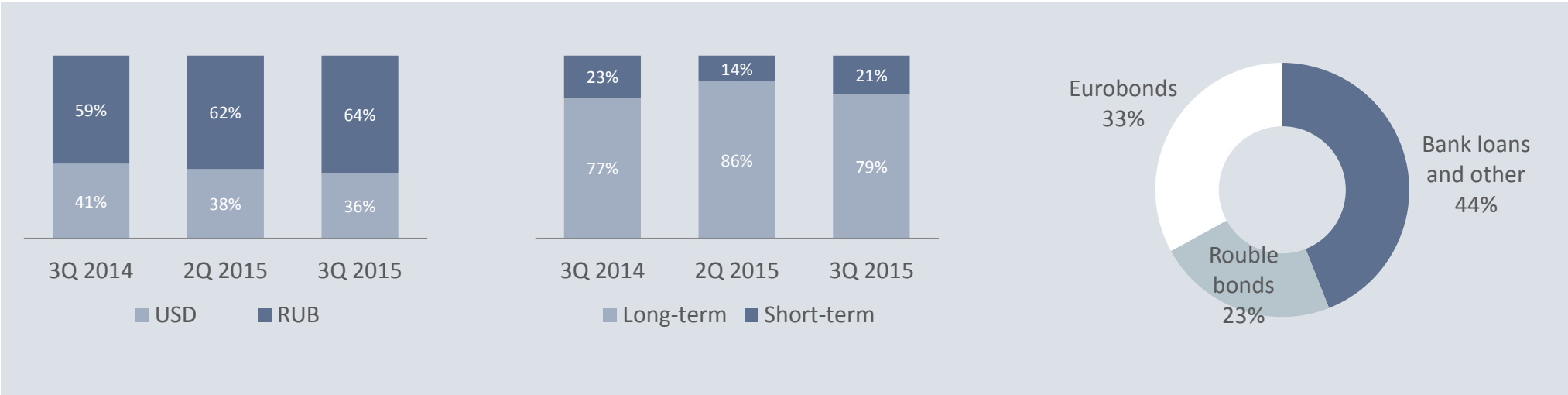


CORPORATE CENTRE'S DEBT

CORPORATE CENTRE'S DEBT AND MATURITY PROFILE*, bln RUB



CORPORATE CENTRE'S DEBT STRUCTURE*



*Source: management accounts



Attachments

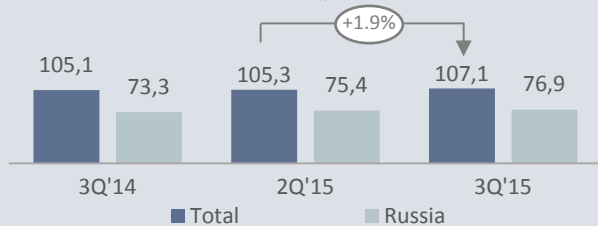


ASSETS OVERVIEW [1]

MTS

RUB bln	3Q'15	2Q'15	3Q'14	QoQ	YoY
Revenue	115.0	102.7	107.2	12.0%	7.4%
Adj OIBDA	47.0	42.0	48.6	11.8%	-3.3%
OIBDA margin	40.8%	40.9%	48.2%	n/a	n/a
Net income*	7.7	9.1	8.2	-15.7%	-6.6%
Net debt	319.9	274.5	185.9	16.5%	72.1%
MOU in Russia, min	386	388	377	-0.5%	2.4%
ARPU in Russia, RUB	341	324	358	5.5%	-4.6%
Fixed-line subscribers, mln	8.8	8.8	8.9	0.4%	-1.3%
Fixed-line ARPU связи, RUB	280	283	266	-1.2%	5.1%

Subscribers, mln



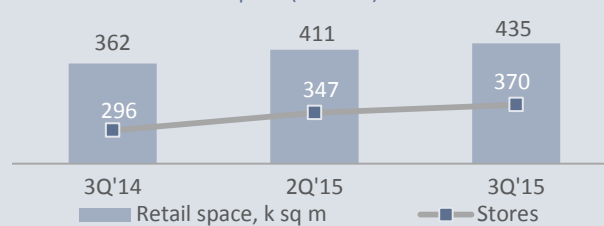
> In 3Q 2015, MTS generated a YoY increase in revenues, driven by stronger demand for telecommunications services across its markets, robust growth in data traffic revenues and a surge in handset sales in Russia. MTS' revenues were up QoQ, reflecting seasonal factors such as higher roaming revenues as well as an expanded Russian subscriber base and aggressive growth in handset sales.

