JOINT-STOCK FINANCIAL CORPORATION
SISTEMA

FOR IMMEDIATE RELEASE June 21, 2013

UNAUDITED FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED MARCH 31, 2013

Moscow, Russia – June 21, 2013 – 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 first quarter ended March 31, 2013.

FIRST QUARTER HIGHLIGHTS

- Consolidated revenues up 5.5% YoY to US$ 8.3 billion
- OIBDA slightly down 0.8% YoY to US$ 2.0 billion, with an OIBDA margin of 24.0%
- Net income attributable to the Group of US$ 371.8 million
- Net debt[1] at the Corporate Holding level amounted to US$ 1.5 billion as of March 31, 2013, compared to net cash of US$ 339.7 million as of March 31, 2012.

KEY CORPORATE HIGHLIGHTS IN 1Q 2013 AND POST PERIOD

- Sale of 25% and 24% in RussNeft to Bradinor Holdings Limited and Cromeld Management Limited, respectively, for a total cash consideration of US$ 1.2 billion. Transaction expected to be complete in the third quarter of 2013.

- MTS acquired a 25.095% stake in MTS Bank OJSC for RUB 5.09 billion through an additional share issuance by the bank.

- The Board of Directors of SG-trans approved the company's reorganisation, intended to separate SG-trans' trading assets into a standalone business. Later, in April, Sistema sold 70% of its shares in SG-trans to Financial Alliance for RUB 12.0 billion. The price of the deal is based on the valuation of SG-trans, excluding SG-trading.

- SSTL ended operations in 13 out of 22 circles and participated in a new licencing auction obtaining 8 technologically neutral licences in the 800 Mhz band, with 3 carriers of 1.25 Mhz in each circle. SSTL's total footprint now consists of 9 licences, including the previously unaffected Rajasthan licence.

- Sistema successfully launched secondary placement of Series 03 Bonds raising RUB 10 billion.

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

"Substantial progress was made during the first quarter across our investment portfolio. A key milestone was the resolution of SSTL's licensing issues by repositioning the company into a more focused data operator with a

[1] Including highly liquid deposits.

better spectrum, lower capital requirements and a clearer path to breakeven. During the reporting period and in recent weeks, we have delivered substantial return on capital from our transportation investments. We began consolidating all our rail investments, through which we expect to recoup more than 80% of our initial SG-trans acquisition costs. However, a key event for us at the moment, post reporting period, is the announced divestment of our stake in RussNeft. The sale will generate US$ 1.2 billion in proceeds, and will deliver a significant return on our original acquisition.

These operational successes, which are highly accretive and demonstrate our ability to execute on our strategy, are matched by a solid financial performance. At the Group holding level, we are reporting year-on-year growth in revenues and stable OIBDA despite certain seasonal trends. Moreover, with a step change increase in recommended dividends, as announced by the Board in April, and an advancing deal pipeline, we are confident of generating substantial value for our shareholders in 2013."

Conference call information

Sistema's management will host an analyst conference call today at 9 am (London time) / 10 am (CET) / 12 pm (Moscow Time) to present and discuss the first quarter results.

The dial-in numbers for the conference call are:

UK/ International: +44 208 515 2319
US: +1 480 629 9645

And quote the conference call title: "Sistema First Quarter 2013 Financial Results".

A replay of the conference call will be available on the Company's website www.sistema.com for 7 days after the event.

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

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FINANCIAL SUMMARY

(US$ millions)	**1Q 2013**	**1Q 2012**	**Year-on-Year Change**	**4Q 2012[2]**	**Quarter-on-Quarter Change**
Revenues	**8,345.6**	7,912.9	*5.5%*	9,450.2	*(11.7%)*
OIBDA	**2,007.1**	2,023.5	*(0.8%)*	2,073.5	*(3.2%)*
Operating income	**1,193.7**	1,199.0	*(0.4%)*	1,340.1	*(10.9%)*
Net income attributable to Sistema	**371.8**	380.9	*(2.4%)*	357.9	*3.9%*

GROUP OPERATING REVIEW

Sistema's consolidated revenues were up 5.5% year-on-year in the first quarter of 2013, mainly as a result of growth at MTS, Bashneft and Detsky mir. The Group's revenues decreased by 11.7% quarter-on-quarter, reflecting a decline in sales at MTS, RTI and Bashneft.

Selling, general and administrative (SG&A) expenses increased by 11.2% year-on-year, but were down 11.3% quarter-on-quarter to US$ 1,067.1 million in the first quarter of 2013. The year-on-year increase was mainly due to higher SG&A expenses at MTS and Bashneft in the reporting quarter. Depreciation, depletion and amortisation expenses decreased by 1.3% year-on-year to US$ 813.4 million.

The Group's OIBDA remained stable year-on-year. Bashneft reported increased export duties and higher transportation costs. while MTS's profitability expanded to a 43.9% OIBDA margin. OIBDA was down 3.2% quarter-on-quarter, mainly due to the increased loan provisions at MTS Bank and seasonal sales decline at Detsky mir. The Group's OIBDA margin was 24.0% in the first quarter of 2013, compared to 25.6% in the corresponding period of 2012 and 21.9% in the fourth quarter of 2012.

Consolidated net income attributable to Sistema in the first quarter of 2013 decreased by 2.4% year-on-year, largely due to foreign exchange losses at MTS and an increase in the loan provisions at MTS Bank. The Group reported a 3.9% quarter-on-quarter increase in net income, primarily as a result of net income growth at Bashneft.

[2] Numbers for 4Q 2012 are presented without one-offs; please see Attachment A for reconciliation to US GAAP financial measures and definitions.

