



FOR IMMEDIATE RELEASE

June 15, 2011

## **SISTEMA ANNOUNCES UNAUDITED FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED MARCH 31, 2011**

**Moscow, Russia** – June 15, 2011 – JSFC Sistema (“Sistema” or the “Group”) (LSE: SSA), the largest diversified public financial corporation in Russia and the CIS, today announced its unaudited consolidated US GAAP financial results for the first quarter ended March 31, 2011.

### **FIRST QUARTER HIGHLIGHTS**

- Revenues up 25.8% YoY to US\$ 7.8 billion
- OIBDA up 13.0% YoY to US\$ 1.9 billion, with an OIBDA margin of 23.7%
- Operating income up 10.6% YoY to US\$ 1.0 billion, with an operating margin of 13.2%
- Net income attributable to the Group without one-offs increased by 30.5% year-on-year from US\$ 78.4 million in the first quarter of 2010 to US\$ 102.3 million
- Net debt at the Corporate Holding level reduced by 38.5% YoY to US\$ 1,182.8 million from US\$ 1,922.3 million
- The Group’s core assets contributed US\$ 7.1 billion and US\$ 2.0 billion to the Group’s consolidated revenues and OIBDA, respectively.

### **KEY CORPORATE HIGHLIGHTS FOR THE FIRST QUARTER**

- Completed the purchase of non-convertible amortizing Series 02 and Series 03 bonds with annual coupon rates of 14.75% and 12.50% respectively for the total amount of RUB 19.5 billion
- Successfully placed RUB 19.5 billion of non-convertible amortizing Series 04 five-year bonds with a coupon rate of 7.65% per annum for the ten semi-annual coupon payments
- Established OJSC RTI, the company founded with the participation of the Bank of Moscow and approved the sale of Sistema’s stake of approximately 63% in SITRONICS to OJSC RTI for US\$ 0.9228 per GDR
- SSTL increased its share capital by INR 28,894.5 million (approximately US\$ 647 million). The Russian Government, represented by the Federal Agency for State Property Management (“Rosimushchestvo”), acquired a 17.14% stake in SSTL for INR 26,988 million (approximately US\$ 600 million).

- Appointment of Mikhail Shamolin, the former President and CEO of Mobile TeleSystems (MTS), as President of Sistema

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

“Sistema maintained its momentum in the first quarter of this year reporting double digit year-on-year consolidated revenue and OIBDA growth. In our core businesses, Bashneft continued to set the pace and has delivered an 11.5% increase in revenues quarter-on quarter and a 46% increase year-on-year, thanks to higher oil prices and growth in production. At MTS, strong subscriber and data traffic growth lifted revenues 12% year-on-year, with the OIBDA margin in Russia expanding in the first quarter. Encouraging performance is also reported at our developing assets Detsky Mir and Medsi, with the latter returning to profitability in Q1 compared to Q4, 2010.

The first quarter was also characterized by restructuring at the holding company level and the execution of several important deals such as Bashneft’s partnership with LUKOIL on Trebs & Titov, SSTL’s circa US\$ 600 million equity issuance and the creation of RTI.

Importantly, our solid financial position and our stable portfolio mean that Sistema is well placed to focus on new M&A opportunities and deliver our key objective of creating another core, industry leading business.”

### **Conference call information**

Sistema 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 first quarter results.

The dial-in numbers for the conference call are:

UK/International: + 44 20 8515 2302

US: + 1 480 629 9645

A replay of the conference call will be available on the Company’s website [www.sistema.com](http://www.sistema.com) for 7 days after the event.

**For further information, please visit [www.sistema.com](http://www.sistema.com) or contact:**

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## **FINANCIAL SUMMARY**

(US\$ millions, except per share amounts)	1Q 2011	1Q 2010	Year on Year Change	4Q 2010	Quarter on Quarter Change
Revenues	<b>7,802.7</b>	6,202.8	25.8%	7,675.1	1.7%
OIBDA <sup>1</sup>	<b>1,850.4</b>	1,637.6	13.0%	1,921.9	(3.7%)
Operating income	<b>1,031.6</b>	932.6	10.6%	1,164.8	(11.4%)
Net income attributable to Sistema	<b>97.2</b>	144.8	(32.8%)	447.2	(78.3%)
Basic and diluted earnings per share (US cents)	<b>1.0</b>	1.6	(32.9%)	4.8	(78.3%)

## **GROUP OPERATING REVIEW**

Sistema's consolidated revenues were up 25.8% year-on-year, primarily as a result of the contribution from the Oil and Energy business. Revenues grew quarter-on-quarter with growth in the Oil and Energy business partly offset by seasonality effects of the Group's other businesses. The Group's Core Assets, comprising MTS and the Oil and Energy business, accounted for 90.6% of the total Group consolidated revenues in the first quarter.

Selling, general and administrative (SG&A) expenses increased by 18.1% year-on-year to US\$ 1,002.6 million in the first quarter of 2011 as a result of increased expenses in all businesses. The SG&A expenses were down 10.8% quarter-on-quarter due to the Group's typically higher expense in the fourth quarter.

The Group's OIBDA increased by 13.0% year-on-year in the first quarter of 2011. The Group's OIBDA decreased by 3.7% quarter-on-quarter because of the OIBDA loss from the Developing assets compared to the gain on Belkamneft acquisition included in Q4 2010 OIBDA. The Group's OIBDA margin decreased to 23.7% in the first quarter of 2011 from 26.4% in the corresponding period of 2010 and from 25.0% in the fourth quarter of 2010.

Depreciation, depletion and amortization expense increased by 16.2% year-on-year in the first quarter of 2011 and by 8.1% quarter-on-quarter to US\$ 818.8 million mainly as a result of the growth of depreciable assets as well as rouble appreciation against US dollar.

The Group's operating income was up by 10.6% year-on-year in the first quarter of 2011 due to growing Oil assets contribution, but it decreased by 11.4% quarter-on-quarter as a result of significant one-off in the fourth quarter of 2010. The operating margin decreased to 13.2% in the reporting quarter from 15.0% in the first quarter of 2010 and 15.2% in the fourth quarter of 2010. The decline in the operating margin resulted from the growing share of the low margin Oil and Energy business in the consolidated operations.