> Adjusted OIBDA was up QoQ despite increasing share of low-margin sales of handsets in total revenues, the adjusted OIBDA margin remained flat QoQ as a result of a seasonal rise in high-margin roaming revenues and efforts to attract lucrative subscribers.

Detsky Mir

RUB bln	3Q'15	2Q'15	3Q'14	QoQ	YoY
Revenue	15.2	12.6	11.7	20.9%	30.3%
OIBDA	1.6	0.6	1.6	158.6%	3.8%
OIBDA margin	10.7%	5.0%	13.4%	n/a	n/a
Net income	0.3	0.3	0.9	-16.2%	-68.9%
Net debt	16.5	13.0	6.5	27.2%	153.0%
Like-for-like growth	10.5%	17.9%	8.1%	n/a	n/a
Traffic growth	2.2%	6.7%	4.3%	n/a	n/a
Average ticket growth	7.6%	10.4%	3.7%	n/a	n/a
SG&A/Revenue	24.7%	27.6%	23.6%	n/a	n/a

Retail space ('000 m²) and stores



> Revenues increased YoY largely driven by a rise in like-for-like sales of 10.5% and the addition of retail space. Detsky Mir opened 23 new stores during the reporting quarter.

> OIBDA in 3Q 2015 was largely stable YoY, reflecting the retailer's focus on market share expansion, as well as due to a shift in high-margin autumn clothing sales from September to October as a result of relatively warm weather in Russia.

> Net debt increased QoQ mostly due to attracted working capital for the New Year high sales season.

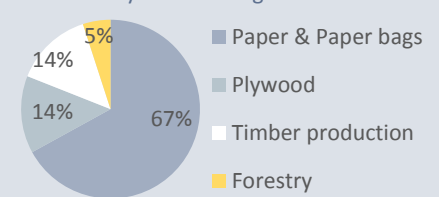
> During the reporting quarter, Detsky Mir opened a new warehouse in the Moscow region with a total area of 72,000 sq.m, aiming to reduce logistics costs and increase centralisation of the supply chain.

> In 3Q 2015, Sistema received dividends from Detsky Mir in the amount of RUB 830 mln.

Segezha Group

RUB bln	3Q'15	2Q'15	3Q'14**	QoQ	YoY
Revenue	8.8	7.8	6.2	12.2%	41.7%
OIBDA	1.7	1.4	0.5	19.1%	213%
OIBDA margin	18.8%	17.7%	8.7%	n/a	n/a
Net income	0.6	0.3	-1.5	65.5%	n/a
Net debt	-0.2	0.5	n/a	-140%	n/a
CAPEX	0.8	1.6	0.2	-52.9%	x4.5
Share of export sales	53%	54%	48%	n/a	n/a
Own forestry consumption	65%	52%	47%	n/a	n/a
Total forestry, '000 m ³	731.4	704.1	642.4	3.8%	13.8%

Revenue by business segments



> Strong growth in revenues and OIBDA was supported by the depreciation of the Russian rouble against the US dollar and euro, as over 53% of Segezha's revenues are generated by export sales.

> Revenue and OIBDA growth QoQ was also attributable to a 3.5% increase in sales of sack paper.

> Continued increase of Segezha's own logging operations that reached 18% contributed to strengthened OIBDA margin YoY in 3Q 2015.

> CAPEX decreased QoQ due to partial completion of a modernisation programme at Segezhsky PPM. New production line with 90 mln paper sacks per year capacity was launched in August 2015.

*Here and thereafter net income is presented in Sistema's share.

** As per management statements

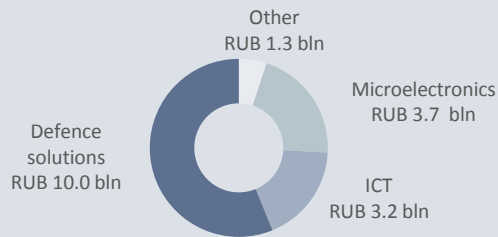


ASSETS OVERVIEW [2]

RTI

RUB bln	3Q'15	2Q'15	3Q'14	QoQ	YoY
Revenue	17.8	16.8	15.7	5.6%	13.2%
OIBDA	2.9	1.2	1.4	134.2%	97.9%
OIBDA margin	16.1%	7.3%	9.2%	n/a	n/a
Net income/(loss)	-0.7	0.2	-0.8	n/a	n/a
Net debt	27.9	19.4	39.7	43.7%	-29.8%
Share of debt related to state defence contracts*	41%	44%	46%	n/a	n/a