OPERATING REVIEW[3]

MTS

(US$ millions)	1Q 2013	1Q 2012	Year-on-Year Change	4Q 2012	Quarter-on-Quarter Change
Revenues	**3,053.1**	3,013.8	*1.3%*	3,167.6	*(3.6%)*
OIBDA	**1,339.0**	1,247.5	*7.3%*	1,344.9	*(0.4%)*
Operating income	**754.8**	638.0	*18.3%*	813.1	*(7.2%)*
Net income attributable to Sistema	**225.0**	272.2	*(17.3%)*	289.0	*(22.1%)*

Despite the suspension of the company's operations in Uzbekistan, MTS' revenues increased by 1.3% year-on-year in the first quarter of 2013, reflecting growth in voice and data consumption services. Revenues were down 3.6% quarter-on-quarter primarily as a result of seasonality factors. MTS' subscriber base (including Belarus subscribers) totalled 101.8 million customers as of March 31, 2013, demonstrating a 1.0% quarter-on-quarter increase as a result of the resumed operations in Turkmenistan.

MTS reported a 7.3% year-on-year OIBDA increase, reflecting the company's revenue growth from data services and a decreased share of low-margin distribution sales. The OIBDA margin reached 43.9% in the first quarter of 2013, compared to 41.4% and 42.5% in the first and fourth quarters of 2012, respectively.

The average monthly service revenue per subscriber (ARPU) in Russia grew by 3.9% year-on-year to RUB 292 in the first quarter of 2013, compared to RUB 281 in the corresponding period of 2012. Russian subscribers' monthly minutes of use (MOU) increased by 9.9% to 310 minutes in the first quarter of 2013, compared to 282 minutes in the first quarter of 2012.

In the fixed broadband business, the number of households passed reached 11.9 million at the end of the first quarter of 2013. The pay-TV customer base totalled 2.9 million subscribers at the end of the reporting quarter, while the number of broadband Internet subscribers stood at 2.3 million.

In March 2013, MTS acquired a 25.095% stake in MTS Bank OJSC for RUB 5.09 billion through an additional share issuance by the bank. The transaction was concluded in accordance with the terms of an indicative offer between MTS, MTS Bank and Sistema announced in October 2012.

In February 2013, MTS' Extraordinary General Meeting of Shareholders elected three new members to the company's Board of Directors - Michel Combes, Thomas Holtrop and Alexander Gorbunov. The EGM also approved MTS' participation in the National Payments Council Association.

In January 2013, Uzdunrobita FE LLC, MTS's wholly-owned subsidiary in Uzbekistan, filed a petition to declare bankruptcy in the Tashkent Commercial Court. Uzdunrobita continues to defend its rights in accordance with the laws of the Republic of Uzbekistan. MTS also reserves the right to use all legal options in the international arena in order to claim damages incurred as a result of an unwarranted attack on its subsidiary in Uzbekistan.

[3] Here and from hereon, the comparison of period to period 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.

Bashneft

(US$ millions)	1Q 2013	1Q 2012	Year-on-Year Change	4Q 2012	Quarter-on-Quarter Change
Revenues	**4,128.8**	3,923.1	*5.2%*	4,498.6	*(8.2%)*
OIBDA	**689.8**	835.1	*(17.4%)*	648.4	*6.4%*
Operating income	**547.3**	687.3	*(20.4%)*	511.0	*7.1%*
Net income attributable to Sistema	**307.3**	328.4	*(6.4%)*	264.2	*16.3%*

In the first quarter of 2013, Bashneft reported 5.2% year-on-year revenue growth, mainly as a result of higher exports of oil products, particularly to non-CIS countries. A 8.2% quarter-on-quarter decrease in revenues resulted mainly from a decline in demand for oil products.

Bashneft's OIBDA decreased by 17.4% year-on-year in the first quarter of 2013, primarily due to an increase in export duties on oil products following a shift of sales to non-CIS countries, and a rise in transportation volumes and taxes. In the reporting quarter, OIBDA increased by 6.4% quarter-on-quarter, which resulted from cost efficiency measures.

In the first quarter of 2013, Bashneft's oil production increased by 0.1% year-on-year to 3.8 million tonnes. The company sold 4.4 million tonnes of oil and petrochemical products in the first quarter of 2013, a 2.3% year-on-year increase, with exports amounting to 1.1 million tonnes of crude oil and 2.0 million tonnes of oil products.

Refining volumes from Bashneft's refinery increased by 1.9% year-on-year in the first quarter of 2013 and amounted to 5.2 million tonnes of crude oil. In the reporting quarter, the average refining depth was 84.5% and light-product yield amounted to 60.2%.

As of March 31, 2013, Bashneft operated a total of 470 petrol stations.

In March 2013, Bashneft completed the formation of an oilfield service company based on LLC Bashneft-Service Assets, its wholly owned subsidiary. The newly established oilfield service company provides a full range of services related to drilling, workover of wells and manufacture of equipment, as well as transportation and construction. A range of strategic options are being considered for LLC Bashneft-Service Assets, including possible divestiture.

In February 2013, the Board of Directors of OJSC United Petrochemical Company, subsidiary of Bashneft, appointed Kirill Tyurdenev as President.

In January 2013, Bashneft opened a new oil deposit located in the Khasanovskoye licence area.

In January 2013, the Extraordinary Meeting of Shareholders of Bashneft approved the decision to increase the number of members on the company's Board of Directors from 10 to 12. The number of independent directors on the Board has also been increased.