The consolidated net income attributable to Sistema was US\$ 97.2 million in the first quarter of 2011, compared to US\$ 144.8 million in the corresponding period of 2010 and US\$ 447.3 million in the fourth quarter of 2010. The year-on-year decline was mainly due to a US\$ 79.9 million decrease in foreign exchange gains. The consolidated net income attributable to Sistema

<sup>1</sup> See Attachment A for definitions and reconciliation of OIBDA to GAAP financial measures.

without one-offs increased in the first quarter of 2011 by 30.5% year-on-year from US\$ 78.4 million in the first quarter of 2010 to US\$ 102.3 million.

## **OPERATING REVIEW BY BUSINESS UNIT<sup>1</sup>**

In April 2011, the Board of Directors of Sistema approved a new organisational and management structure. In accordance with the new structure, the four former business units – Telecommunications, Technology & Industry, Consumer, and Oil and Energy – have been combined into two business units based on the level of maturity of the various assets under management: “Core Assets” and “Developing Assets”.

### ***CORE ASSETS BUSINESS UNIT***

<i>(US\$ millions)</i>	<b>1Q 2011</b>	<b>1Q 2010</b>	<b>Year on Year Change</b>	<b>4Q 2010</b>	<b>Quarter on Quarter Change</b>
Revenues	<b>7,067.1</b>	5,513.2	28.2%	6,588.5	7.3%
OIBDA	<b>2,035.0</b>	1,741.5	16.9%	2,045.4	(0.5%)
Operating income	<b>1,285.3</b>	1,102.4	16.6%	1,343.8	(4.4%)
Net income attributable to Sistema	<b>435.4</b>	377.8	15.3%	376.0	15.8%
Indebtedness	<b>11,638.3</b>	10,057.8	15.7%	11,093.2	4.9%

The Core Assets business unit comprises MTS and Oil and Energy assets.

The Core Assets’s revenues increased by 28.2% year-on-year and by 7.3% quarter-on-quarter in the first quarter of 2011 due to the strong performance of Bashneft. The business unit accounted for 90.6% of the Group’s consolidated revenues in the reporting quarter.

The unit’s OIBDA increased by 16.9% year-on-year in the first quarter of 2011 and was stable quarter-on-quarter. The OIBDA margin was 28.8% in the reporting quarter, compared to 31.6% in the corresponding period of 2010 and 31.0% in the fourth quarter of 2010.

The Core Assets business unit’s net income attributable to Sistema increased by 15.3% year-on-year reflecting strong results from Oil and Energy business and by 15.8% quarter-on-quarter, largely as a result of significant one-offs reported in the fourth quarter of 2010.

### **MTS**

<i>(US\$ millions)</i>	<b>1Q 2011</b>	<b>1Q 2010</b>	<b>Year on Year Change</b>	<b>4Q 2010</b>	<b>Quarter on Quarter Change</b>
Revenues	<b>2,934.0</b>	2,614.8	12.2%	2,995.1	(2.0%)

<sup>1</sup> Here and further, in the comparison of period to period revenues is 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.

OIBDA	<b>1,135.0</b>	1,156.4	(1.9%)	1,021.4	11.1%
Operating income	<b>570.8</b>	678.1	(15.8%)	493.0	15.8%
Net income attributable to Sistema	<b>176.2</b>	208.0	(15.3%)	85.6	105.8%

MTS' total subscriber base (including Belarus subscribers) reached approximately 108.5 million customers as of March 31, 2011. MTS' revenues were up by 12.2% year-on-year primarily due to growth of its subscriber base, rising contributions from sales of handsets and accessories and increasing consumption of data products across all major markets of operation. Revenues were further enhanced by Russian ruble appreciation year-on-year against the US dollar. The average monthly service revenue per subscriber (ARPU) in Russia increased to RUB 252.1 in the first quarter of 2011, compared to RUB 236.7 in the corresponding period of 2010. Russian subscribers' monthly minutes of use (MOU) increased by 18.0% year-on-year to 249 in the first quarter of 2011, compared to 211 in the first quarter of 2010.

The number of households passed increased by 28.7% year-on-year to 10 million customers in the first quarter of 2011. The Pay-TV customer base totaled 2.6 million subscribers in the reporting quarter, compared to 1.8 million customers in the first quarter of 2010. Number of broadband Internet subscribers at the end of the quarter reached 1.9 million up 39.2% year-on-year.

MTS' OIBDA was down by 1.9% year-on-year in the first quarter as a results of one-off expenses related to the statutory merger with Comstar-UTS, fees associated with high gross subscriber additions and suspension of operations in Turkmenistan, but increased by 11.1% quarter-on-quarter as a results of significant write-offs in the fourth quarter of 2010. The OIBDA margin was 38.7% in the first quarter of 2011, compared to 44.1% and 34.1% in the first and fourth quarters of 2010, respectively.

In March 2011, MTS completed the share buyback related to the reorganization and merger with Comstar-UTS, Dagtelecom and Eurotel.

In March 2011, Andrey Dubovskov was appointed as President and Chief Executive Officer of MTS.

### Oil and Energy business<sup>1</sup>

<i>(US\$ millions)</i>	<b>1Q 2011</b>	<b>1Q 2010</b>	<b>Year on Year Change</b>	<b>4Q 2010</b>	<b>Quarter on Quarter Change</b>
<b>Bashneft</b>					
Revenues	<b>3,471.5</b>	2,372.7	46.3%	3,113.1	11.5%
OIBDA	<b>626.5</b>	411.8	52.1%	933.5	(32.9%)
Operating income	<b>574.1</b>	371.4	54.6%	891.7	(35.6%)

<sup>1</sup> Here and further, OIBDA, Operating income and Net income of the Oil & Energy business are shown without an effect of the gain on the acquisition of Oil & Energy business.

Net income attributable to Sistema	<b>232.5</b>	190.2	22.3%	481.7	(51.7%)
<b>Refinery</b>					
Revenues	<b>363.4</b>	342.3	6.2%	389.6	(6.7%)
OIBDA	<b>108.2</b>	92.8	16.6%	138.3	(21.7%)
Operating income	<b>3.0</b>	(9.5)	-	40.9	(92.6%)
Net income attributable to Sistema	<b>2.5</b>	(4.7)	-	20.7	(87.9%)
<b>Bashkirenergo</b>					
Revenues	<b>790.2</b>	608.1	29.9%	593.1	33.2%
OIBDA	<b>151.2</b>	99.8	51.5%	63.3	138.8%
Operating income	<b>122.1</b>	70.3	73.8%	33.7	262.0%
Net income attributable to Sistema	<b>30.9</b>	18.7	65.2%	5.6	454.2%
<b>Bashkirnefteproduct</b>					
Revenues	<b>207.5</b>	186.9	11.0%	217.6	(4.6%)
OIBDA	<b>9.2</b>	19.2	(52.4%)	(17.5)	-
Operating income / (loss)	<b>4.4</b>	15.0	(70.7%)	(22.4)	-
Net income / (loss) attributable to Sistema	<b>2.3</b>	8.1	(72.1%)	(11.0)	-

Bashneft's revenue increased by 46.3% year-on-year and by 11.5% quarter-on-quarter due to higher oil prices and growth in the company's oil production which reached approximately 3.7 million tonnes of oil. The company sold 4.2 million tonnes of oil products in the reporting period.