Results by business segments

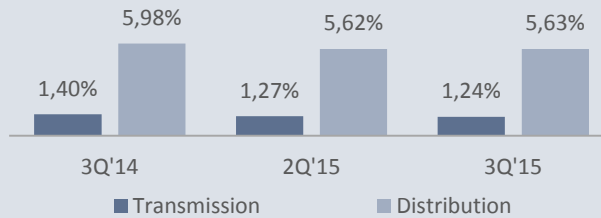


- > RTI's revenues increased YoY in the reporting quarter, as a result of a 27.0% YoY rise in revenues at the Defence Solutions BU. Revenues at the Microelectronics Solutions BU also increased both on a YoY and QoQ basis, due to growing demand for local products with attractive pricing compared to imported products.
- > RTI's OIBDA increased YoY and QoQ, due to a one-off positive effect from the reversed provisions in the Information and Communications Technologies BU, as well as strong operating results in other business segments.
- > Net debt increased YoY and QoQ due to the change in cash and cash equivalents received as advance payment under government defence contracts in 1H 2015.

BPGC

RUB bln	3Q'15	2Q'15	3Q'14	QoQ	YoY
Revenue	3.4	3.3	3.0	2.6%	11.6%
OIBDA	1.2	1.1	1.3	15.6%	-9.0%
OIBDA margin	35.9%	31.6%	44.6%	n/a	n/a
Net income	0.5	0.6	0.8	-11.1%	-32.8%
CAPEX	0.7	1.1	0.7	-29.9%	1.1%
New connections, '000	6 343	6 418	5 499	-1.17%	14.5%
Connected power, kVt	124	119	70	4.2%	81.4%

Losses on distribution and transmission grids

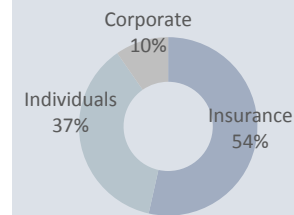


- > BPGC's revenue grew YoY, reflecting an increase in the number of new connections, as well as organic growth in electricity consumption and the indexation of distribution tariffs in July 2015.
- > In the reporting quarter, BPGC posted a 0.4% YoY increase in effective output, while reducing YoY losses in transmission and distribution grids.
- > BPGC's OIBDA declined YoY due to higher purchase prices in the wholesale electricity market.
- > In 3Q 2015, BPGC paid out dividends for 2014 to Sistema in the amount of RUB 910 mln.

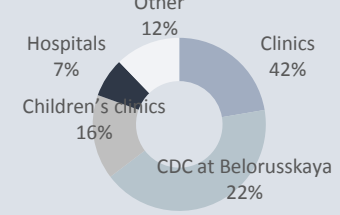
MEDSI

RUB bln	3Q'15	2Q'15	3Q'14	QoQ	YoY
Revenue	2.0	2.0	2.4	-3.8%	-16.7%
OIBDA	0.2	0.2	0.4	-17.4%	-65.5%
OIBDA margin	7.8%	9.8%	18.8%	n/a	n/a
Net income/(loss)	0.1	-0.1	0.5	n/a	-78.4%
Net debt/(cash)	-0.2	-0.1	-0.4	n/a	n/a
Patient visits, thousands	1 755	1 783	1 775	-1.6%	-1.1%
Services provided, '000	2 684	2 806	3 029	-4.4%	-11.4%

Revenue by clients



Revenue by assets



- > In the reporting quarter, Medsi's revenues declined YoY due to ending of a state contract. Revenues were down QoQ as a result of seasonality.
- > OIBDA declined YoY and QoQ on the back of lower revenues.
- > Revenues from services to individuals, Medsi's strategic sales channel, increased by 31% YoY with patient visit growth in this segment of 33%.
- > New clinical diagnostic centre at Krasnaya Presnya (22,800 sq.m) will be opened by the end of 2015.

*Share of debt related to state defence contracts (with effectively zero interest rate).