Bashkirian Power Grid Company (BPGC)

(US$ millions)	1Q 2013	1Q 2012	Year-on-Year Change	4Q 2012	Quarter-on-Quarter Change
Revenues	**112.7**	94.9	*18.7%*	91.5	*23.2%*
OIBDA	**50.0**	31.2	*60.5%*	6.8	*633.9%*

Operating income/(loss)	**36.8**	19.9	*85.1%*	(5.1)	-
Net income/(loss) attributable to Sistema	**23.1**	5.2	*339.7%*	(3.7)	-

Bashkirian Power Grid Company's revenues grew by 18.7% year-on-year and by 23.2% quarter-on-quarter, mainly as a result of an increase in electricity tariffs effective from January 1, 2013.

OIBDA demonstrated significant year-on-year and quarter-on-quarter growth in the reporting quarter, following an increase in revenues and other income. The OIBDA margin expanded to 44.4% in the first quarter of 2013, compared to 32.8% and 7.5% in the first and fourth quarters of 2012, respectively.

In the first quarter of 2013, distribution grid losses decreased by 30.4 million kWh compared to the corresponding period of last year, as a result of an increased number of installed electricity meters, and tests conducted to detect non-contractual and non-metered consumption and control over electricity meter readings. Transmission grid losses increased by 3.3 million kWh year-on-year in the reporting quarter.

The effective transmission grid output reduced by 6.5% year-on-year in the reporting quarter. However, the effective distribution power output was up 1.4% year-on-year as a result of organic growth in consumption, and measures taken to reduce losses.

Sistema Shyam TeleServices Ltd. (SSTL)

(US$ millions)	**1Q 2013**	**1Q 2012**	**Year-on-Year Change**	**4Q 2012**	**Quarter-on-Quarter Change**
Revenues	**65.0**	81.0	*(19.7 %)*	72.0	*(9.7%)*
OIBDA	**(39.0)**	(72.0)	-	(113.8)	-
Operating loss	**(55.9)**	(91.3)	-	(132.4)	-
Net loss attributable to Sistema	**(45.0)**	(56.7)	-	(114.4)	

In the first quarter of 2013, SSTL's revenues decreased by 19.7% year-on-year and 9.7% quarter-on-quarter following the closure of the company's operations in 13 Indian circles. This decrease also reflects the overall uncertainties that surrounded the licensing issue for most of the reporting quarter, as well as the new regulatory requirements for customers' registration. SSTL's OIBDA loss narrowed year-on-year and quarter-on-quarter as a result of the cost optimisation programme and strict control over marketing and other expenses. The company's SG&A decreased by 32.4% year-on-year and by 18.6% quarter-on-quarter.

SSTL's total wireless (voice and data) subscriber base declined by 24.6% year-on-year to 11.9 million customers as of March 31, 2013. Blended mobile ARPU amounted to US$ 1.5 for the first quarter of 2013. The data card subscriber base decreased by 12.3% quarter-on-quarter, but grew by 1.2% year-on-year and amounted to 1.56 million subscribers.

Non-voice revenues from both data and VAS accounted for 35.7% of the company's total revenues in the first quarter of 2013.

In March 2013, SSTL participated in new spectrum auctions, acquiring licences in eight circles, resulting in a nine circle footprint, including Rajasthan circle.

Sistema Mass Media[4]

(US$ millions)	**1Q 2013**	**1Q 2012**	**Year-on-Year Change**	**4Q 2012**	**Quarter-on-Quarter Change**
Revenues	**10.7**	25.8	*(58.7%)*	22.9	*(53.4%)*
OIBDA	**(2.9)**	10.8	-	7.8	-
Operating (loss)/ income	**(5.7)**	0.6	-	(2.7)	-
Net loss attributable to Sistema	**(4.9)**	(1.4)	-	(3.0)	-

Sistema Mass Media's revenues decreased by 58.7% year-on-year and 53.4% quarter-on-quarter in the first quarter of 2013, largely due to shifts in the production schedule. SMM reported an OIBDA loss in the first quarter of 2013, reflecting the decline in revenues.

In the first quarter of 2013, the Stream-TV subscriber base increased by 15.0% year-on-year reaching 7.7 million subscribers. The RWS content library amounted to 1,613 hours as of March 31, 2013.

During the reporting quarter, Stream signed a contract with Alcasar Group to sell advertising opportunities for the channels "Hunting and Fishing", "Farmstead", "Healthy TV", "Retro", "Pets", "Psychology 21" and "Questions and Answers".

RTI

(US$ millions)	**1Q 2013**	**1Q 2012**	**Year-on-Year Change**	**4Q 2012**	**Quarter-on-Quarter Change**
Revenues	**505.6**	477.2	*5.9%*	1,068.3	*(52.7%)*
OIBDA	**2.9**	21.4	*(86.4%)*	(49.8)	-
Operating loss	**(20.9)**	(2.7)	-	(74.9)	-
Net loss attributable to Sistema	**(12.6)**	(13.2)	-	(87.0)	-

RTI is comprised of four principal business units ("BU") – Defence Solutions BU, Comprehensive Security Systems BU, Microelectronics Solutions BU and System Integration BU.

RTI revenues increased by 5.9% year-on-year in the first quarter of 2013, reflecting the consolidation of NVision Group, but fell by 52.7% quarter-on-quarter, mainly as a result of uneven revenue distribution throughout the year. Year-on-year reduction in OIBDA in the first quarter of 2013 mainly resulted from the shift of contracts scheduled for later periods.

In March 2013, NVision Group and VimpelCom signed agreements for extended maintenance of broadband access networks in the Ural, Siberia, North-West, Central, South, and Moscow regions for five years. NVision Group will be assigned to connect new subscribers and provide maintenance of broadband access networks in all of these regions, excluding the Central region.