The company drilled 37 thousand meters and set into operation 21 new producing wells during the first quarter of 2011. Bashneft exported 0.9 million tonnes of crude oil and 2.1 million tonnes of oil products in the first quarter.

Bashneft's OIBDA was up 52.1% year-on-year in the first quarter of 2011 as a result of increase in oil prices and growing refinery capacities and volumes.

The Group's refineries processed 5.0 million tonnes of crude oil in the first quarter of 2011, compared to 4.8 million tonnes in the corresponding period of 2010. The Group's refineries revenue from processing services increased by 6.8% year-on-year in the first quarter of 2011. In the reporting quarter, the capacity utilisation decreased to 74.6% from 86.6% in the fourth quarter of 2010, refining depth was 86.8% and light-product yield amounted to 61.6%.

The Refinery business OIBDA was up 16.6% year-on-year primarily due to higher rates for processing services.

Bashkirnefteproduct's revenues increased by 11.0% year-on-year mainly due to increased volumes of oil products sold.

Bashkirnefteproduct's OIBDA decreased by 52.4% year-on-year due to a reduction in prices resulted from regulators' policy of price control. At the end of the first quarter 2011, Bashkirnefteproduct owned and operated a total of 319 petrol stations.

Bashkirenergo's revenues increased by 29.9% year-on-year and by 33.2% quarter-on-quarter as a result of the growth in retail electricity consumption and average retail electricity tariffs, as well as the increase in wholesale energy sales. Bashkirenergo generated 6,377 million kW/h of electricity and supplied 9,749 thousand Gcal of heat in the reporting quarter, compared to 6,306 million kW/h of electricity and 9,827 thousand Gcal of heat supplied in the first quarter of 2010.

The energy business' OIBDA increased by 51.5% year-on-year with OIBDA margin expanding to 19.1%, compared to 16.4% in the corresponding period of 2010.

In February 2011, Sistema received an official notice from the Government of the Russian Federation that the Prime Minister of the Russian Federation signed Decree No 152-r granting the licence for the development of the Trebs and Titov oil fields to Bashneft, Sistema's oil subsidiary.

#### **DEVELOPING ASSETS BUSINESS UNIT**

<i>(US\$ millions)</i>	<b>1Q 2011</b>	<b>1Q 2010</b>	<b>Year on Year Change</b>	<b>4Q 2010</b>	<b>Quarter on Quarter Change</b>
Revenues	<b>856.2</b>	747.8	14.5%	1,324.0	(34.5%)
OIBDA	<b>(122.3)</b>	(41.1)	-	41.6	-
Operating loss	<b>(189.1)</b>	(104.9)	-	(13.0)	-
Net (loss)/ income attributable to Sistema	<b>(157.7)</b>	(116.7)	-	246.3	-
Indebtedness	<b>2,597.0</b>	2,179.2	19.2%	2,559.8	1.5%

The Developing Assets business unit is responsible for managing Sistema Shyam TeleServices (SSTL), Sistema Mass Media, SITRONICS, RTI Systems, Binnopharm, Moscow Bank for Reconstruction and Development (MBRD), Detskiy Mir, Intourist, Medsi and others.

The Developing Assets unit's revenues increased by 14.5% year-on-year in the first quarter of 2011, however, decreased by 34.5% quarter-on-quarter. Lower quarterly revenues were largely driven by seasonally orientated businesses such as Detskiy Mir, Intourist and SITRONICS the

typical contract settlement timing of which is the second half of the year. The business unit accounted for 9.2% of the Group's consolidated revenues in the first quarter of 2011.

The unit reported an OIBDA loss in the first quarter of 2011 compared to OIBDA gain in the fourth quarter 2010.

In February 2011, Sistema established OJSC RTI, founded with the participation of the Bank of Moscow.

## SSTL

<i>(US\$ millions)</i>	<b>1Q 2011</b>	<b>1Q 2010</b>	<b>Year on Year Change</b>	<b>4Q 2010</b>	<b>Quarter on Quarter Change</b>
Revenues	<b>52.2</b>	17.1	205.1%	42.9	21.7%
OIBDA	<b>(100.6)</b>	(76.7)	-	(81.6)	-
Operating loss	<b>(123.5)</b>	(95.3)	-	(103.6)	-
Net loss attributable to Sistema	<b>(108.5)</b>	(65.5)	-	(99.4)	-

SSTL's revenues tripled year-on-year in the first quarter and were up 21.7% quarter-on-quarter as a result of growth in the mobile subscriber base, expansion of network coverage and the launch of EV-DO based high speed data services in 130 India's largest cities at the end of the reporting period and 150 cities at present. SSTL's mobile subscriber base increased by 19.6% quarter-on-quarter and reached 10.1 million customers as of March 31, 2011. Mobile ARPU was consistent at US\$ 1.8. Data card subscriber base demonstrated 36% growth quarter on quarter and totalled 584,000 as of March 31, 2011.

In March 2011, Sistema announced an increase in the share capital of Sistema Shyam TeleServices Ltd. by means of an additional share issue. Following the placement, SSTL increased its share capital by INR 28,894.5 million (approximately US\$ 647 million). The Russian Government, represented by Rosimushchestvo (the Federal Agency for State Property Management), acquired a 17.14% stake in SSTL for INR 26,988 million (approximately US\$ 600 million). The Russian Federation's portion of the transaction was financed with funds held in Indian rupees, which represented Indian government debt to the Russian Federation. Following the completion of the secondary share issue, Sistema's stake in SSTL amounted to 56.68%, while Indian investors own 26.18%.

