



JOINT-STOCK FINANCIAL CORPORATION
SISTEMA

FOR IMMEDIATE RELEASE

September 13, 2012

SISTEMA ANNOUNCES UNAUDITED FINANCIAL RESULTS FOR THE SECOND QUARTER ENDED JUNE 30, 2012

Moscow, Russia – September 13, 2012 – Sistema JSFC (“Sistema”, the “Group” or the “Company”) (LSE: SSA), the largest diversified publicly-traded investment company in Russia and the CIS, today announces its unaudited consolidated US GAAP financial results for the second quarter ended June 30, 2012.

The Group’s consolidated results for the second quarter of 2012 were impacted by a 10.8% year-on-year rouble depreciation against the US dollar. A non-cash one-off loss (“one-off”) of US\$ 1,079.0 million was also recognised relating to impairments and provisions with regard to MTS’ operations in Uzbekistan.

SECOND QUARTER HIGHLIGHTS

- Consolidated revenues of US\$ 8.1 billion, down 6.3% YoY
- OIBDA without one-off down 7.4% YoY to US\$ 2.0 billion, with an OIBDA margin of 25.1%
- Operating income without one-off down 7.2% YoY to US\$ 1.2 billion, with an operating margin of 15.2%
- Net loss attributable to the Group of US\$ 161.9 million and net income without one-off of US\$ 407.8 million
- Net debt¹ at the Corporate Holding level reduced to US\$ 5.3 million as of June 30, 2012 from US\$ 1,390.5 million as of June 30, 2011.

KEY CORPORATE HIGHLIGHTS FOR THE SECOND QUARTER

- Signed an agreement with OJSC INTER RAO UES regarding the terms of the reorganisation of OJSC Bashkirenergo. Following the reorganisation, Bashkirenergo will be split into JSC Bashkirian Power Grid Company, which will combine power grid assets, and OJSC Bashenergoactiv, which will integrate power generation assets. In accordance with the agreement, INTER RAO UES will own more than 75% of the voting shares of Bashenergoactiv, while more than 75% of the voting shares of Bashkirian Power Grid Company will be owned by Sistema. INTER RAO UES will also pay Sistema an amount of up to RUB 14 billion in cash and promissory notes.
- Announced a joint venture with RZ Agro Ltd, an agricultural company controlled by certain members of the Louis-Dreyfus family. The joint venture consists of agricultural assets of both parties totalling approximately 90,000 ha.
- Agreed to join forces with MTS in developing and managing the multimedia content portal Stream.ru (formerly Omlet.ru). Sistema contributed RUB 496.1 million to Stream’s charter capital and will obtain a 55% stake, subject to regulatory approvals.
- Issued a US\$ 500 million Eurobond with an annual interest rate of 6.95% and a maturity in May 2019.

¹ Including highly liquid deposits.

- Commenced a US\$ 300 million buyback programme in respect of Sistema's Global Depository Receipts and ordinary shares. The Company spent approximately US\$ 100 million during this period.
- The AGM approved payment of annual dividends of RUB 0.28 per ordinary share for the twelve months ended December 31, 2011, amounting to a total of RUB 2.7 billion (approximately US\$ 82.3 million²).
- Elected three new members to the Board of Directors - Brian Dickie, Jeannot Krecké and Marc Holtzman, and therefore expanding the number of Independent Directors on the Board to eight out of 13 members. Detailed biographies can be found on Sistema's corporate web site.

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

"We are pleased to report second quarter results reflecting a solid operational performance in our key investments. Despite the effects of rouble depreciation and one-off write down in MTS, we are seeing consistent and sustainable growth in our portfolio companies.

In the reporting quarter MTS has delivered excellent profitability with margins excluding one-off increasing to 44.4% year-on-year as the company continued to benefit from its focused strategy and growth in voice and data products. Similar operational momentum was maintained in Bashneft, which increased production by 2% year-on-year and optimised its downstream sales, which helped mitigate some of the impact from softer oil prices and higher export duty in the second quarter.

The Developing Assets portfolio also reported some key milestones. Detsky mir continued its store expansion with 11 new openings resulting in revenue growth of 12% year-on-year in rouble terms. It reduced its expenses and was able to significantly narrow down OIBDA loss despite seasonal effects. RTI completed its consolidation of SITRONICS and continued to progress its merger plans with NVision. The merger benefits for the enlarged RTI are already very evident as it lowered its SG&A by 41% year-on-year and reduced debt by 17%.

Sistema continues to review a number of sector opportunities and our deal pipeline is expanding, some of which we hope to realise in the near future. In the second half of 2012, our focus will also be on resolving the situation around our Indian telecom operations. Auction prices announced by the regulator are unjustifiably high and no decision on auction participation will be taken until our case is heard in our Curative Petition to the Supreme Court."

Conference call information

Sistema's management will host an analyst conference call today at 9 am (New York time) / 2 pm (London time) / 3 pm (CET) / 5 pm (Moscow Time) to present and discuss the second quarter results.

The dial-in numbers for the conference call are:

UK/ International: + 44 208 515 2301
 US: +1 480 629 9835

And quote the conference call title: "Sistema 2Q 2012 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
 Vsevolod Sementsov
 Tel: +7 (495) 730 1705
pr@sistema.ru

² Based on the Russian Central Bank exchange rate as at June 30, 2012

FINANCIAL SUMMARY³

<i>(US\$ millions, except per share amounts)</i>	2Q 2012	2Q 2011	Year on Year Change	1Q 2012	Quarter on Quarter Change
Revenues	8,095.1	8,636.1	(6.3%)	7,919.3	2.2%
OIBDA ⁴	949.9	2,190.4	(56.6%)	2,021.0	(53.0%)
<i>OIBDA without one-off</i>	2,028.8	2,190.4	(7.4%)	2,021.0	0.4%
Operating income	151.9	1,326.3	(88.5%)	1,190.5	(87.2%)
<i>Operating income without one-off</i>	1,230.9	1,326.3	(7.2%)	1,190.5	3.4%
Net (loss) / income attributable to Sistema	(161.9)	332.0	-	380.9	-
<i>Net income attributable to Sistema without one-off</i>	407.8	332.0	22.8%	380.9	7.1%
Basic and diluted earnings per share (US cents)	(1.7)	3.6	-	4.1	-

GROUP OPERATING REVIEW

Sistema's consolidated revenues were down 6.3% year-on-year, primarily as a result of rouble depreciation against the US dollar by 10.8% year-on-year. The Group's revenue in rouble terms was up 3.9% year-on-year due to a stable growth in MTS, but this increase in revenue was limited by deconsolidation of INTRACOM TELECOM. The Group's revenues increased by 2.2% and by 4.8% quarter-on-quarter in US dollar and rouble terms, respectively, reflecting solid performance across the Company's Core Assets portfolio.

Selling, general and administrative (SG&A) expenses decreased by 7.7% year-on-year, mainly due to the reduction of SG&A expenses in MTS and RTI, and remained broadly flat quarter-on-quarter at US\$ 905.5 million in the second quarter of 2012. Depreciation, depletion and amortisation expenses declined by 7.7% year-on-year and by 3.9% quarter-on-quarter to US\$ 797.9 million.

The Group's OIBDA without the one-off decreased by 7.4% year-on-year in US dollar terms, but grew by 2.9% year-on-year and by 2.6% quarter-on-quarter in rouble terms. Ongoing improvements in MTS' business profitability, increased export duties and lower oil prices at Bashneft were the key factors influencing the Group's OIBDA during the reporting period. The Group's OIBDA margin without the one-off was 25.1% in the second quarter of 2012, compared to 25.4% in the corresponding period of 2011 and 25.5% in the first quarter of 2012.