In January 2013, the Crisis Management Centre of Mordovia was opened in Saransk. RTI participated in designing, supplying and setting up its equipment.

[4] Financial results of Stream.ru are included into SMM segment for all periods presented.

Binnopharm

(US$ millions)	1Q 2013	1Q 2012	Year-on-Year Change	4Q 2012	Quarter-on-Quarter Change
Revenues	**19.9**	14.1	*40.8%*	20.1	*(1.1%)*
OIBDA	**4.1**	1.6	*162.1%*	(3.8)	-
Operating income/ (loss)	**2.2**	0.4	*426.2%*	(10.2)	
Net income/ (loss) attributable to Sistema	**1.4**	0.7	*100.7%*	(9.1)	-

Binnopharm's revenues increased by 40.8% year-on-year in the first quarter of 2013, reflecting the increased production of biotech drugs and the higher sales of Binnopharm's own products. Revenues quarter-on-quarter were largely stable.

In the first quarter of 2013, Binnopharm's OIBDA demonstrated significant growth year-on-year and quarter-on-quarter with the OIBDA margin reaching 20.6%, mainly as a result of an increase in high margin sales in the distribution segment.

MTS Bank

(US$ millions)	1Q 2013	1Q 2012	Year-on-Year Change	4Q 2012	Quarter-on-Quarter Change
Revenues	**206.7**	157.1	*31.6%*	211.1	*(2.1%)*
OIBDA	**(10.7)**	11.9	-	53.4	-
Operating (loss)/ income	**(15.6)**	7.2	-	49.4	-
Net (loss)/ income attributable to Sistema	**(14.0)**	3.0	-	46.8	-

MTS Bank's revenues increased by 31.6% year-on-year in the reporting quarter, as a result of an increase in interest and commission income following the development of the bank's retail business. The loan portfolio from joint projects with MTS grew by 22.6% quarter-on-quarter to US$ 287 million. In the first quarter of 2013, MTS Bank reported an OIBDA loss, largely due to the increased retail loan provisions following the growth in the loan portfolio to individuals.

MTS Bank's loan portfolio, excluding leases, decreased by 3.5% to US$ 5,222 million in the first quarter of 2013, compared to US$ 5,411 million in the corresponding quarter of 2012. The interest income from retail and corporate client transactions grew by 27.1% quarter-on-quarter and amounted to US$ 166.7 million.

In the first quarter of 2013, MTS Bank issued two million MasterCard cards, including 1.3 million "MTS Money" cards.

In February 2013, MTS Bank launched a new product – instant loans – which can be received in sales outlets of the bank's partners.

Detsky mir

(US$ millions)	**1Q 2013**	**1Q 2012**	**Year-on-Year Change**	**4Q 2012**	**Quarter-on-Quarter Change**
Revenues	**222.3**	173.9	*27.8%*	313.8	*(29.2%)*
OIBDA	**(15.1)**	(14.8)	-	49.7	-
Operating (loss)/ income	**(20.1)**	(19.3)	-	44.7	-
Net (loss)/ income attributable to Sistema	**(14.7)**	(15.4)	-	23.4	-

Detsky mir's revenues increased by 27.8% year-on-year in the first quarter of 2013, mainly as a result of regional store expansion and an increase in the average bill. Revenue decline by 29.2% quarter-on-quarter was mainly a result of seasonality factors. OIBDA was largely stable year-on-year, but fell in the reporting quarter, reflecting a decrease in revenues. OIBDA remained stable year-on-year due to additional rent expenses for new retail space and a new incentive programme for the sales division.

The network of retail outlets amounted to 219 stores, including 21 Early Learning Centre (ELC) franchised stores, located in 99 cities across Russia and Kazakhstan. The aggregate retail space was 292,000 sq.m. as of March 31, 2013. In the first quarter of 2013, Detsky mir opened four new stores, including one ELC store.

Intourist

(US$ millions)	**1Q 2013**	**1Q 2012**	**Year-on-Year Change**	**4Q 2012**	**Quarter-on-Quarter Change**
Revenues	**16.3**	16.1	*1.2%*	24.1	*(32.4%)*
OIBDA	**0.6**	(3.7)	-	(17.2)	-
Operating loss	**(1.4)**	(5.9)	-	(20.2)	-
Net loss attributable to Sistema	**(2.7)**	(4.0)	-	(14.6)	-

Intourist's revenues slightly increased year-on-year in the first quarter of 2013, but were down quarter-on-quarter due to seasonality effects. The company reported positive OIBDA in the first quarter of 2013 compared to OIBDA loss in the first and fourth quarters of 2012, mainly as a result of improvements in the hotel business segment.

The number of tourists travelling through the Thomas Cook JV fell year-on-year in the reporting quarter, mainly due to a decrease in package sales to travel agencies. The number of rooms owned, managed and rented in the first quarter of 2013 remained at the level of the fourth quarter of 2012.

Medsi

(US$ millions)	**1Q 2013**	**1Q 2012**	**Year-on-Year Change**	**4Q 2012**	**Quarter-on-Quarter Change**
Revenues	**74.8**	48.8	*53.1%*	81.9	*(8.7%)*
OIBDA	**10.0**	5.3	*87.2%*	9.9	*1.4%*

Operating income	**5.0**	2.5	*95.5%*	6.7	*(26.1%)*
Net income/ (loss) attributable to Sistema	**0.6**	(2.4)	-	4.0	*(86.2%)*

Medsi demonstrated significant year-on-year revenue growth in the first quarter of 2013, as a result of the integration with the assets of Medical Centre for the Mayor and Government of Moscow (SUE). Revenue declined by 8.7% quarter-on-quarter mainly due to seasonality factors. Medsi's OIBDA almost doubled year-on-year and was up 1.4% quarter-on-quarter in the first quarter of 2013, largely as a result of the business expansion following the merger with SUE.