In accordance with the agreement between Rosimushchestvo and Sistema, Rosimushchestvo has a put option to sell its stake in SSTL to Sistema for a period of one year beginning five years after the purchase of shares in SSTL. Sistema has an obligation to purchase SSTL shares from the Russian Government for the higher of US\$ 777 million or market value determined by an independent appraiser. Under the terms of the agreement, until the put has been exercised or expires, Sistema has agreed not to reduce its stake in MTS below 50%+1 share.



## Sistema Mass Media

<i>(US\$ millions)</i>	1Q 2011	1Q 2010	Year on Year Change	4Q 2010	Quarter on Quarter Change
Revenues	<b>14.1</b>	12.2	15.7%	25.8	(45.4%)
OIBDA	<b>0.7</b>	(1.1)	-	16.3	(95.6%)
Operating loss / income	<b>(5.5)</b>	(4.9)	-	0.04	-
Net loss attributable to Sistema	<b>(5.6)</b>	(7.1)	-	(0.8)	-

Sistema Mass Media's revenues increased by 15.7% year-on-year in the first quarter of 2011, mainly due to the increase of content distribution and aggregation, as well as increased advertising sales.

Sistema Mass Media reported an OIBDA profit in the first quarter of 2011 with OIBDA margin of 5.1%, compared to OIBDA loss in the corresponding period of 2010, as a result of increase in operating effectiveness.

The Stream-TV' subscriber base was 5.5 million subscribers as at March 31, 2011.

## SITRONICS

<i>(US\$ millions)</i>	1Q 2011	1Q 2010	Year on Year Change	4Q 2010	Quarter on Quarter Change
Revenues	<b>277.6</b>	190.8	45.5%	484.5	(42.7%)
OIBDA	<b>4.7</b>	7.5	(37.7%)	64.1	(92.7%)
Operating (loss)/ income	<b>(14.1)</b>	(15.3)	-	43.9	-
Net (loss)/ income attributable to Sistema	<b>(8.8)</b>	(16.5)	-	13.4	-

Revenues for SITRONICS increased by 45.5% year-on-year in the first quarter of 2011, mainly as a result of the strong sales performance of both the Information Technologies and Microelectronics segments. Quarter-on-quarter revenues decreased as the majority of SITRONICS' revenue is typically derived from the second half of the year when contracts are settled. SITRONICS reported year-on-year and quarter-on-quarter OIBDA decrease by 37.7% and 92.7% respectively.

SITRONICS secured US\$ 145 million of new contracts in the first quarter of 2011, and a total of US\$ 1.4 billion of new contracts signed since the beginning of 2010.

In March 2011, SITRONICS produced and supplied RFID transportation tickets for the public transport of Istanbul.

In April 2011, SITRONICS signed a contract with the Government of Moscow to work on the project of establishing the Intellectual Transport System of Moscow, for the amount of ca RUR 6.2bn (over US\$220mln).

### RTI Systems

<i>(US\$ millions)</i>	1Q 2011	1Q 2010	Year on Year Change	4Q 2010	Quarter on Quarter Change
Revenues	<b>113.6</b>	92.1	23.4%	169.3	(32.9%)
OIBDA	<b>11.9</b>	12.4	(3.6%)	13.5	(11.8%)
Operating income	<b>8.4</b>	9.5	(11.2%)	11.0	(23.5%)
Net income / (loss) attributable to Sistema	<b>0.2</b>	1.1	(85.2%)	(6.2)	102.6%

RTI System's revenues were up 23.4% year-on-year in the reporting quarter as a result of increased number of contracts and government spending on defense, but declined by 32.9% quarter-on-quarter as majority of the contracts are typically settled in the second half of the year.

### Binnopharm

<i>(US\$ millions)</i>	1Q 2011	1Q 2010	Year on Year Change	4Q 2010	Quarter on Quarter Change
Revenues	<b>3.7</b>	5.6	(34.5%)	7.8	(53.0%)
OIBDA	<b>(3.1)</b>	(1.2)	-	(27.6)	-
Operating loss	<b>(4.4)</b>	(2.7)	-	(29.5)	-
Net loss attributable to Sistema	<b>(4.2)</b>	(0.8)	-	(30.4)	-

Binnopharm's revenues declined by 34.5% year-on-year and by 53.0% quarter-on-quarter in the first quarter of 2011, following a reduction in supply volumes for the federal vaccine project and a delay in the production of new drugs.

Binnopharm reported an OIBDA loss in the first quarter of 2011, following a decrease in profitability on the produced and distributed drugs.

### MBRD

<i>(US\$ millions)</i>	1Q 2011	1Q 2010	Year on Year Change	4Q 2010	Quarter on Quarter Change
Revenues	136.8	174.7	(21.7%)	147.9	(7.5%)
OIBDA	<b>(13.6)</b>	12.3	-	26.1	-
Operating (loss)/ income	<b>(17.5)</b>	8.1	-	20.6	-
Net (loss) / income attributable to Sistema	<b>(12.0)</b>	2.4	-	12.7	-

MBRD's revenues declined by 21.7% year-on-year in the first quarter of 2011 due to a contraction in the debt securities and loans portfolios, as well as a decrease in average interest rates charged on loans to corporate and retail customers.

MBRD's loan portfolio, excluding leases, decreased by 7.7% year-on-year to US\$ 4,552.0 million as of March 31, 2011. The retail deposits-to-loans ratio stood at 305.0% in the first quarter of 2011. Interest income received from retail and corporate lending operations decreased by 19.7% year-on-year to US\$ 118.5 million in the first quarter of 2011. The retail banking business included 144 points of sales, including 26 points located in Moscow and 117 points in Russian regions, as well as 1 in Luxembourg as at March 31, 2011.

### Detsky Mir

<i>(US\$ millions)</i>	1Q 2011	1Q 2010	Year on Year Change	4Q 2010	Quarter on Quarter Change
Revenues	148.5	127.3	16.6%	220.2	(32.6%)
OIBDA	<b>(11.9)</b>	(10.1)	-	39.4	-
Operating (loss) / income	<b>(16.1)</b>	(14.9)	-	35.4	-
Net (loss)/ income attributable to Sistema	<b>(10.7)</b>	(21.1)	-	21.7	-

Revenues of Detsky Mir increased by 16.6% year-on-year in the first quarter of 2011, but decreased by 32.6% quarter-on-quarter mainly due to seasonality factors. The network of retail outlets included 131 stores located in 67 Russian cities, whilst the aggregate retail space was 214.5 thousand square meters as at March 31, 2011.