Consolidated net income attributable to Sistema without the one-off grew by 22.8% year-on-year in the second quarter of 2012, as a result of a reduction in the Group's administrative and depreciation expenses.

³ Financials for 2Q 2011 were restated to show the effect of discontinued operations.

⁴ See Attachment A for definitions and reconciliation of OIBDA and OIBDA without one-off to GAAP financial measures.

OPERATING REVIEW BY PORTFOLIO⁵

CORE ASSETS PORTFOLIO⁶

<i>(US\$ millions)</i>	2Q 2012	2Q 2011	Year on Year Change	1Q 2012	Quarter on Quarter Change
Revenues	7,288.5	7,746.7	(5.9%)	7,028.6	3.7%
OIBDA	1,041.7	2,308.2	(54.9%)	2,112.9	(50.7%)
Operating income	309.2	1,523.5	(79.7%)	1,359.2	(77.2%)
Net (loss) / income attributable to Sistema	(87.2)	582.2	-	625.8	-
Indebtedness ⁷	11,221.9	11,666.2	(3.8%)	12,471.1	(10.0%)

The Core Assets portfolio comprises OJSC MTS (“MTS”), OJSC Bashneft (“Bashneft”) and OJSC Bashkirenergo (“Bashkirenergo”).

The Core Assets portfolio’s revenues declined in the second quarter of 2012 by 5.9% year-on-year due to rouble depreciation against the US dollar and lower oil prices and export sales at Bashneft. Revenues were up 3.7% quarter-on-quarter, driven by positive seasonality effects at MTS, as well as strong operational performance by Bashneft. The portfolio accounted for 90.0% of the Group’s consolidated revenues in the reporting quarter.

The portfolio’s OIBDA in the second quarter of 2012 was significantly impacted by the recognised loss from impairments and provisions with regards to MTS operations in Uzbekistan. OIBDA without the one-off declined by 8.1% year-on-year and was nearly flat quarter-on-quarter, as a result of higher oil export duties and the oil product excise rates faced by Bashneft.

The Core Assets portfolio reported a net loss of US\$ 87.2 million attributable to Sistema in the second quarter of 2012, while the portfolio’s net income without the one-off amounted to US\$ 569.6 million.

MTS

<i>(US\$ millions)</i>	2Q 2012	2Q 2011	Year on Year Change	1Q 2012	Quarter on Quarter Change
Revenues	3,122.2	3,128.3	(0.2 %)	3,013.8	3.6%
OIBDA	299.2	1,313.0	(77.2%)	1,247.5	(76.0%)
Operating (loss) / income	(279.9)	678.8	-	638.0	-
Net (loss) / income attributable to Sistema	(360.0)	193.7	-	272.2	-

MTS’ revenues were largely flat year-on-year in the second quarter of 2012, reflecting the depreciation of local currencies against the US dollar. A 3.6% increase in revenues quarter-on-quarter was driven by growth in voice

⁵ 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.

⁶ Portfolio’s financial results are presented with consolidation of holding company Sistema-Invest.

⁷ Here and thereafter intergroup debt is excluded.

and data consumption and positive seasonality trends. MTS' total subscriber base (including Belarus subscribers) amounted to 105.6 million customers as of June 30, 2012, showing a 1.0% year-on-year decline in subscribers.

MTS' OIBDA in the second quarter of 2012 was significantly impacted by impairments and provisions from its Uzbekistan operations. OIBDA without the one-off was up 5.0% year-on-year and 10.5% quarter-on-quarter in the reporting period due to continued optimisation of operating expenses and the increased share of revenue from high-margin data services. The OIBDA margin without the one-off was 44.1% in the reporting period, compared to 42.0% in the second quarter of 2011 and 41.4% in the first quarter of 2012.

The average monthly service revenue per subscriber (ARPU) in Russia increased to RUB 297 in the second quarter of 2012, compared to RUB 265 in the corresponding period of 2011. Russian subscribers' monthly minutes of use (MOU) increased by 14.9% to 309 minutes in the second quarter of 2012, compared to 269 minutes in the second quarter of 2011.

In the fixed broadband segment, the number of households passed increased by 13.9% year-on-year to 11.5 million in the second quarter of 2012. The Pay-TV customer base increased to 2.9 million subscribers in the reporting quarter, compared to 2.6 million customers in the second quarter of 2011. The number of broadband Internet subscribers increased by 15.0% year-on-year to 2.3 million.

In June 2012, the AGM of MTS' shareholders approved an annual dividend payment of RUB 14.71 per ordinary MTS share for the 2011 fiscal year, amounting to a total of RUB 30.4 billion. In August 2012, MTS completed the dividend payment for the full year of 2011.

In June 2012, MTS and Sistema agreed to join forces in developing and managing the multimedia content portal Stream.ru (formerly Omlet.ru). Both companies signed a shareholders agreement with respect to the management of Stream LLC, which owns and manages Stream.ru. Sistema also contributed RUB 496.1 million into Stream's charter capital and, upon completion of state registration procedures in accordance with Russian law, will own a 55% stake in Stream. This reduces MTS' stake from 100% to 45%. Stream LLC will operate under the Stream brand and will be managed by Sistema's subsidiary Sistema Mass Media OJSC.

In May 2012, MTS, through its subsidiary MGTS, acquired a 100% stake in Tascom CJSC from Bester Investments Limited, which is owned by the European Bank for Reconstruction and Development, its related funds and certain other private investors. The purchase price paid at the completion of the transaction amounted to US\$ 38.3 million at the date of transaction. An additional payment of US\$ 6.9 million is deferred for twelve months and is contingent upon fulfilment of certain requirements. MGTS also assumed the net debt of Tascom of some US\$ 9.7 million.

In May 2012, MTS signed a memorandum of understanding with VimpelCom OJSC, MegaFon OJSC and Rostelecom OJSC to jointly lay and operate an underwater fibre-optic cable joining the Russian Far East with Sakhalin Island. The project will begin in late 2012. According to preliminary estimates, the total cost of the project will amount to RUB 2.4 billion and will be split evenly between the four operators. The volume of investments will be specified at the end of 2012 after completion of the feasibility study.

Bashneft

<i>(US\$ millions)</i>	2Q 2012	2Q 2011	Year on Year Change	1Q 2012	Quarter on Quarter Change
Revenues	4,081.3	4,523.4	<i>(9.8%)</i>	3,923.1	<i>4.0 %</i>
OIBDA	704.3	961.1	<i>(26.7%)</i>	835.1	<i>(15.7%)</i>
Operating income	545.9	808.2	<i>(32.5%)</i>	687.3	<i>(20.6%)</i>
Net income attributable to Sistema	278.8	371.1	<i>(24.9%)</i>	328.4	<i>(15.1%)</i>

Bashneft's revenues decreased by 9.8% year-on-year in the second quarter of 2012, due to lower oil prices and lower export sales of oil products. A 4.0% quarter-on-quarter increase in revenues resulted mainly from higher export sales compared to the first quarter of 2012. Bashneft's share in the aggregated portfolio's revenue in the reporting quarter remained nearly flat year-on-year at 56.0%.

Bashneft's OIBDA was down 26.7% year-on-year and 15.7% quarter-on-quarter in the second quarter of 2012, largely as a result of increased export taxes and oil product excise rates, as well as rouble depreciation against the US dollar.

In the second quarter of 2012, Bashneft's oil production increased by 2.0% year-on-year and reached 3.8 million tonnes. The company sold 4.7 million tonnes of oil products in the reporting period.

Bashneft exported 1.1 million tonnes of crude oil and 2.3 million tonnes of oil products in the second quarter, reflecting a growth of 19.8% quarter-on-quarter.