In the reporting quarter, the number of patient visits and services provided, excluding SUE assets, decreased by 11.0% and by 6.0% year-on-year, respectively, due to the suspension of the health checks project across commercial organisations and the relocation of some clinics. The average bill, excluding SUE assets, increased by 15.0% year-on-year to RUB 1,400.

As of March 31, 2013, Medsi's network consisted of 41 medical clinics and 76 first aid stations with a total floor space of healthcare facilities exceeding 190,000 sq.m.

CORPORATE

(US$ millions)	**1Q 2013**	**1Q 2012**	**Year-on-Year Change**	**4Q 2012**	**Quarter-on-Quarter Change**
OIBDA[5]	**(33.8)**	(29.6)	-	(190.1)	-
Net loss	**(68.6)**	(115.5)	-	(196.1)	-
Indebtedness	**1,789.5**	1,274.8	*40.4%*	1,646.8	*8.7%*

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

In February 2013, the Board of Directors of SG-trans, which is 100% owned by Sistema, approved the company's reorganisation, intended to separate SG-trans' trading assets into a standalone business. Later, in April, Sistema sold 70% of its shares in SG-trans to Financial Alliance for RUB 12.0 billion. The price of the deal is based on the valuation of SG-trans, excluding SG-trading.

In February 2013, Sistema successfully completed a secondary placement of Series 03 bonds with a par value of RUB 1,000. The bonds will mature on November 24, 2016. The Series 03 bonds were placed at the price of 100.65% of the nominal value, which corresponds to an effective yield to maturity of 8.75% per annum. The secondary placement raised RUB 10 billion at its nominal value.

FINANCIAL REVIEW

Net cash provided by operations in the first quarter of 2013 decreased by 5.6% year-on-year and by 10.0% quarter-on-quarter to US$ 1,180.5 million due to changes in working capital.

Net cash used in investing activities totalled US$ 589.8 million in the reporting quarter, compared to US$ 2,883.4 million in the corresponding period of 2012.

The Group spent US$ 681.0 million on capital expenditure in the first quarter of 2013, compared to US$ 749.1 million spent in the first quarter of 2012. A 9.1% year-on-year decrease in the Group's CAPEX resulted from reduced CAPEX at MTS. The Group also received US$ 579.8 million from decreasing banking assets and spent

[5] Here and further, OIBDA and net income (loss) of the Corporate & Other category are shown without an effect of intragroup dividends.

US$ 602.7 million to increase short-term investments, whereas proceeds from the sale of short-term investments totaled US$ 192.3 million.

Net cash outflow from financing activities amounted to US$ 257.1 million in the first quarter of 2013, compared to US$ 124.3 million in the corresponding quarter of 2012. The Group's proceeds from borrowings in the reporting quarter totalled US$ 1,368.1 million, whereas the principal payments on long-term and short-term borrowings amounted to US$ 1,322.7 million.

The Group's cash balances of continuing operations stood at US$ 2,012.7 million as of March 31, 2013 (excluding an amount of US$ 901.8 million which comprises the Group's banking activities) compared to US$ 1,576.8 million as of March 31, 2012 (excluding an amount of US$ 1,118.3 million which comprises the Group's banking activities and cash and equivalents of discontinued operations of US$ 91.2 million). The Group's net debt (short-term and long-term debt less cash and cash equivalents and highly liquid deposits) amounted to US$ 13,472.8 million as of March 31, 2013, compared to US$ 13,959.8 million as of March 31, 2012.

SIGNIFICANT EVENTS FOLLOWING THE END OF THE REPORTING PERIOD

MTS

In May 2013, MTS was named as one of the BRANDZ™ Top 100 Most Powerful Brands, a ranking published by the Financial Times and Millward Brown Optimor, a leading global market research and consulting firm.

In April 2013, the Board of Directors of MTS approved a new dividend policy, which stipulates that for the calendar years 2013-2015, MTS aims to pay out a minimum dividend distribution of an amount equal to at least 75% of Free Cash Flow for the relevant financial period or, if greater, RUB 40.0 billion per year. The Board also recommended that MTS begins to pay out dividends on a semi-annual basis using interim and full year financial results.

In April 2013, the Tashkent Commercial Court declared Uzdunrobita FE LLC, MTS's wholly-owned subsidiary in Uzbekistan, bankrupt and has initiated liquidation procedures. In accordance with the terms of local legal liquidation procedures, Uzdunrobita's CEO has been relieved of his duties, and all powers regarding the oversight and governance of Uzdunrobita now rest with the liquidation administrator. MTS reserves its rights to pursue all available legal options both in Uzbekistan and internationally in order to claim damages or seek any other available remedy in connection with the unlawful termination of Uzdunrobita's operations in Uzbekistan.

Bashneft

In May 2013, Fitch Ratings affirmed Bashneft's long-term foreign and local currency Issuer Default Ratings (IDR) at 'BB' with revised outlooks to Positive from Stable.

In April 2013, Bashneft's Board of Directors set June 27, 2013 as the date for the Annual General Meeting of its shareholders. The Board recommends the AGM to approve the 2012 dividend payment of RUB 24 per ordinary registered share and per preferred registered share.