Detsky Mir reported an OIBDA loss in the first quarter of 2011 as a result of seasonality effects and a pricing pressure on retail margins.

### Intourist

<i>(US\$ millions)</i>	1Q 2011	1Q 2010	Year on Year Change	4Q 2010	Quarter on Quarter Change
Revenues	<b>61.9</b>	77.3	(19.9%)	122.8	(49.6%)
OIBDA	<b>(9.3)</b>	(6.7)	-	(1.7)	-
Operating loss	<b>(12.0)</b>	(9.5)	-	(4.4)	-
Net loss attributable to Sistema	<b>(8.9)</b>	(6.7)	-	(7.9)	-

Intourist's revenues decreased by 19.9% year-on-year and by 49.6% quarter-on-quarter primarily due to force majeure situations, including political instability in Egypt, and seasonal effects. Such trading conditions also impacted the company's OIBDA which fell year-on-year and quarter-on-quarter. The business serviced 75 thousand customers in the first quarter of 2011, compared to 127 thousand clients in the corresponding period of 2010. The hotel group's total number of rooms owned, managed and rented was 3,054 at the end of the first quarter of 2011.

In March 2011, Intourist sold one of the most famous Moscow hotels, Hotel Pekin, to Sistema-Hals within the framework of Intourist's optimization strategy.

## Medsi

<i>(US\$ millions)</i>	1Q 2011	1Q 2010	Year on Year Change	4Q 2010	Quarter on Quarter Change
Revenues	47.9	37.6	27.3%	45.1	6.1%
OIBDA	4.1	4.7	(12.2%)	3.0	38.2%
Operating income	1.6	2.9	(47.3%)	0.2	689.6%
Net income / (loss) attributable to Sistema	0.9	1.4	(35.0%)	(2.8)	-

Medsi' revenues increased by 27.3% year-on-year and by 6.1% quarter-on-quarter as a result of the growth in volume of services by 34.0% year-on-year to US\$ 1.9 million, the increase in number of visits to medical clinics by 26.4% year-on-year to 1.0 million, and the rise in the average bill by 0.7% year-on-year to US\$ 46.7. At the end of the first quarter of 2011, the network consisted of 31 medical clinics and 64 aid stations, including 20 based in Moscow and Moscow region, as well as 4 fitness clubs.

Medsi OIBDA declined by 12.3% year-on-year in the first quarter, but was up 38.2% quarter-on-quarter following increase in operational efficiency.

## CORPORATE

<i>(US\$ millions)</i>	1Q 2011	1Q 2010	Year on Year Change	4Q 2010	Quarter on Quarter Change
OIBDA <sup>1</sup>	(5.9)	(33.2)	-	(108.8)	-
Net loss	(139.8)	(80.1)	-	(161.5)	-
Indebtedness	1,767.0	2,629.3	(32.8%)	1,749.5	1.0%

The Corporate segment comprises the companies that control and manage the Group's interests in its subsidiaries. The Corporate segment net results in the first quarter 2011 were influenced by the debt refinancing and restructuring costs.

In February 2011, Sistema's Board of Directors convened an EGM of shareholders to approve a related party transaction involving the acquisition of shares in OJSC RTI, a new company established with the participation of the Bank of Moscow. The EGM approved the transaction on March 18, 2011.

In March 2011, Sistema completed the purchase of non-convertible amortizing Series 02 and Series 03 bonds with a par value of RUB 1,000 each in accordance with the tender announced on March 9, 2011. Following the tender, 8,641,660 Series 02 bonds and 10,858,340 Series 03 bonds were acquired at nominal value for the total amount of RUB 19.5 billion.

<sup>1</sup> Here and further, OIBDA and net income (loss) of the Corporate & Other segment are shown without an effect of intragroup dividends and one-off write-offs.

In March 2011, Sistema successfully placed RUB 19.5 billion of non-convertible amortizing Series 04 five-year bonds with a coupon rate of 7.65% for the ten semi-annual coupon payments. The bonds' amortization schedule provides for the repayment of 30.769% of the principal amount after a period of six months, a 15.385% repayment after three years, a 30.769% repayment after three and a half years, and a 15.385% repayment after four years. The remaining principal amount of 7.692% will be repaid on the bonds' redemption date, which is March 15, 2016.

## **FINANCIAL REVIEW**

Net cash provided by operations in the first quarter of 2011 decreased by 25.3% year-on-year and by 74.2% quarter-on-quarter to US\$ 305.7 million due to changes in working capital.

Net cash used in investing activities totaled US\$ 140.0 million in the first quarter of 2011, compared to US\$ 239.0 million in the corresponding period of 2010. The Group spent US\$ 526.6 million on capital expenditure, compared to US\$ 450.7 million and US\$ 2,692.9 million spent in the first quarter and the fourth quarter of 2010, respectively. The Group paid US\$ 19.0 million for the acquisition of businesses, net of cash received, in the first quarter of 2011 including the purchase by MTS of 100% stake in the regional fixed operators in Altay Krai.

Net cash outflow from financing activities amounted to US\$ 924.1 million in the first quarter of 2011, compared to an outflow of US\$ 635.5 million and an inflow of US\$ 1,824.6 million in the first quarter and the fourth quarter of 2010, respectively. The Group spent US\$ 192.6 million for the acquisition of additional stakes in its subsidiaries in the first quarter of 2011 (mainly due to completion of share buyback in March 2011 related to the statutory merger of Comstar-UTS with MTS for a cash consideration of \$178.6 million).

Also the Group's proceeds from short-term and long term borrowings in the first quarter of 2011 totaled to US\$ 1,243.0 million whereas the total principal payments on long-term borrowings totaled US\$ 1,372.3 million. In addition, cash outflow from financial activities in the first quarter resulted the net decrease in liabilities of the Banking business's operations totaling \$700.1 million.

The Group's cash balances stood at US\$ 4,354.5 million as of March 31, 2011 (including amount of US\$ 2,101.8, comprised of the banking activity) compared to US\$ 5,050.7 million as of December 31, 2010 (including amount of US\$ 2,785.6, comprised of the banking activity). The Group's net debt (short-term and long-term debt less cash and cash equivalents) amounted to US\$ 13,749.6 million as of March 31, 2011, compared to US\$ 13,137.4 million as of December 31, 2010.

## **SIGNIFICANT EVENTS FOLLOWING THE END OF THE REPORTING PERIOD**

### **Core Assets**

In May 2011 the Bashkirenergo Board of Directors took the decision to appoint Andrey Makarov as CEO of Bashkirenergo from June 1, 2011.