Refining volumes from the company's refinery decreased by 8.9% year-on-year in the second quarter of 2012 and amounted to 5.0 million tonnes of crude oil. In the reporting quarter, capacity utilisation decreased to 82.8% from 85.5% in the first quarter, the average refining depth was 85.8% and light-product yield amounted to 57.9%.

As at June 30, 2012, Bashneft operated a total of 486 petrol stations (including leased stations).

In June 2012, the AGM of Bashneft approved annual dividend payments of RUB 99 for each ordinary and each preferred share for 2011, as well as a new composition of the Board of directors, increasing the number of independent directors. In August 2012, Bashneft completed the dividend payment to shareholders of its ordinary and preferred shares.

In June 2012, as part of a reorganisation and in accordance with Russian legislation, Bashneft and its subsidiaries (OJSC Ufimsky refinery plant, OJSC Novoil, OJSC Ufaneftekhim, OJSC Bashkirnefteprodukt and OJSC Orenburgnefteprodukt) completed the share buyout process. Under Russian legislation the shareholders who did not vote or voted against the reorganisation have the right to submit a buyback request. The amount of funds allocated by the above mentioned companies for the share buyout totalled RUB 19.034 billion.

In June 2012, Bashneft took part in the final stage of the Fourth licensing round held in Baghdad by the Iraqi Ministry of Oil. As part of a consortium with PVEP and Premier Oil, Bashneft bid for Block 10 and Block 12. As a result of further negotiations initiated by Bashneft, the Iraqi Ministry of Oil granted the right for exploration and development of Block 12, with a fee of US\$ 5 per barrel of oil equivalent.

In May 2012, a representative of the Federal Subsoil Resources Management Agency announced that the order to transfer the development licence for a subsoil area including the Trebs and Titov oilfields to LLC Bashneft-Polyus had been cancelled and that this licence shall be returned to Bashneft. Rosnedra, the Ministry of Natural Resources agency, has also notified Bashneft that it is currently working on the amendments to the terms of the licence, which would allow it to return the licence to the joint venture of Bashneft and Lukoil - Bashneft-Polyus.

In May 2012, Fitch Ratings assigned Long-term foreign and local currency Issuer Default Ratings (IDR) of 'BB' and a National Long-term rating of 'AA-(rus)' to Bashneft. Fitch also assigned Bashneft Short-term foreign and local currency IDRs of 'B', foreign and local currency senior unsecured ratings of 'BB', and a national senior unsecured rating of 'AA-(rus)' to its RUB-denominated domestic bonds. The outlook on the Long-term ratings is stable.

In April 2012, Moody's Investors Service assigned a Ba2 corporate family rating (CFR) and probability of default rating (PDR) to Bashneft with a stable outlook.

In April 2012, the EGM of Bashneft approved the reorganisation of the company through a legal merger of its subsidiaries: OJSC Bashkirnefteprodukt, OJSC Ufaneftekhim, OJSC Orenburgnefteprodukt, OJSC Ufimsky refinery plant and OJSC Novoil, and approved the actual Agreement on the merger. The EGM also approved the increase in the authorised capital of Bashneft.

Bashkirenergo⁸

<i>(US\$ millions)</i>	2Q 2012	2Q 2011	Year on Year Change	1Q 2012	Quarter on Quarter Change
Revenues	88.2	91.0	<i>(3.2%)</i>	94.9	<i>(7.1%)</i>
OIBDA	38.9	35.3	<i>10.2%</i>	31.2	<i>24.7%</i>
Operating income	28.0	24.5	<i>14.5%</i>	19.9	<i>41.0%</i>
Net income attributable to Sistema	3.8	10.3	<i>(63.1%)</i>	18.9	<i>(79.8%)</i>

Bashkirenergo's revenues decreased by 3.2% year-on-year in the second quarter of 2012, mainly as a result of rouble depreciation against the US dollar. Revenues fell 7.1% quarter-on-quarter, reflecting a seasonal decline in consumption and decreased prices in the wholesale market for electricity.

Bashkirenergo's OIBDA increased by 10.2% year-on-year and was significantly up quarter-on-quarter in the reporting period, mainly due to a reduction of the company's administrative expenses, lower costs and the sale of assets. The OIBDA margin expanded to 44.1% in the second quarter, compared to 38.7% in the corresponding period of 2011.

In the second quarter of 2012, after actions were taken to improve efficiency, distribution grid losses declined by 106 p.p. year-on-year, while transmission grid losses increased by 13 p.p. year-on-year due to changes in the cross-flow of transmission lines caused by regime factors. The effective transmission grid output reduced by 6.0% year-on-year in the reporting quarter following a 6.0% year-on-year decrease in power supply; however, the effective distribution power output was up 2.2% year-on-year as a result of efforts aimed at minimising commercial and technical losses.

In June 2012, the AGM of Bashkirenergo adopted a decision not to pay dividends for the full year of 2011. The shareholders approved a new composition of the company's Board of Directors.

In June 2012, Bashkirenergo commissioned a new 110 kV power cable line "Sipaylovo-Ishimskaya" in Ufa city.

DEVELOPING ASSETS PORTFOLIO

<i>(US\$ millions)</i>	2Q 2012	2Q 2011	Year on Year Change	1Q 2012	Quarter on Quarter Change
Revenues	941.5	1,095.4	<i>(14.1 %)</i>	1,006.6	<i>(6.5%)</i>
OIBDA	(64.6)	(46.3)	-	(50.8)	-
Operating loss	(127.5)	(126.6)	-	(124.7)	-
Net loss attributable to Sistema	(167.0)	(107.3)	-	(95.6)	-
Indebtedness	2,800.8	2,735.1	<i>2.4%</i>	2,986.5	<i>(6.2%)</i>

The Developing Assets portfolio is responsible for managing Sistema Shyam TeleServices Ltd. ("SSTL"), OJSC Sistema Mass Media ("SMM"), OJSC RTI ("RTI"), CJSC Binnopharm ("Binnopharm"), JSCB MTS Bank

⁸ In accordance with US GAAP requirements all operations of the power generation segment were excluded from continued operations and reflected in the line "Income/loss from discontinued operations". Bashkirenergo results include operations from transmission and distribution grids only.

(“MTS Bank”), Detsky mir Group (“Detsky mir”), OJSC Intourist (“Intourist”), CJSC Medsi Group (“Medsi”) and others.

The Developing Assets portfolio’s revenues decreased by 14.1% year-on-year in the second quarter of 2012 as a result of the deconsolidation of the tour operating and the retail businesses of Intourist and INTRACOM TELECOM from RTI, as well as rouble depreciation against the US dollar. Revenues were down 6.5% quarter-on-quarter due to the deconsolidation of INTRACOM TELECOM from RTI.

The OIBDA loss expanded in the second quarter mainly as a result of lower OIBDA in RTI due to the deconsolidation of INTRACOM TELECOM, as well as increased loan provisions of MTS Bank following changes in its provision policy.

SSTL

<i>(US\$ millions)</i>	2Q 2012	2Q 2011	Year on Year Change	1Q 2012	Quarter on Quarter Change
Revenues	77.2	62.1	24.2%	81.0	(4.7%)
OIBDA	(83.8)	(91.8)	-	(72.0)	-
Operating loss	(102.2)	(115.8)	-	(91.3)	-
Net loss attributable to Sistema	(125.1)	(83.4)	-	(56.7)	-

SSTL’s revenues increased by 24.2% year-on-year in the second quarter of 2012, due to a 36.5% expansion of its mobile subscriber base. Revenues were down 4.7% quarter-on-quarter due to changes in local industry regulations (“Telecom Consumer Protection Regulation” issued by TRAI on March 22, 2012), an increase in the service tax from 10% to 12%, and depreciation of the local currency against the US dollar. The OIBDA loss narrowed year-on-year, but slightly increased quarter-on-quarter.