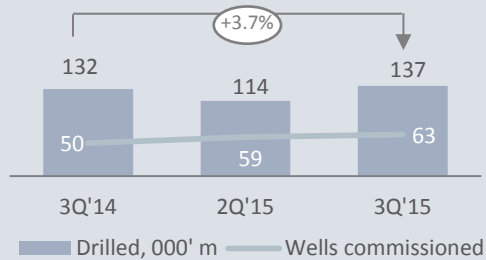


ASSETS OVERVIEW [3]

TARGIN ТАРГИН

RUB bln	3Q'15	2Q'15	3Q'14	QoQ	YoY
Revenue	6.4	6.1	8.1	4.5%	-21.3%
OIBDA	1.1	0.9	1.0	20.2%	9.7%
OIBDA margin	17.2%	15.0%	12.4%	n/a	n/a
Net income/(loss)	0.5	0.4	0.5	12.1%	-6.2%
Net debt	3.1	3.0	1.6	3.9%	101.1%
CAPEX	0.4	1.1	0.8	-60.3%	-49.8%

Results of the drilling segment

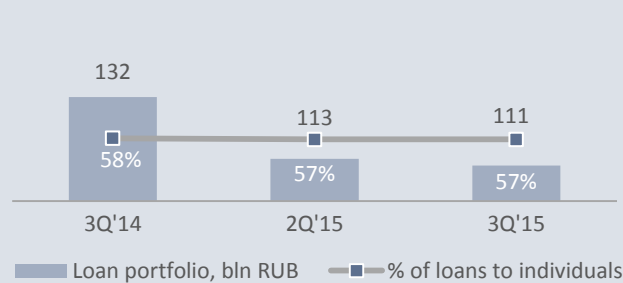


- > Revenues decreased YoY in 3Q 2015 after disposal of its construction segment.
- > Revenue growth QoQ resulted from increases of drilling volumes by 20%, well servicing and workover operations by 5% and transportation services by 4%.
- > A new contract for high-margin services in the Yamal-Nenets region also contributed to QoQ revenue and OIBDA growth.
- > Reorganisation at the end of 2014 and equipment upgrades allowed Targin to significantly optimise its cost base and improve business efficiency.
- > CAPEX reduction QoQ was achieved thanks to the rescheduled delivery of drilling equipment.

MTS Bank МТС Банк

RUB bln	3Q'15	2Q'15	3Q'14	QoQ	YoY
Revenue	6.4	6.8	7.3	-5.5%	-12.2%
Net loss	-3.2	-2.2	-2.5	n/a	n/a
Interest income	5.4	4.9	6.3	9.5%	-14.6%
Commission income	0.9	0.9	1.0	-0.2%	-17.3%
Net assets	29.9	31.7	28.7	-5.6%	3.9%
Capital adequacy ratio (N1.0)	14.8%	16.1%	12.3%	n/a	n/a

Loan portfolio

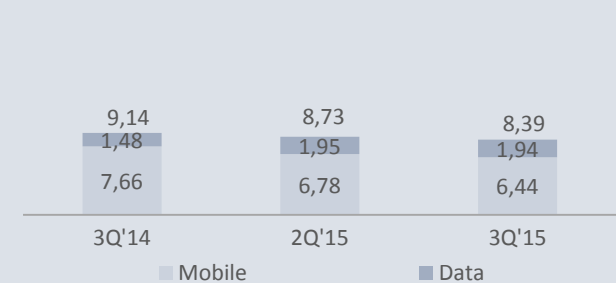


- > Revenues decreased YoY in 3Q 2015 mainly as a result of a decline in its pre-provision net interest income, as the bank continued scaling back its retail loan book. Net interest income grew QoQ due to lower costs of funding.
- > Lower revenues as well as high provisioning costs contributed to a YoY increase in the bank's net loss. The net loss expanded QoQ mostly due to reduction in non-interest income.
- > Accrued provisions for the loan portfolio remained stable QoQ, that also affected the results on the back of lower revenue.
- > As of the end of 3Q 2015, MTS Bank's capital adequacy ratio (N1.0) was 14.8%, remaining among the highest in the Russian banking sector.

SSTL МТС

RUB bln	3Q'15	2Q'15	3Q'14	QoQ	YoY
Revenue	3.7	3.1	2.0	19.9%	80.4%
OIBDA	-0.5	-0.3	-0.6	n/a	n/a
Net loss	-2.1	-1.7	-1.7	n/a	n/a
Net debt	31.7	27.2	20.7	16.3%	52.6%
Revenue from data services, %	58.0%	55.3%	43.0%	2.7 pp	15.0 pp

Subscriber base, mln



- > In 3Q 2015, revenues increased YoY and QoQ in rouble terms. In Indian rupees, revenue was up 9.8% YoY and 0.5% QoQ.
- > Non-voice revenues from data accounted for 58.0% of SSTL's total revenue in the reporting quarter, up from 43.0% in 3Q 2014.
- > OIBDA loss in Indian rupees reduced by 18.2% QoQ and 57.3% YoY. The QoQ increase in OIBDA loss in rouble terms was due to the devaluation of the rouble during 3Q 2015.