RussNeft

In June 2013, Sistema signed two binding Sale Purchase Agreements with Bradinor Holdings Limited ("Bradinor") and Cromeld Management Limited ("Cromeld") for the sale by the Company of 25% and 24% stakes in OJSC Oil and Gas Company RussNeft, respectively, for a total cash consideration of US$ 1.2 billion. The beneficial owners of Bradinor and Cromeld are Mikail Shishkhanov and Felix Dlin, respectively. The completion of the transaction is expected in the third quarter of 2013 and is subject to satisfaction of all conditions precedent.

SSTL

In April 2013, Dmitry Shukov was appointed CEO of SSTL. Dmitry formerly held senior management positions at Tele2 Russia and MTS.

Binnopharm

In April 2013, Binnopharm and Alium Group of Companies, a producer of infusion solutions and blood substitutes, completed a deal that combines their assets.

In April 2013, Pavel Medvedev was appointed as the new Chief Executive Officer of Binnopharm with immediate effect. Mr. Medvedev previously held the position of Deputy CEO at the company.

Medsi

In May 2013, Alexei Chupin was appointed President of the Medsi Group of companies.

Corporate

In May 2013, the Board approved the following new appointments to Sistema's Management Board with effect from June 1, 2013: Vsevolod Rozanov as Senior Vice-President and Chief Financial Officer; Alexey Buyanov as First Vice-President, Portfolio Manager; and Alexey Chupin appointed as Vice-President, Portfolio Manager.

In May 2013, in line with the Company's Long-Term Incentive Programme, approximately 0.3% of ordinary shares of Sistema's charter capital was granted to certain members of Sistema's management and its Board of Directors.

In April 2013, Sistema's Board of Directors set the date for the Annual General Meeting of Shareholders for June 29, 2013. The Board recommended the AGM to set the total dividend payment on Sistema's shares for 2012 at RUB 9.264 billion, representing a payment of RUB 0.96 per ordinary share. The total proposed dividend payment has been determined on the basis of Sistema's full year 2012 US GAAP net income and the corporate centre's net gain from disposal of assets in 2012. The Board recommended two new candidates to the Board of Directors – Sergei Boev and Peter Mandelson – who will replace Vyacheslav Kopiev and Evgeny Novitsky.

In April 2013, Sistema completed another stage of the planned reorganisation and strategic integration of its transportation assets – SG-trans and Financial Alliance LLC. At this stage of the reorganisation, Sistema sold 70% of its shares in SG-trans to Financial Alliance for RUB 12.0 billion. The price of the deal is based on the valuation of SG-trans, excluding SG-trading. In addition, Sistema signed an agreement with Unirail Holdings Limited, its partners in Financial Alliance, regarding Sistema's sale of its 15% stake in SG-trans for RUB 2.5 billion to Unirail in the second quarter of 2013. In accordance with the agreement, Sistema and Unirail will form the parity structure of ownership and management of railway assets by sharing the risks and the initial investments of Sistema. Furthermore, the agreement reflects the intention of both parties to sell 100% of SG-trading to a third party by the fourth quarter of 2013 at a fair market price. If the deal is not completed within the stated period, Unirail agrees to buy out up to 50% of SG-trading from Sistema. According to the agreement, the final stage of the restructuring of Sistema's rail assets stipulates the merger of Financial Alliance with SG-trans under the SG-trans brand.

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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$ 8.3 billion for the first quarter of 2013, and total assets of US$ 44.9 billion as at March 31, 2013. 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 MICEX-RTS Stock Exchange. Sistema was ranked number 315 in the 2011 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 THREE MONTHS ENDED MARCH 31, 2013 AND 2012
(Amounts in thousands of U.S. dollars, except per share amounts)

	Three months ended March 31, 2013	Three months ended March 31, 2012
Sales	$ 8,142,087	$ 7,762,475
Revenues from banking activities	203,520	150,424
TOTAL REVENUES	8,345,607	7,912,899
Cost of sales, exclusive of depreciation and amortization shown separately below	(3,159,907)	(3,116,377)
Cost related to banking activities, exclusive of depreciation and amortization shown separately below	(142,367)	(75,235)
Selling, general and administrative expenses	(1,067,091)	(959,533)
Depreciation, depletion and amortization	(813,395)	(824,473)
Transportation costs	(222,264)	(179,616)
Impairment of long-lived assets other than goodwill and provisions for other assets	(16,188)	(66,127)
Provisions for claims	43,561	(821)
Taxes other than income tax	(1,729,753)	(1,516,248)
Other operating (expenses)/income, net	(50,856)	12,563
Equity in results of affiliates	6,346	11,956
OPERATING INCOME	1,193,693	1,198,988
Interest income	47,816	74,434
Change in fair value of derivative instruments	(650)	(602)
Interest expense, net of amounts capitalized	(327,223)	(352,002)
Foreign currency transactions (losses)/gains	(30,192)	145,604
Income from continuing operations before income tax	883,444	1,066,422
Income tax expense	(248,550)	(316,093)
Income from continuing operations	634,894	750,329
(Loss)/income from discontinued operations, net of income tax effect	(4,873)	22,484
NET INCOME	$ 630,021	$ 772,813
Noncontrolling interest	(258,201)	(391,907)
NET INCOME attributable to Sistema JSFC	$ 371,820	$ 380,906
Income per share, basic and diluted, U.S. cent	4.04	4.08

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2013 AND DECEMBER 31, 2012
(Amounts in thousands of U.S. dollars, except share amounts)