SSTL’s total wireless (voice and data) subscriber base was up 4.9% quarter-on-quarter and reached 16.6 million customers. Blended mobile ARPU in the second quarter of 2012 declined by 5.9% to US\$ 1.59 due to local currency depreciation against the US dollar and changes in industry regulations.

The data card subscriber base increased by 11.8% quarter-on-quarter and amounted to 1.73 million subscribers.

Non-voice revenues from both data and mobile value-added services (VAS) for the second quarter decreased to US\$ 27.4 million due to unfavourable exchange rate movements. The share of non-voice revenue as a percentage of total revenue increased by 0.4 p.p. in the reporting quarter.

In May 2012, Sistema Shyam Teleservices filed a curative petition with the Supreme Court seeking re-examination of its judgment to revoke 122 telecom licences of 8 telecom operators, including 21 of the 22 licences held by SSTL.

Sistema Mass Media⁹

<i>(US\$ millions)</i>	2Q 2012	2Q 2011	Year on Year Change	1Q 2012	Quarter on Quarter Change
Revenues	30.8	34.3	(10.4 %)	25.8	19.1 %

⁹ Financial results of Stream.ru are consolidated into SMM’s financial results for all periods presented.

OIBDA	8.5	14.4	(40.6%)	10.6	(19.4%)
Operating (loss) / income	(0.3)	3.1	-	0.6	-
Net (loss) /income attributable to Sistema	(4.5)	0.5	-	(1.4)	-

Sistema Mass Media's revenues declined by 10.4% year-on-year in the second quarter of 2012 mainly due to decreased revenue from MTS following the termination of the contract for the aggregation of services and as a result of lower revenues from its advertising unit in Ukraine. A 19.1% quarter-on-quarter revenue growth reflects an increase in revenues at Russian World Studios ("RWS"), following successful sales of TV content, an expanded Stream-TV subscriber base and higher advertising revenues.

Sistema Mass Media's OIBDA demonstrated a year-on-year and quarter-on-quarter decline due to the consolidation of Stream.ru (formerly Omlet.ru) content portal.

The Stream-TV subscriber base increased by 21.8% year-on-year in the second quarter to 6.8 million customers. In the second quarter of 2012, RWS' content library grew by 15.2% year-on-year up to 1,511 hours.

In June 2012, SMM started managing the multimedia content portal Stream.ru (formerly Omlet.ru) within the agreement signed by MTS and Sistema regarding the management of Stream LLC.

OJSC RTI¹⁰

<i>(US\$ millions)</i>	2Q 2012	2Q 2011	Year on Year Change	1Q 2012	Quarter on Quarter Change
Revenues	365.7	472.0	(22.5%)	477.2	(23.4%)
OIBDA	6.6	30.6	(78.5%)	21.4	(69.3%)
Operating (loss)/ income	(12.8)	1.5	-	(2.7)	-
Net loss attributable to Sistema	(16.0)	(2.8)	-	(13.2)	-

RTI consolidates SITRONICS and RTI Systems, which is comprised of five principal business units ("BU") – Defence Solutions BU, Comprehensive Security Systems BU, Telecom Solutions BU, Microelectronics Solutions BU and System Integration BU.

RTI's revenues declined by 22.5% year-on-year and by 23.4% quarter-on-quarter in the second quarter of 2012, mainly as a result of the deconsolidation of INTRACOM TELECOM. Excluding this deconsolidation, RTI's revenues increased by 6% year-on-year following operational growth in both Microelectronics Solutions BU and Defence Solutions BU.

RTI's OIBDA was down 78.5% year-on-year and 69.3% quarter-on-quarter in the second quarter reflecting lower revenues from the Moscow transport system contract in 2012, the deconsolidation of INTRACOM TELECOM and lower demand in the systems integration market in Ukraine during the reporting period.

In June 2012, RTI completed and fully paid for the acquisition of 3,476,219,122 of SITRONICS' ordinary shares, including shares underlying SITRONICS' Depositary Receipts, comprising approximately 36.41% of SITRONICS' share capital. This brought RTI's total ownership stake in SITRONICS to 99.48% of SITRONICS'

¹⁰ Financial results of OJSC "Concern "RTI Systems" and OJSC SITRONICS are consolidated into OJSC RTI financial results for all periods presented.

share capital. RTI initiated a statutory squeeze-out procedure under Russian law to acquire the remaining 0.52% of SITRONICS' ordinary shares. In August 2012, as a result of the squeeze-out procedure, RTI has completed and fully paid for the acquisition of 49,139,078 of SITRONICS' ordinary shares, including shares underlying SITRONICS' Depository Receipts, comprising approximately 0.52% of SITRONICS' share capital. This brought RTI's total ownership stake in SITRONICS to 100% of SITRONICS' share capital.

In June 2012, the AGM of SITRONICS approved the recommendation of the company's Board of Directors not to pay annual dividends for the full year of 2011.

In June 2012, SITRONICS requested the UK Listing Authority to cancel the listing of the company's GDRs, representing its ordinary shares, on the Official List and requested the London Stock Exchange to cancel the admission to trading of the GDRs on its Main Market. In August 2012, the Financial Services Authority cancelled SITRONICS' GDRs from the Official List, thus delisting SITRONICS from the London Stock Exchange; its DR programmes and Deposit Agreements were also terminated.

In June 2012, RTI was included in the TOP 100 list of the largest defence companies in the world in the latest annual international ranking by Defence News.

In June 2012, RTI and Nokia Siemens Networks signed a strategic partnership agreement in the sphere of telecommunication technologies during the 16th St. Petersburg International Economic Forum.

In April 2012, SITRONICS completed the sale of a 3% stake in INTRACOM TELECOM to RYDRA TRADING Company.

Binnopharm

<i>(US\$ millions)</i>	2Q 2012	2Q 2011	Year on Year Change	1Q 2012	Quarter on Quarter Change
Revenues	15.6	5.0	210.1 %	14.1	10.5%
OIBDA	3.5	(1.2)	-	1.6	125.9%
Operating income/ (loss)	2.4	(2.0)	-	0.4	464.3%
Net income / (loss) attributable to Sistema	0.7	(2.5)	-	0.7	(1.2%)

Binnopharm's revenues tripled year-on-year and grew by 10.5% quarter-on-quarter in the second quarter of 2012, while the company's OIBDA demonstrated significant growth year-on-year and quarter-on-quarter and its OIBDA margin was up to 22.6% in the reporting period, reflecting an increase in Regevac B vaccine supplies for government contracts. Binnopharm reported net income in the second quarter of 2012.

MTS Bank

<i>(US\$ millions)</i>	2Q 2012	2Q 2011	Year on Year Change	1Q 2012	Quarter on Quarter Change
Revenues	170.1	141.1	20.5 %	157.1	8.2%
OIBDA	(6.6)	2.9	-	12.0	-
Operating (loss) / income	(11.4)	(1.3)	-	7.2	-
Net (loss) / income attributable to Sistema	(7.7)	(4.7)	-	3.0	-

MTS Bank's revenues increased by 20.5% year-on-year and by 8.2% quarter-on-quarter driven by growth in the Bank's loan portfolio and non-interest income, including credit card transactions. In the reporting period, the loan portfolio from joint projects with MTS nearly doubled quarter-on-quarter and reached US\$ 83.0 million. MTS Bank reported an OIBDA loss in the second quarter of 2012, due to higher loan provisions and interest expenses reflecting the overall market trend.