In May 2011, MTS repurchased its series 04 ruble-denominated bonds for approximately RUB 1.1 billion. The RUB 15.0 billion series 04 ruble-denominated bond with maturity on May 13,

2014 and a two-year put option was issued on May 19, 2009. The coupon was to be paid annually at the rate of 16.75%. On May 11, 2011, the company changed the coupon rate to 7.6%.

In May 2011, MTS's additional share issue of 73,087,424 ordinary shares commenced trading on the MICEX as part of the "A1" quotation list. The issuance of additional MTS shares was completed previously for the purposes of conversion of Comstar-UTS shares. The additional share issue will trade on MICEX for a period of 3-months from the date of the registration of the share issuance report, April 21, 2011, as stipulated by Russian law after which it will merge with the company's main issue.

In May 2011, Sistema announced the reorganisation of OJSC Sistema-Invest, a subsidiary of Sistema, by merging into it CJSC Bashkir Integrated Energy Systems, CJSC UNKH-EnergoInvest, CJSC UNPZ-EnergoInvest and CJSC Novoil-EnergoInvest, which were previously owned by the Bashkir Oil and Energy group of companies. During the merger, shares of Bashkir Integrated Energy Systems, UNKH-EnergoInvest, UNPZ-EnergoInvest and Novoil-EnergoInvest were converted into Sistema-Invest treasury shares and additionally issued ordinary shares (in December 2010, Sistema-Invest acquired 10% of its own ordinary shares, and in March 2011, four additional issues of Sistema-Invest's shares were registered by the Federal Service for Financial Markets of the Russian Federation). Following the reorganisation, the share of the Bashkir Oil and Energy Group of companies in the charter capital of OJSC Sistema-Invest will increase to 49.5%. OJSC Sistema-Invest will hold the 50.17% of ordinary shares of OJSC Bashkirenergo (47.87% of its charter capital) previously held by CJSC Bashkir Integrated Energy Systems, CJSC UNKH-EnergoInvest, CJSC UNPZ-EnergoInvest and CJSC Novoil-EnergoInvest. The transaction, which is carried out within the framework of the optimisation of Sistema's asset structure, will be completed upon the registration of the reports on the newly-issued ordinary shares of Sistema-Invest by the Federal Service for Financial Markets ("FSFM").

In April 2011, Bashneft and LUKOIL entered into an agreement to create a joint venture and establish terms and conditions for the development of the Trebs and Titov oil fields. According to the agreement, LUKOIL will pay RUB 4.8 billion for a 25.1% equity stake in the joint venture which will in turn acquire 29 exploration wells located on the fields from the LUKOIL Group of companies.

In April Board of Directors of Bashneft has approved changes to the organizational structure of Bashneft and appointed Alexander Korsik as President of the company.

In April 2011, Bashneft acquired a 94% stake in OJSC Orenburgnefteproduct, a supplier of oil products to the consumers in the Orenburg Region and comprises 95 petrol filling stations and 16 oil depots.

In April 2011, the Board of Directors of Bashkirenergo recommended the Annual General Meeting of shareholders to pay dividends in the total amount of RUB 1,085 million and to invest RUB 472 million into construction of a new TPP-5.

In April 2011, MTS acquired a 100% in Infocentr, Kurgan, Urals Federal District, for RUB 435.0 million.

### **Developing Assets**

In May 2011, SITRONICS signed a cooperation agreement with Shyam Networks Limited for promotion of solutions and technologies on the markets of Russia, the CIS and India. Within the framework of the agreement, Shyam Networks Limited will be offering to its customers the

SITRONICS solutions: the line of FORIS billing products, billing solutions for power generation industry and security systems.

In April 2011, Binnofarm and UCB Pharma signed a strategic partnership memorandum aimed at developing local production and import substitution of drugs in Russia in accordance with the government programme “Pharma – 2020”.

In April 2011, SITRONICS signed a RUB 6.2 billion contract to create the Intelligent Transport System (ITS) for Moscow. SITRONICS will act as the prime contractor for the ITS development.

In April 2011, Intourist announced the restructuring of the management structure through the merger of Intourist and JSC Intourist Hotel Group. As a result of the merger, the management structure will be optimised and duplicative functions will be eliminated, resulting in reduced costs for both companies.

## **Corporate**

In May 2011, the Board of Directors of Sistema recommended that the upcoming Annual General Meeting of Shareholders, to be held on June 25, 2011, should approve the payment of a 2010 dividend of RUB 0.26 (approximately US\$ 0.009) per ordinary share, which amounts to RUB 2,509 million (approximately US\$ 89.8 million) in total. The dividend is due to be paid within a 60-day period following the AGM’s approval of the dividend payment. Dividend payments to shareholders are settled by bank transfer into accounts, the details of which are provided by shareholders.

In April 2011, the Board of Directors of Sistema approved a new organisational and management structure. The approved changes to Sistema’s organisational and management structure are in line with the Company’s new development strategy, which was approved by the Board in October 2010. The new strategy provides for the transition of the Group from an operational holding company to an investment company.

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**For further information, please visit [www.sistema.com](http://www.sistema.com) or contact:**

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**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\$ 7.8 billion for the first quarter of 2011, and total assets of US\$ 46 billion as at March 31, 2011. 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 RTS Stock Exchange, under the symbol “AFKC” on the**

**MICEX Stock Exchange, and under the symbol “SIST” on the Moscow Stock Exchange (MSE).**

*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, 2011 AND 2010**  
*(Amounts in thousands of U.S. dollars except per share amounts)*