		March 31, 2013		**December 31, 2012**
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$	2,012,732	$	1,872,741
Short-term investments		1,604,907		1,214,869
Assets from banking activities, current portion (including cash and cash equivalents of $901,787 and $769,411)		3,672,658		4,342,984
Accounts receivable, net		2,421,668		2,265,127
Other current assets		1,749,912		1,678,992
VAT receivable		582,722		611,097
Inventories and spare parts		1,899,076		1,814,022
Deferred tax assets, current portion		387,121		348,773
Disposal group held for sale		95,098		105,327
Total current assets		14,425,894		14,253,932
NON-CURRENT ASSETS:				
Property, plant and equipment, net		20,693,563		21,188,182
Advance payments for non-current assets		238,307		239,707
Goodwill		1,659,598		1,699,881
Other intangible assets, net		2,635,345		2,211,266
Investments in affiliates		1,497,353		1,482,721
Assets from banking activities, net of current portion		2,303,736		2,255,709
Debt issuance costs, net		110,546		155,895
Deferred tax assets, net of current portion		380,456		365,987
Long-term investments		258,082		269,180
Other non-current assets		686,079		603,827
Total non-current assets		30,463,065		30,472,355
TOTAL ASSETS	$	44,888,959	$	44,726,287

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2013 AND DECEMBER 31, 2012 (CONTINUED)
(Amounts in thousands of U.S. dollars, except share amounts)

		March 31, 2013		December 31, 2012
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Accounts payable	$	2,232,149	$	2,508,831
Liabilities from banking activities, current portion		4,006,338		4,131,390
Taxes payable		916,365		764,683
Deferred tax liabilities, current portion		157,637		139,842
Subscriber prepayments, current portion		540,284		615,651
Accrued expenses and other current liabilities		2,983,932		2,908,468
Short-term loans payable		265,544		292,260
Current portion of long-term debt		2,226,283		2,909,729
Disposal group held for sale		67,969		73,132
Total current liabilities		13,396,501		14,343,986
LONG-TERM LIABILITIES:				
Long-term debt, net of current portion		13,167,256		12,462,339
Subscriber prepayments, net of current portion		107,138		112,805
Liabilities from banking activities, net of current portion		755,610		1,057,072
Deferred tax liabilities, net of current portion		2,091,954		2,046,603
Asset retirement obligation		229,556		228,627
Postretirement benefits obligation		79,354		89,038
Property, plant and equipment contributions		82,563		88,380
Other long-term liabilities		614,728		250,599
Total long-term liabilities		17,128,159		16,335,463
TOTAL LIABILITIES		30,524,660		30,679,449
Commitments and contingencies		-		-
Redeemable non-controlling interests		739,661		731,661
SHAREHOLDERS' EQUITY:				
Share capital (9,650,000,000 shares issued and 9,209,574,962 shares outstanding with par value of 0.09 Russian Rubles)		30,057		30,057
Treasury stock (440,425,038 with par value of 0.09 Russian Rubles)		(501,109)		(501,109)
Additional paid-in capital		2,893,032		2,882,819
Retained earnings		7,461,292		7,111,088
Accumulated other comprehensive loss		(553,876)		(327,622)
Total Sistema JSFC shareholders' equity		9,329,396		9,195,233
Non-redeemable noncontrolling interests		4,295,242		4,119,944
TOTAL EQUITY		13,624,638		13,315,177
TOTAL LIABILITIES AND EQUITY	$	44,888,959	$	44,726,287

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012
(Amounts in thousands of U.S. dollars)

	Three months ended March 31, 2013	Three months ended March 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 630,021	$ 772,813
Loss/(income) from discontinued operations, net of income tax effect	4,873	(22,484)
Income from continuing operations	634,894	750,329
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation, depletion and amortization	813,395	824,473
Equity in results of affiliates	(6,346)	(11,956)
Deferred income tax expense	49,854	22,026
Foreign currency transactions losses/(gains)	30,192	(145,604)
Impairment of long-lived assets other than goodwill and provisions for other assets	16,188	66,127
Provisions for claims	(43,561)	821
Amortization of connection fees	(15,364)	(7,785)
Allowance for loan losses	63,076	6,830
Dividends received from affiliates	9,865	9,803
Non-cash compensation to employees of subsidiaries	5,500	2,251
Other non-cash items	49,334	8,791
Changes in operating assets and liabilities, net of effects from purchase of businesses:		
Trading securities	(4,149)	40,549
Accounts receivable	(240,393)	(353,987)
VAT receivable	14,234	(39,928)
Inventories and spare parts	(131,133)	(348,330)
Other current assets	(127,793)	(200,846)
Accounts payable	(220,030)	87,961
Subscriber prepayments	(60,744)	(4,853)
Taxes payable	171,923	322,922
Accrued expenses and other liabilities	172,447	199,848
Net cash provided by operating activities of continuing operations	1,181,389	1,229,442
Net cash provided by operating activities of discontinued operations	(916)	20,615
Net cash provided by operating activities	$ 1,180,473	$ 1,250,057

(Amounts in thousands of U.S. dollars)