MTS Bank's loan portfolio, excluding leases, increased by 24.0% to US\$ 5,616 million in the reporting quarter, compared to US\$ 4,527 million in the corresponding period of 2011. The interest income from retail and corporate client transactions grew by 3.8% quarter-on-quarter and amounted to US\$ 136.1 million.

In June 2012, the AGM of MTS Bank's shareholders approved the composition of the Board of Directors, as well as the Bank's annual report for 2011 and the financial statements for the full year of 2011, consolidated in accordance with IFRS.

In May 2012, the EGM of MTS Bank's shareholders approved the reorganisation of MTS Bank by merger with Dalcombank. The integration of MTS Bank and Dalcombank and the rebranding process currently being implemented by MTS Bank are key stages within MTS Bank's development strategy in the period up to 2016.

Detsky mir

<i>(US\$ millions)</i>	2Q 2012	2Q 2011	Year on Year Change	1Q 2012	Quarter on Quarter Change
Revenues	173.7	171.9	1.0%	173.9	(0.1 %)
OIBDA	(0.9)	(10.0)	-	(14.8)	-
Operating loss	(5.4)	(14.4)	-	(19.3)	-
Net loss attributable to Sistema	(5.8)	(12.1)	-	(15.4)	-

Detsky mir's revenues were largely stable year-on-year in the second quarter of 2012, due to rouble depreciation against the US dollar. The company's revenue increased by 11.9% year-on-year in rouble terms, mainly as a result of the expansion of retail space by 19.3% and growth in the average cheque. Revenues remained stable quarter-on-quarter reflecting overall lower retail demand in the sector.

Detsky mir's OIBDA loss significantly narrowed in the second quarter of 2012, largely as a result of ongoing initiatives to optimise operating expenses and purchase procedures.

The network of retail outlets included 164 stores located in 83 cities of Russia and Kazakhstan. The aggregate retail space was 253,000 sq.m. as of June 30, 2012. In the second quarter of 2012, Detsky mir opened eleven new stores.

Intourist

<i>(US\$ millions)</i>	2Q 2012	2Q 2011	Year on Year Change	1Q 2012	Quarter on Quarter Change
Revenues	23.0	132.5	(82.7 %)	16.1	42.9%
OIBDA	1.8	4.4	(58.5%)	(3.7)	-
Operating (loss) / income	(0.4)	1.5	-	(5.9)	-

Net loss attributable to Sistema	(6.9)	(5.8)	-	(4.0)	-
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Intourist's revenues declined by 82.7% year-on-year as a result of the change in accounting for the company's tour operating and retail sales businesses following the transaction with Thomas Cook in the third quarter of 2011. Revenues were up 42.9% quarter-on-quarter due to a seasonal increase in customers demand.

Intourist's OIBDA improved quarter-on-quarter in the reporting period as a result of a reduction in administrative expenses and increased sales through high margin online channels.

The hotel group's total number of rooms owned, managed and rented decreased to 2,690 at the end of the reporting quarter as a result of the disposal of the Severnaya hotel (Petrozavodsk). The tour operating and retail sales businesses serviced 188,000 customers in the second quarter of 2012, compared to 294,000 customers in the second quarter of 2011, reflecting the shift in the company's focus to high-margin and less risky European destinations.

In June 2012, the AGM of Intourist's shareholders approved a new composition of the Board of Directors, as well as the company's annual report and financial statements for the full year of 2011, prepared in accordance with IFRS.

In May 2012, the Board of Directors of Intourist appointed Denis Bass as President of the company.

Medsi

<i>(US\$ millions)</i>	2Q 2012	2Q 2011	Year on Year Change	1Q 2012	Quarter on Quarter Change
Revenues	46.9	52.6	(10.8%)	48.8	(4.0%)
OIBDA	5.6	9.2	(39.2%)	5.3	4.3%
Operating income	2.1	6.5	(66.8%)	2.5	(15.5%)
Net (loss)/ income attributable to Sistema	(0.9)	3.6	-	(2.4)	-

Medsi's revenues decreased by 10.8% year-on-year and by 4.0% quarter-on-quarter in the second quarter of 2012, reflecting a decrease in the average cheque to US\$ 38 in the reporting period due to changes in the policies of insurance companies and the deconsolidation of Centrosoyuz hospital in the first quarter 2012.

Medsi's OIBDA was down 39.2% year-on-year in the reporting quarter due to non-recurring consulting services, following the deal with the State Unitary Enterprise Medical Centre under the Administration of the Mayor of Moscow and the Moscow Government ("SUE").

In the second quarter of 2012, the number of patient visits and services provided increased by 26.3% and 15.2% quarter-on-quarter, respectively, while the average cheque declined by 24.2% year-on-year.

As of June 30, 2012, Medsi's network consisted of 30 medical clinics and 82 first aid stations with a total floor space of healthcare facilities over 50,000 sq.m.

In April 2012, Medsi commenced a merger of assets with SUE, a large group of healthcare institutions in Moscow. SUE will own 25% of the shares of the combined entity. Furthermore, Sistema intends to sell a 25% stake to a strategic investor.

CORPORATE AND OTHER

<i>(US\$ millions)</i>	2Q 2012	2Q 2011	Year on Year Change	1Q 2012	Quarter on Quarter Change
OIBDA ¹¹	(31.6)	(21.8)	-	(29.6)	-
Net income / (loss)	106.4	(110.2)	-	(115.5)	-
Indebtedness	1,640.0	1,754.0	(6.5%)	1,274.8	28.7%

The Corporate and Other category comprises the companies that control and manage the Group's interests in its subsidiaries.

The dividends declared by Sistema's subsidiaries in the second quarter 2012, which are due to Corporate and Other category, amounted US\$ 842.0 million.

In June 2012, the AGM of Sistema approved payment of annual dividends of RUB 0.28 per ordinary share for the twelve months ended December 31, 2011, amounting to a total of RUB 2.7 billion (approximately US\$ 82.3 million¹²). The dividends were fully paid in August 2012. The shareholders also elected three new independent members to the Board of Directors: Brian Dickie, Jeannot Krecké and Marc Holtzman.

In May 2012, Sistema commenced a US\$ 300 million buyback programme in respect of its GDRs and ordinary shares (with a substantial majority allocated to the purchase of GDRs). During the period of July 6 – September 13, 2012, it purchased 4,350,219 Sistema GDRs (which accounts for approximately 0.9% of the Company's charter capital) and 10,664,300 Sistema ordinary shares (which accounts for approximately 0.11% of the Company's charter capital), the Company spent approximately US\$ 100 mln during the period. Upon completion of the programme, the shares and GDRs purchased will be held by Sistema subsidiaries until a decision concerning their utilisation is made.

In May 2012, Sistema signed an agreement with OJSC INTER RAO UES regarding the terms of the reorganisation of OJSC Bashkirenergo. Following the reorganisation, Bashkirenergo will be split into JSC Bashkirian Power Grid Company, which will combine power grid assets, and OJSC Bashenergoactiv, which will integrate power generation assets. In accordance with the agreement, INTER RAO UES will own more than 75% of the voting shares of Bashenergoactiv, while more than 75% of the voting shares of Bashkirian Power Grid Company will be owned by Sistema. INTER RAO UES will also pay Sistema an amount of up to RUB 14 billion in cash and promissory notes.

In April 2012, Sistema announced a joint venture with RZ Agro Ltd, in the agricultural sector. RZ Agro Ltd. was created in 2009 and is affiliated with the Sierentz Group, both controlled by certain members of the Louis-Dreyfus family. Sistema contributed 46,000 hectares of farm land to the JV, which also includes existing agricultural holdings of RZ Agro Ltd. with a total acreage of 41,500 hectares.