	<b>Three months ended March 31,</b>	
	2011	2010
Sales	\$ 7,668,577	\$ 6,030,837
Revenues from financial services	134,088	171,987
<b>TOTAL REVENUES</b>	<b>7,802,665</b>	<b>6,202,824</b>
Cost of sales, exclusive of depreciation and amortization shown separately below	(3,272,385)	(2,469,173)
Cost related to banking activities, exclusive of depreciation and amortization shown separately below	(90,967)	(112,541)
Selling, general and administrative expenses	(1,002,583)	(849,194)
Depreciation, depletion and amortization	(818,810)	(704,949)
Transportation costs	(163,944)	(140,200)
Provision for doubtful accounts	(50,168)	(49,959)
Loss from impairment of long-lived assets	(17,735)	(163)
Taxes other than income tax	(1,306,147)	(925,726)
Other operating expenses, net	(84,977)	(25,852)
Equity in net income of investees	36,610	8,915
Loss on disposal of interests in subsidiaries and affiliates	-	(1,343)
<b>OPERATING INCOME</b>	<b>1,031,559</b>	<b>932,639</b>
Interest income	39,842	50,421
Change in fair value of derivative instruments	(550)	(497)
Interest expense, net of amounts capitalized	(497,695)	(430,374)
Currency exchange and translation gain	24,367	104,297
Income from continuing operations before income tax	597,523	656,486
Income tax expense	(238,248)	(214,136)
<b>NET INCOME</b>	<b>\$ 359,275</b>	<b>\$ 442,350</b>
Non-controlling interest	(262,053)	(297,593)
<b>NET INCOME attributable to JSFC Sistema</b>	<b>\$ 97,222</b>	<b>\$ 144,757</b>
Earnings per share, basic and diluted (US cent per share):	1.05	1.56

**SISTEMA JSFC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF MARCH 31, 2011 AND DECEMBER 31, 2010**  
*(Amounts in thousands of U.S. dollars, except share amounts)*

	<u>March 31, 2011</u>	<u>December 31, 2010</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,252,696	\$ 2,265,068
Short-term investments	1,020,231	879,680
Assets from banking activities, current portion (including cash and cash equivalents of \$2,101,790 and \$1,311,932)	4,412,207	5,489,606
Accounts receivable, net	2,140,990	1,726,674
Prepaid expenses, other receivables and other current assets, net	1,655,352	1,705,955
VAT receivable	702,383	649,690
Inventories and spare parts	1,901,282	1,501,012
Deferred tax assets, current portion	419,185	357,821
Total current assets	<u>14,504,326</u>	<u>14,575,506</u>
NON-CURRENT ASSETS:		
Property, plant and equipment, net	20,810,899	19,039,699
Advance payments for non-current assets	495,482	1,426,607
Goodwill	1,962,677	1,872,520
Other intangible assets, net	3,430,471	3,022,973
Investments in and loans to affiliates	1,213,258	1,147,694
Assets from banking activities, net of current portion	2,041,038	1,812,743
Debt issuance costs, net	151,542	159,803
Deferred tax assets, net of current portion	322,170	317,195
Long-term investments	662,033	469,742
Other non-current assets	416,313	264,629
Total non-current assets	<u>31,505,883</u>	<u>29,533,605</u>
<b>TOTAL ASSETS</b>	<u>\$ 46,010,209</u>	<u>\$ 44,109,111</u>

**SISTEMA JSFC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**AS OF MARCH 31, 2011 AND DECEMBER 31, 2010**  
*(Amounts in thousands of U.S. dollars, except share amounts)*

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 1,881,999	\$ 1,775,698
Liabilities from banking activity, current portion	4,071,025	4,191,836
Taxes payable	940,922	674,269
Deferred tax liabilities, current portion	200,070	168,982
Subscriber prepayments, current portion	565,290	579,952
Accrued expenses and other current liabilities	2,712,030	3,341,647
Short-term loans payable	1,123,528	1,092,599
Current portion of long-term debt	2,759,436	2,103,405
	<u>14,254,300</u>	<u>13,928,388</u>
<b>LONG-TERM LIABILITIES:</b>		
Long-term debt, net of current portion	12,119,294	12,206,515
Subscriber prepayments, net of current portion	138,956	142,316
Liabilities from banking activity, net of current portion	1,197,279	1,444,783
Deferred tax liabilities, net of current portion	1,708,438	1,636,583
Asset retirement obligation	278,821	258,382
Postretirement benefits obligation	114,637	87,201
Property, plant and equipment contributions	88,270	89,067
	<u>15,645,695</u>	<u>15,864,847</u>
<b>TOTAL LIABILITIES</b>	<u>29,899,995</u>	<u>29,793,235</u>
Commitments and contingencies		
Redeemable non-controlling interests	<u>709,619</u>	<u>107,343</u>
<b>SHAREHOLDERS' EQUITY:</b>		
Share capital (9,650,000,000 shares issued; and 9,281,827,594 shares outstanding with par value of 0.09 Russian Rubles)	30,057	30,057
Treasury stock (368,172,406 shares with par value of 0.09 Russian Rubles; 2009: 371,018,060 shares)	(463,733)	(463,733)
Additional paid-in capital	2,022,659	2,100,323
Retained earnings	6,567,116	6,471,327
Accumulated other comprehensive income / (loss)	377,455	(171,149)
	<u>8,533,554</u>	<u>7,966,825</u>
Total JSFC Sistema shareholders' equity	8,533,554	7,966,825
Non-redeemable non-controlling interests in equity of subsidiaries	6,867,041	6,241,708
<b>TOTAL EQUITY</b>	<u>15,400,595</u>	<u>14,208,533</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 46,010,209</u>	<u>\$ 44,109,111</u>

**SISTEMA JSFC AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010**  
*(Amounts in thousands of U.S. dollars)*

	<u>March, 31</u> <u>2011</u>	<u>March, 31</u> <u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 359,275	\$ 442,350
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation, depletion and amortization	818,810	704,949
Equity in results of affiliates	(36,610)	(8,915)
Dividends received from affiliates	17,300	-
	(53,746)	
Deferred income tax benefit		(69,667)
	550	
Change in fair value of derivative financial instruments		2,567
	(24,367)	
Foreign currency transactions (gain)/loss		(106,864)
	13,615	
Debt issuance cost amortization		32,281
	6,214	
Non-cash compensation to employees		2,827
Non-cash expenses associated with asset retirement obligation	1,931	2,267
Loss/(gain) on disposal of interests in subsidiaries and affiliates	-	1,343
	17,735	
Loss/(gain) from impairment and provisions of other assets		(15,948)
Loss/(gain) on disposal of property, plant and equipment	(1,860)	(177)
Amortization of connection fees	(9,586)	(9,776)
Provision for doubtful accounts receivable	50,168	49,959
Allowance for loan losses	11,312	12,897
Changes in operating assets and liabilities, net of effects from purchase of businesses:		
Trading securities	(87,213)	(2,649)
Accounts receivable	(343,030)	(411,230)
VAT receivable	(5,892)	(72,272)
Prepaid expenses, other receivables and other current assets	70,435	(254,360)
Inventories	(301,931)	(158,136)
	(268,000)	
Accounts payable		(68,933)
	(36,195)	
Subscriber prepayments		(44,527)
	265,942	
Taxes payable		93,826
	(186,566)	
Accrued expenses and other liabilities		286,757
	27,436	
Postretirement benefit obligation		516
Net cash provided by operations	<u>\$ 305,727</u>	<u>\$ 409,085</u>