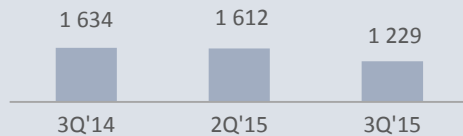


ASSETS OVERVIEW [4]

Binnopharm

RUB bln	3Q'15	2Q'15	3Q'14	QoQ	YoY
Revenue	0.3	0.4	0.5	-19.7%	-43.9%
OIBDA	-0.1	0.04	0.05	n/a	n/a
OIBDA margin	n/a	9.9%	9.7%	n/a	n/a
Net income/(loss)	-0.1	0.0	-0.02	n/a	n/a
Net debt	1.1	1.1	1.0	-1.2%	9.9%

Production of finished pharmaceutical products, thousands units

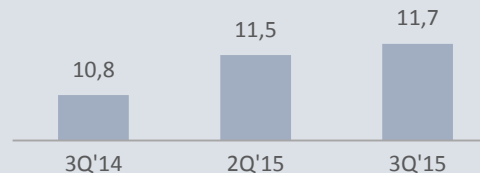


- > In 3Q 2015, revenue fell YoY as a result of lower distribution sales.
- > OIBDA and net income also declined in line with the decrease in revenues. OIBDA margin decreased in comparison to 2Q 2015 due to lower sales of high margin products. However, in 3Q 2015, Binnopharm signed a contract with the National Immunobiological Company for delivery of 6 mln doses of the hepatitis B vaccine Regevak B, which tops the vaccine's entire sales for 2014.
- > Binnopharm also launched production of a retroviral combination treatment for HIV called Kivex under a contract manufacturing agreement with ViiV Healthcare.
- > In accordance with the pharmaceutical sector development programme, Binnopharm received government subsidies that partially offset its interest expenses already in 3Q 2015.

Media assets

RUB bln	3Q'15	2Q'15	3Q'14	QoQ	YoY
Revenue	0.8	0.6	0.8	36.1%	-1.4%
OIBDA	0.2	0.3	0.3	-22.7%	-13.6%
OIBDA margin	30.0%	52.8%	34.2%	n/a	n/a
Net income/(loss)	0.1	-0.3	0.06	n/a	76.3%
Net debt/(cash)	-1.0	-0.5	-0.08	n/a	n/a

STREAM's subscribers, mln

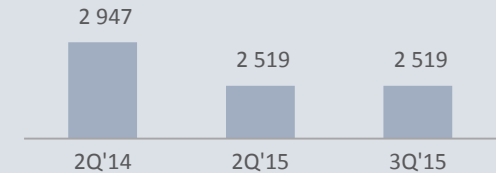


- > SMM's revenue was flat YoY, given that growing revenues from LLC Stream made up for deconsolidation of RWS in April 2015.
- > LLC Stream made a heavy contribution to the revenue growth QoQ. In June 2015, LLC Stream began aggregating the WAP click service, which allows MTS customers to subscribe to content in one click and is a partnership programme for mobile traffic.
- > The OIBDA decline QoQ was due to the one-off positive effect from disposal of RWS in 2Q 2015.
- > Net income increased thanks to Stream's growing revenue and a significant reduction of the management company's costs.
- > SMM managed to increase its cash position by paying off external debt and increasing the Group's cash flow. In September, TVC Stream launched an international version of its popular Hunting and Fishing channel.

Intourist

RUB bln	3Q'15	2Q'15	3Q'14	QoQ	YoY
Revenue	0.8	0.6	0.9	33.2%	-10.4%
OIBDA	0.3	0.1	0.2	181.3%	31.2%
OIBDA margin	37.6%	17.8%	25.7%	n/a	n/a
Net income/(loss)	0.05	0.0	0.08	n/a	-31.8%
Net debt	1.2	1.2	2.0	-2.4%	-42.6%

Rooms owned, rented and managed



- > In 3Q 2015, revenue was down YoY due to a decrease in the number of rooms owned, managed and rented.
- > QoQ rise in revenue is primarily attributable to high-season demand for its hotels abroad (Czech Republic, Italy). OIBDA and net income were up QoQ, reflecting an increase in revenue and continued cost optimisation.
- > The total number of rooms reduced YoY due to expiry of leases on Maxim Resort (Turkey, 330 rooms) and Moscow and Moskovskiy Trakt hotels (Russia, 98 rooms in total).



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