FINANCIAL REVIEW

Net cash provided by operations in the second quarter of 2012 increased by 38.8% year-on-year and by 34.7% quarter-on-quarter to US\$ 1,683.5 million due to changes in working capital.

Net cash used in investing activities totalled US\$ 1,680.8 million in the reporting quarter, compared to outflow of US\$ 1,240.0 million in the corresponding period of 2011.

The Group spent US\$ 1,027.5 million on capital expenditure in the second quarter of 2012, compared to US\$ 891.3 million spent in the corresponding period of 2011. The Group paid US\$ 60.5 million for the acquisition of businesses, net of cash received, including the TASCOM acquisition by MTS and the acquisition of Ural-Oil by Bashneft. The Group also received an inflow of US\$ 317.6 million from a decrease in banking assets and used US\$ 843.6 million to increase short-term and long-term investments.

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

¹² Based on the Russian Central Bank exchange rate as at June 30, 2012

Net cash outflow from financing activities amounted to US\$ 220.6 million in the second quarter of 2012, compared to an outflow of US\$ 639.7 million in the second quarter of 2011. The Group's proceeds from borrowings in the reporting quarter totalled US\$ 728.0 million, whereas the principal payments on long-term and short-term borrowings amounted to US\$ 316.3 million. The Group also spent US\$ 627.1 million to increase its share in subsidiaries, such as Bashneft and SITRONICS.

The Group's cash balances of continuing operations stood at US\$ 1,318.1 million as of June 30, 2012 (excluding an amount of US\$ 885.2 million which comprises the Group's banking activities and cash and equivalents of discontinued operations of US\$ 86.6 million) compared to US\$ 1,578.8 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\$ 88.4 million). The Group's net debt (short-term and long-term debt less cash and cash equivalents and highly liquid deposits) amounted to US\$ 12,970.0 million as of June 30, 2012, compared to US\$ 14,242.5 million as of June 30, 2011.

SIGNIFICANT EVENTS FOLLOWING THE END OF THE REPORTING PERIOD

Core Assets

In September 2012, MTS launched Russia's first TDD (time division duplexing) LTE network in Moscow and the Moscow region.

In August 2012, MTS acquired a 100% stake in LLC "Intercom", a leader in the cable TV and fixed broadband market in the Republic of Mari El, for RUB 90 million.

In August 2012, MTS signed an agreement with Scartel LLC (Yota Networks) to launch an LTE MVNO on Scartel's network in Kazan.

In August 2012, MTS acquired a 100% stake in LLC Elf and a 100% stake in LLC Efcocom operating under "Elf" brand from a private investor. The purchase price amounts to RUB 220 million. Elf offers fixed broadband and pay-TV services in Belgorod and the Belgorod region. Elf's network covers 51,000 households passed. It has over 18,000 broadband subscribers and over 33,000 pay-TV subscribers. This acquisition allows MTS to assume a leadership position in Belgorod by increasing network coverage of up to 95% of the households.

In August 2012, the Tashkent Commercial Court granted a petition by the State Agency for Communications and Information of Uzbekistan (SACI) to withdraw all operating licences of Uzdunrobota FE LLC, MTS' wholly owned subsidiary in Uzbekistan. Uzdunrobota intends to appeal the decision within the timeframe set forth by the laws of the Republic of Uzbekistan. MTS also announced that it has received the content of 16 findings of the tax audits conducted by Uzbekistan tax authorities. Notwithstanding the fact that the tax audit of Uzdunrobota's operations for the period of 2007–2010 was completed in February 2012 and did not reveal any serious violations, additional tax audits have resulted in a total amount of claims against the company in excess of US\$ 900 million. Uzdunrobota intends to challenge these findings. Since the acquisition of Uzdunrobota in 2004, MTS has duly complied with the requirements of the laws of Uzbekistan, a fact which has been confirmed by numerous audits conducted by the SACI and other regulatory bodies of Uzbekistan. Simultaneous audits of Uzdunrobota's operations were conducted from June through August 2012 in violation of the laws of Uzbekistan and international norms. Later in August 2012, the Judicial Department of Tashkent, in accordance with a decree of the General Prosecutor's Office of the Republic of Uzbekistan, has initiated enforcement proceedings to arrest all of the assets of Uzdunrobota FE LLC. In violation of the Uzbek law, the seizure of the assets of Uzdunrobota is being enforced in connection with the criminal charges and claims against four employees of Uzdunrobota. Uzdunrobota has not been called in as a party to the process and has been deprived of its legitimate rights to represent its interests during the proceedings which have been orchestrated as a prelude to seizure of its assets. MTS reserves the right to initiate proceedings both in Uzbekistan and internationally, including proceedings against certain officials involved in illegal actions against the Company, to claim damages incurred by its subsidiary in Uzbekistan.

In August 2012, the Iraqi Ministry of Oil and the Consortium comprised of Bashneft (70%) and Premier Oil (30%) initialled the contract for geological exploration, development, and production at Block 12. The contract was submitted for approval from the Council of Ministers of the Republic of Iraq.

In July 2012, MTS announced that it is resuming its operations in Turkmenistan, having received the licences it requires to operate in the country and satisfied legal and technical conditions. In August 2012, MTS Turkmenistan re-launched commercial services in the country.

In July 2012, the Federal Service for Supervision in the Sphere of Communications, Information Technologies and Mass Media (Roskomnadzor) allocated MTS the necessary licence and frequencies to provide LTE telecommunication services in Russia.

In July 2012, the Board of Directors of Bashneft approved a structure of the oilfield service holding company, which was established on the basis of Bashneft's subsidiary LLC Bashneft-Service Assets.

In July 2012, the EGM of Bashkirenergo's shareholders approved the decision on the company's reorganisation in the form of a spin-off resulting in the establishment of two companies: generating company OJSC Bashenergoactiv, and power grid company JSC Bashkirian Power Grid Company.

Developing Assets

In August 2012, India's Supreme Court extended the government's deadline for completion of the telecommunications bandwidth auction and authorised the telecom companies affected by February's cancellation order (including SSTL) to continue their operations until January 18, 2013.

In August 2012, SITRONICS IT Ukraine, a subsidiary of SITRONICS in Ukraine, won a tender to provide video surveillance services to monitor the parliamentary elections in Ukraine in October 2012. The contract amounted to US\$ 122.6 million (or UAH 993.6 mln).

In July 2012, Detskiy Mir Group has acquired the British chain of children's early learning goods Early Learning Centre (ELC) franchise in Russia. FAS allowed Detskiy mir to acquire 100% of the voting shares of Sparthema Limited owning Kub Market LLC developing the Early Learning Centre (ELC) store chain in Russia.

In July 2012, RTI Group and NVision Group Managing Company LLC signed legally binding documents that relate to a transaction, resulting in the strategic integration of RTI Group's and CJSC NVision Group's information and communication technologies assets. In accordance with the signed documents, following the completion of the transaction, RTI Group (includes assets of RTI and SITRONICS) will own a 50%+0.5 share stake in CJSC NVision Group. NVision Group's shareholders will retain a 50%-0.5 share stake in the company. RTI Group will pay a total cash consideration of RUB 3 billion, and contribute certain assets, which are now part of SITRONICS Information Technologies and SITRONICS Telecommunication Solutions (excluding Intracom Telecom).

Corporate

In July 2012, in line with the remuneration structure for the members of Sistema's Board of Directors, shareholdings in the Company of seven members have been increased by 122,191 shares and by 127,808 shares for each of three other board members (one of whom is receiving shares for the first time). Each allocation represents approximately 0.0013% of the 9,650,000,000 total shares issued. Based on the closing GDR price on the London Stock Exchange as of July 10, 2012 of US\$ 18.80 per GDR, this equates to an indicative value of approximately US\$ 1.164 million.