	Three months ended March 31, 2013	Three months ended March 31, 2012
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchases of property, plant and equipment	(566,161)	(651,716)
Payments for purchases of intangible assets	(114,787)	(97,403)
Purchase of investments in affiliated companies	(49,326)	-
Payments for purchases of long-term investments	-	(256,014)
Payments for purchases of short-term investments	(602,736)	(1,295,468)
Payments for purchases of other non-current assets	(2,206)	(114,075)
(Increase)/decrease in restricted cash	(71,306)	50,621
Proceeds from sale of subsidiaries, net of cash disposed	-	5,180
Proceeds from sale of property, plant and equipment	42,788	-
Proceeds from sale of long-term investments	-	219,919
Proceeds from sale of other non-current assets	1,863	5,178
Proceeds from sale of short-term investments	192,340	197,601
Net decrease/(increase) in loans to customers and banks	579,766	(947,236)
Net cash used in investing activities	$ (589,765)	$ (2,883,413)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on short-term borrowings, net	(28,689)	96,048
Net (decrease)/increase in deposits from customers of the banking division	(311,123)	502,978
Proceeds from sale of treasure stock	-	73,083
Proceeds from long-term borrowings, net of debt issuance costs	1,368,112	1,009,568
Principal payments on long-term borrowings	(1,293,994)	(1,879,934)
Proceeds from capital transactions with shares of existing subsidiaries	8,623	73,987
Net cash used in financing activities	$ (257,071)	$ (124,270)
Effect of foreign currency translation on cash and cash equivalents	$ (62,186)	$ 220,300
Net decrease in cash and cash equivalents	$ 271,451	$ (1,537,326)
Cash and cash equivalents at the beginning of the period (including cash of discontinued operations)	2,643,068	4,322,708
Cash and cash equivalents at the end of the period (including cash of discontinued operations)	2,914,519	2,785,382
Cash and cash equivalents of discontinued operations at the end of the period	-	(90,282)
Cash and cash equivalents of continuing operations at end of the period *	$ 2,914,519	$ 2,695,100
** Cash and cash equivalents at the end of the period comprised of the following:*		
Non-banking activities	*$ 2,012,732*	*$ 1,576,827*
Banking activity	*901,787*	*1,118,273*
	$ 2,914,519	*$ 2,695,100*

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED SEGMENTAL BREAKDOWN FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012
(Amounts in thousands of U.S. dollars)

For the three months ended March 31, 2013	MTS	Bashneft	SSTL	MTS Bank	RTI	Corporate	Total reportable segment	Other	Total
Net sales to external customers [a]	3,046,789	4,126,903	64,991	203,520	382,268	10,608	7,835,079	510,528	8,345,607
Intersegment sales	6,271	1,848	-	3,224	123,361	8,321	143,025	28,076	171,101
Equity in results of affiliates	8,267	(4,230)	-	-	(4,441)	-	(404)	6,750	6,346
Net interest expense [b]	-	-	-	(10,240)	-	-	(10,240)	-	(10,240)
Depreciation, depletion and amortization	570,933	142,527	16,868	4,857	23,811	4,445	763,441	49,954	813,395
Operating income/(loss)	768,105	547,291	(55,873)	(15,579)	(20,904)	(38,200)	1,184,840	15,859	1,200,699
Interest income	18,196	39,734	1,625	-	2,766	17,246	79,567	4,729	84,296
Interest expense	141,202	83,480	33,838	-	26,118	41,235	325,873	31,228	357,101
Income tax expense/(benefit)	147,047	102,481	-	(1,479)	(19,307)	10,683	239,425	9,125	248,550
Investments in affiliates	166,460	964,230	-	-	242,670	117,073	1,490,433	6,920	1,497,353
Segment assets	15,589,935	15,614,153	1,177,525	6,424,631	3,471,274	2,204,154	44,481,672	4,426,648	48,908,320
Indebtedness [c]	7,155,410	4,001,690	853,343	-	1,476,215	1,789,457	15,276,115	382,968	15,659,083
Capital expenditures [d]	402,091	192,371	-	6,591	10,210	11,651	622,914	58,034	680,948

For the three months ended March 31, 2012	MTS	Bashneft	SSTL	MTS Bank	RTI	Corporate	Total reportable segment	Other	Total
Net sales to external customers [a]	3,012,436	3,920,002	80,975	150,424	361,148	9,290	7,534,275	378,624	7,912,899
Intersegment sales	1,365	3,087	-	6,791	116,087	8,615	135,945	7,630	143,575
Equity in results of affiliates	4,597	11,588	-	-	-	-	16,185	(4,229)	11,956
Net interest expense [b]	-	-	-	2,698	-	-	2,698	-	2,698
Depreciation, depletion and amortization	594,600	147,791	19,278	4,760	24,132	3,289	793,850	30,623	824,473
Operating income/(loss)	652,860	687,275	(91,284)	7,186	(2,718)	(32,904)	1,220,415	(2,653)	1,217,762
Interest income	28,824	42,202	1,810	-	3,104	33,708	109,648	32,403	142,051
Interest expense	160,713	87,385	41,527	-	17,247	37,811	344,683	27,177	371,860
Income tax expense/(benefit)	157,223	137,330	-	3,264	7,700	7,697	313,214	2,879	316,093
Investments in affiliates	173,355	1,041,243	-	-	236,287	37,982	1,488,867	16,864	1,505,731
Segment assets	16,562,600	16,140,203	1,001,790	7,254,842	2,668,116	3,280,763	46,908,314	4,491,161	51,399,475
Indebtedness [c]	8,080,246	4,390,893	1,354,808	-	1,262,231	1,274,755	16,362,933	345,517	16,708,450
Capital expenditures [d]	463,278	73,177	39,082	4,691	29,824	8,797	618,849	130,270	749,119

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. OIBDA can be reconciled to our consolidated statements of operations as follows:

Operating income and OIBDA reconciliation

	1Q 2013	1Q 2012	4Q 2012
Operating Income	1,193.7	1,199.0	967.5
One off items	-	-	*372.6*
Adjusted operating income	1,193.7	1,199.0	1,340.1
Depreciation, depletion and amortization	*813.4*	*824.5*	*733.4*
Adjusted OIBDA	2,007.1	2,023.5	2,073.5

Net income reconciliation

	1Q 2013	1Q 2012	4Q 2012
Net income	371.8	380.9	200.9
One off items	-	-	*157.1*
Adjusted net income	371.8	380.9	357.9