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.

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

Investor Relations
Evgeniy Chuikov
Tel: +7 (495) 692 1100
ir@sistema.ru

Public Relations
Vsevolod Sementsov
Tel: +7 (495) 730 1705
pr@sistema.ru

Sistema is the largest diversified public financial corporation 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\$ 8.1 billion for the second quarter of 2012, and total assets of US\$ 43.6 billion as at June 30, 2012. 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, and under the symbol "SIST" on the Moscow Stock Exchange (MSE). Sistema was ranked number 315 in the 2011 edition of the Fortune Global 500 list. Website: www.sistema.com

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 SIX AND THREE MONTHS ENDED JUNE 30, 2012 AND 2011
(Amounts in thousands of U.S. dollars except per share amounts)

	Six months ended June 30,		Three months ended June 30,	
	2012	2011	2012	2011
Sales	\$ 15,702,505	\$ 15,613,187	\$ 7,933,638	\$ 8,504,103
Revenue from banking activities	311,837	266,090	161,413	132,002
TOTAL REVENUES	16,014,342	15,879,277	8,095,051	8,636,105
Cost of sales, exclusive of depreciation and amortization shown separately below	(6,153,670)	(6,278,046)	(2,970,591)	(3,413,305)
Cost related to banking activities, exclusive of depreciation and amortization shown separately below	(169,421)	(166,148)	(94,186)	(75,181)
Selling, general and administrative expenses	(1,807,547)	(1,964,719)	(905,483)	(980,791)
Depreciation, depletion and amortization	(1,628,467)	(1,662,637)	(797,922)	(864,093)
Transportation costs	(387,077)	(369,774)	(207,461)	(205,901)
Provision for doubtful accounts	(66,121)	(67,734)	(22,691)	(27,150)
Loss from impairment and provisions of other assets	(604,925)	(40,939)	(582,350)	(23,399)
Provision for tax and antimonopoly claims in Uzbekistan	(500,000)	-	(500,000)	-
Taxes other than income tax	(3,286,469)	(2,969,462)	(1,770,220)	(1,666,496)
Other operating expenses, net	(26,466)	(187,991)	(38,504)	(96,077)
Equity in results of affiliates	(38,234)	79,190	(50,190)	42,580
Loss on disposal of interests in subsidiaries and affiliates	(3,512)	-	(3,512)	-
OPERATING INCOME	1,342,433	2,251,017	151,941	1,326,292
Interest income	149,553	85,840	75,115	46,167
Change in fair value of derivative instruments	(1,218)	(1,107)	(616)	(557)
Interest expense, net of amounts capitalized	(707,471)	(883,113)	(354,931)	(385,664)
Foreign currency transactions losses	(11,870)	(8,651)	(157,642)	(32,906)
Income from continuing operations before income tax	771,427	1,443,986	(286,133)	953,332
Income tax expense	(482,175)	(533,576)	(164,749)	(316,072)
Income from continuing operations	289,252	910,410	(450,882)	637,260
Income/(loss) from discontinued operations, net of income tax effect	18,593	91,759	(13,743)	5,639
NET INCOME	\$ 307,845	\$ 1,002,169	\$ (464,625)	\$ 642,899
Noncontrolling interest	(88,799)	(572,936)	302,765	(310,879)
NET INCOME attributable to Sistema JSFC	\$ 219,046	\$ 429,233	\$ (161,860)	\$ 332,020
Income per share, basic and diluted, U.S. cent	2.34	4.62	(1.73)	4.08

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2012 AND DECEMBER 31, 2011
(Amounts in thousands of U.S. dollars, except share amounts)

	June 30, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,318,108	\$ 2,921,672
Short-term investments	2,794,508	763,631
Assets from banking activities, current portion (including cash and cash equivalents of \$885,218 and \$1,315,075)	4,132,475	4,204,961
Accounts receivable, net	1,820,116	1,756,200
VAT receivable	573,824	709,099
Inventories and spare parts	1,709,875	1,659,565
Deferred tax assets, current portion	341,615	311,891
Disposal group held for sale	1,489,404	1,466,071
Other current assets	1,660,902	1,722,844
	<u>15,840,827</u>	<u>15,515,934</u>
NON-CURRENT ASSETS:		
Property, plant and equipment, net	18,408,578	18,360,826
Advance payments for non-current assets	240,620	264,709
Goodwill	1,438,790	1,546,808
Other intangible assets, net	1,859,340	2,251,160
Investments in affiliates	1,326,304	1,553,651
Assets from banking activities, net of current portion	2,427,701	2,303,120
Debt issuance costs, net	161,091	171,951
Deferred tax assets, net of current portion	378,201	348,491
Long-term investments	1,002,875	1,123,687
Other non-current assets	557,911	461,684
	<u>27,801,411</u>	<u>28,386,087</u>
TOTAL ASSETS	<u>\$ 43,642,238</u>	<u>\$ 43,902,021</u>

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2012 AND DECEMBER 31, 2011 (CONTINUED)
(Amounts in thousands of U.S. dollars, except share amounts)

	June 30, 2012	December 31, 2011
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,010,713	\$ 2,188,448
Liabilities from banking activities, current portion	4,239,195	3,152,989
Taxes payable	866,301	794,117
Deferred tax liabilities, current portion	91,884	168,545
Subscriber prepayments, current portion	520,373	605,545
Accrued expenses and other current liabilities	3,064,915	2,282,875
Short-term loans payable	316,088	290,927
Provision for tax and antimonopoly claims in Uzbekistan	500,000	-
Current portion of long-term debt	3,885,660	4,097,076
Disposal group held for sale	298,607	266,691
Total current liabilities	15,793,736	13,847,213
LONG-TERM LIABILITIES:		
Long-term debt, net of current portion	11,460,956	12,006,322
Subscriber prepayments, net of current portion	103,586	106,586
Liabilities from banking activities, net of current portion	1,089,482	1,644,478
Deferred tax liabilities, net of current portion	1,627,211	1,412,174
Asset retirement obligation	224,767	214,121
Postretirement benefits obligation	59,002	77,591
Property, plant and equipment contributions	83,418	86,081
Other long-term liabilities	226,187	77,673
Total long-term liabilities	14,874,609	15,625,026
TOTAL LIABILITIES	30,668,345	29,472,239
Commitments and contingencies		
Redeemable non-controlling interests	739,819	723,819
SHAREHOLDERS' EQUITY:		
Share capital (9,650,000,000 shares issued; 9,319,733,782 and 9,267,985,025 shares outstanding with par value of 0.09 Russian Rubles, respectively)	30,057	30,057
Treasury stock (330,266,218 and 382,014,975 shares with par value of 0.09 Russian Rubles, respectively)	(391,260)	(467,198)
Additional paid-in capital	2,483,270	2,575,601
Retained earnings	6,486,389	6,418,649
Accumulated other comprehensive loss	(677,741)	(518,354)
Total Sistema JSFC shareholders' equity	7,930,715	8,038,755
Non-redeemable noncontrolling interests	4,303,359	5,667,208
TOTAL EQUITY	12,234,074	13,705,963
TOTAL LIABILITIES AND EQUITY	\$ 43,642,238	\$ 43,902,021

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(Amounts in thousands of U.S. dollars)

	Six months ended June 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 307,845	\$ 1,002,169
Income from discontinued operations	(18,593)	(91,759)
Income from continuing operations	289,252	910,410
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation, depletion and amortization	1,628,467	1,662,637
Equity in results of affiliates	38,234	(79,190)
Deferred income tax benefit	(40,762)	(69,774)
Foreign currency transactions losses/(gains)	11,870	8,651
Loss from impairment and provisions of other assets	604,925	40,939
Provision for tax and antimonopoly claims in Uzbekistan	500,000	-
Loss on disposal of property, plant and equipment	13,115	8,348
Amortization of connection fees	(14,565)	(16,602)
Provision for doubtful accounts	66,121	67,734
Allowance for loan losses	30,689	14,321
Dividends received from affiliates	24,972	14,308
Other non-cash items	31,828	37,278
Changes in operating assets and liabilities, net of effects from purchase of businesses:		
Trading securities	11,088	(105,637)
Accounts receivable	(399,576)	(633,232)
VAT receivable	141,827	(71,899)
Inventories and spare parts	(170,257)	(364,045)
Other current assets	54,314	(130,456)
Accounts payable	68,125	136,250
Subscriber prepayments	(74,498)	(22,872)
Taxes payable	88,551	233,982
Accrued expenses and other liabilities	(11,820)	(236,850)
Postretirement benefits obligation	-	15,517
Net cash provided by operating activities of continuing operations	2,891,900	1,419,818
Net cash provided by operating activities of discontinued operations	41,620	98,897
Net cash provided by operating activities	\$ 2,933,520	\$ 1,518,715

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(Amounts in thousands of U.S. dollars)

	Six months ended June 30,	
	2012	2011
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchases of property, plant and equipment	(1,618,046)	(1,252,410)
Payments for purchases of intangible assets	(158,542)	(165,401)
Payments for purchases of businesses, net of cash acquired	(60,541)	(144,101)
Payments for purchases of long-term investments	(397,274)	(369,862)
Payments for purchases of short-term investments	(1,997,819)	(182,260)
Payments for purchases of other non-current assets	(162,396)	(60,202)
Decrease/(increase) in restricted cash	37,863	(43,759)
Cash disposed on loss of control less consideration received	(49,238)	-
Proceeds from sale of property, plant and equipment	24,889	75,795
Proceeds from sale of long-term investments	192,223	28,341
Proceeds from sale of other non-current assets	18,919	234
Proceeds from sale of short-term investments	235,341	340,554
Net (decrease)/increase in loans to customers and banks	(629,628)	548,432
Net cash used in investing activities	\$ (4,564,249)	\$ (1,224,639)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term borrowings, net	54,664	118,904
Net increase/(decrease) in deposits from customers of the banking division	531,211	(1,381,691)
Proceeds from sale of treasury stock	73,083	-
Proceeds from long-term borrowings, net of debt issuance costs	1,748,403	1,419,580
Debt issuance costs	(10,860)	(12,261)
Principal payments on long-term borrowings	(2,154,881)	(1,557,733)
Acquisition of noncontrolling interests in existing subsidiaries	(627,108)	(201,198)
Payments to shareholders of subsidiaries	-	(103,103)
Proceeds from capital transactions with shares of subsidiaries	73,987	153,710
Purchases of treasury shares	(33,352)	-
Net cash used in financing activities	\$ (344,853)	\$ (1,563,792)
Effect of foreign currency translation on cash and cash equivalents	\$ (54,953)	\$ 231,918
Net decrease in cash and cash equivalents	\$ (2,030,535)	\$ (1,037,798)
Cash and cash equivalents at the beginning of the period (including cash of discontinued operations)	4,320,423	4,573,557
Cash and cash equivalents at the end of the period (including cash of discontinued operations)	2,289,888	3,535,759
Cash and cash equivalents of discontinued operations at the end of the period	(86,562)	(21,736)
Cash and cash equivalents of continuing operations at end of the period *	\$ 2,203,326	\$ 3,514,023
CASH PAID DURING THE PERIOD FOR:		
Interest paid, net of amounts capitalized	\$ (700,043)	\$ (898,943)
Income taxes paid	(562,554)	(538,836)
* Cash and cash equivalents at the end of the period comprised of the following:		
Non-banking activities	\$ 1,318,108	\$ 1,892,163
Banking activity	885,218	1,621,860
	\$ 2,203,326	\$ 3,514,023

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED SEGMENTAL BREAKDOWN FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(Amounts in thousands of U.S. dollars)

For the six months ended June 30, 2012

	MTS	Bashneft	SSTL	MTS Bank	RTI	Other	Corporate	Total
Net sales to external customers ^(a)	6,132,717	7,998,686	158,131	311,775	601,645	792,560	18,828	16,014,342
Intersegment sales	3,266	5,666	-	15,418	241,273	15,427	15,906	296,956
Equity in results of affiliates	9,729	(42,225)	-	-	(2,751)	(5,076)	-	(40,323)
Net interest expense ^(b)	-	-	-	(3,656)	-	-	-	(3,656)
Depreciation, depletion and amortization	1,157,793	306,250	36,008	9,562	43,534	69,820	5,500	1,628,467
Operating income/(loss)	388,828	1,233,148	(191,851)	(4,243)	(15,552)	11,172	(66,694)	1,354,808
Interest income	58,170	90,710	4,224	-	4,254	60,925	64,451	282,734
Interest expense	312,080	176,185	88,073	-	35,000	55,454	78,449	745,241
Income tax expense/(benefit)	246,351	277,646	-	559	4,794	10,030	(57,205)	482,175
Segment assets	15,098,554	14,321,568	866,396	7,028,732	2,062,221	4,383,152	4,338,747	48,099,370
Indebtedness ^(c)	7,340,424	3,881,451	1,402,713	-	1,046,447	351,674	1,639,995	15,662,704
Capital expenditures ^(d)	1,124,127	440,122	29,790	14,980	58,847	97,071	11,651	1,776,588

For the six months ended June 30, 2011

	MTS	Bashneft	SSTL	MTS Bank	RTI	Other	Corporate	Total
Net sales to external customers ^(a)	6,058,582	7,991,004	114,334	266,091	523,027	907,721	18,518	15,879,277
Intersegment sales	3,660	17,026	-	11,804	320,675	14,249	7,119	374,533
Equity in results of affiliates	31,812	47,236	-	-	-	142	45,384	124,574
Net interest revenue ^(b)	-	-	-	(8,590)	-	-	-	(8,590)
Depreciation, depletion and amortization	1,176,322	315,273	46,983	8,056	48,809	62,594	4,600	1,662,637
Operating income/(loss)	1,268,569	1,395,386	(239,302)	(18,797)	(4,178)	(11,213)	(32,293)	2,358,172
Interest income	26,978	37,179	20,906	-	6,558	38,467	50,151	180,239
Interest expense	331,890	253,772	76,601	-	40,689	56,485	187,155	946,592
Income tax expense/(benefit)	311,597	245,821	-	(1,987)	4,051	(5,220)	(20,686)	533,576
Segment assets	16,217,772	15,528,372	2,151,919	7,088,597	2,852,724	4,718,599	3,826,504	52,384,487
Indebtedness ^(c)	7,431,550	4,234,635	1,283,254	-	1,082,916	368,814	1,753,998	16,155,167
Capital expenditures ^(d)	806,177	326,991	56,977	9,163	59,325	159,177	-	1,417,810

- 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.
- 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.
- Represents the sum of short-term and long-term debt.
- 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:

	2Q 2012	2Q 2011	1Q 2012
Operating Income	151.9	1,326.3	1,190.5
Depreciation, depletion and amortisation	797.9	864.1	830.6
OIBDA	949.9	2,190.4	2,021.0
Non-recurring items	1,079.0	-	-
OIBDA without one-off	2,028.8	2,190.4	2,021.0