**JSFC SISTEMA AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010**  
*(Amounts in thousands of U.S. dollars)*

	<u>March, 31 2011</u>	<u>March, 31 2010</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for purchases of property, plant and equipment	(471,507)	(388,260)
Payments for purchases of intangible assets	(55,053)	(62,424)
Payments for purchases of businesses, net of cash acquired	(19,038)	(6,245)
Payments for purchases of long-term investments	(275,397)	(15,667)
Payments for purchases of short-term investments	(416,695)	(399,831)
Payments for purchases of other non-current assets	(35,001)	-
Proceeds from sale of other non-current assets	-	72,740
Increase/(decrease) in restricted cash	(54,623)	7,076
Proceeds from sale of property, plant and equipment	60,014	197
Proceeds from sale of long-term investments	28,238	-
Proceeds from sale of short-term investments	426,725	75,351
	672,329	478,074
Net increase in loans to customers and banks of the banking division		
	\$ (140,008)	\$ (238,989)
Net cash used in investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from/(principal payments on) short-term borrowings, net	29,491	226,454
Net increase/(decrease) in deposits from customers of the banking division	(360,712)	192,762
Net (increase)/decrease in debt securities issued and other liabilities by the banking division	(339,417)	(161,847)
Proceeds from long-term borrowings, net of debt issuance costs	1,213,529	192,410
Proceeds from capital transactions of subsidiaries	153,710	-
Debt issuance costs	(5,354)	9,070
Principal payments on long-term borrowings	(1,372,383)	(1,074,750)
Principal payments on capital lease obligations	(2,485)	(10,420)
Acquisition of noncontrolling interests in existing subsidiaries	(192,617)	(5,856)
Dividends declared by subsidiaries	(47,831)	(3,283)
Net cash (used in)/provided by financing activities	\$ (924,069)	\$ (635,460)
Effects of foreign currency translation on cash and cash equivalents	\$ 62,172	\$ 480
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	\$ (696,176)	\$ (464,884)
CASH AND CASH EQUIVALENTS, beginning of the period	5,050,664	5,600,532
CASH AND CASH EQUIVALENTS, end of the period *	\$ 4,354,486	\$ 5,135,647
<i>* Cash and cash equivalents at the end of the period comprised of the following:</i>		
<i>Non-banking activities</i>	\$ 2,252,696	\$ 3,107,705
<i>Banking activity</i>	2,101,790	2,027,942
	\$ 4,354,486	\$ 5,135,647

**SISTEMA JSFC AND SUBSIDIARIES**  
**UNAUDITED SEGMENTAL BREAKDOWN FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010**  
*(Amounts in thousands of U.S. dollars)*

For the three months ended March 31, 2011	Core Assets		Developing Assets					Corporate	Total
	MTS	Oil and Energy	SSTL	MBRD	Sitronics	RTI	Other		
Net sales to external customers <sup>(a)</sup>	2,932,478	4,133,139	52,187	134,088	131,410	113,474	281,275	24,614	7,802,665
Intersegment sales	1,505	77	-	2,690	146,229	90	2,869	3,550	157,009
Equity in net income of investees	15,945	20,608	-	-	-	-	57	25,567	62,177
Interest income	11,045	8,370	11,510	-	2,244	306	1,615	25,429	60,518
Interest expense	170,453	140,200	37,638	-	17,795	2,327	15,272	129,285	512,970
Net interest revenue <sup>(b)</sup>	-	-	-	(13,397)	-	-	-	-	(13,397)
Depreciation, depletion and amortization	558,342	191,376	22,914	3,881	18,792	3,503	17,694	2,308	818,810
Operating income	570,826	708,751	(123,471)	(17,519)	(14,098)	8,434	(42,597)	(8,164)	1,082,162
Income tax expense/(benefit)	149,370	98,950	-	(5,446)	(760)	3,212	(4,511)	(2,567)	238,248
Investments in affiliates	243,116	733,680	-	-	236,001	82	7,396	10,035	1,230,310
Segment assets	16,313,356	16,164,781	1,809,242	7,072,827	2,005,318	579,019	2,551,777	2,666,325	49,162,645
Indebtedness <sup>(c)</sup>	7,451,363	4,186,898	1,255,542	-	887,659	91,202	362,618	1,766,977	16,002,258
Capital expenditures	278,630	174,039	33,157	843	23,202	3,269	13,350	70	526,560

For the three months ended March 31, 2010	Core Assets		Developing Assets					Corporate	Total
	MTS	Oil and Energy	SSTL	MBRD	Sitronics	RTI	Other		
Net sales to external customers <sup>(a)</sup>	2,614,280	2,898,763	17,105	171,987	128,850	91,885	275,700	4,254	6,202,824
Intersegment sales	438	317	-	2,729	61,924	161	2,461	6,820	74,850
Equity in net income of investees	15,549	0	-	-	-	-	(6,635)	-	8,914
Interest income	22,890	15,464	578	-	1,942	38	2,034	23,163	66,109
Interest expense	238,294	70,328	14,911	-	19,875	2,879	6,803	95,537	448,627
Net interest revenue <sup>(b)</sup>	-	-	-	13,738	-	-	-	-	13,738
Depreciation, depletion and amortization	462,704	176,406	18,606	4,203	22,837	2,883	15,335	1,975	704,949
Operating income	678,053	424,951	(95,337)	8,095	(15,309)	9,494	(7,885)	(35,122)	966,940
Income tax expense/(benefit)	136,357	71,800	-	5,651	4,864	(1,826)	1,366	(4,076)	214,136
Investments in affiliates	218,962	68,575	-	-	187,785	76	125,191	31,863	632,452
Segment assets	16,470,124	13,464,031	1,263,351	6,852,589	1,861,105	494,539	2,489,573	3,761,446	46,656,758
Indebtedness <sup>(c)</sup>	7,665,214	2,392,748	717,687	-	868,811	100,276	492,149	2,629,252	14,866,137
Capital expenditures	251,073	103,000	36,140	1,576	22,650	4,175	32,012	58	450,684

## **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:

	<b>1Q 2011</b>	<b>1Q 2010</b>	<b>4Q 2010</b>
<b>Operating Income</b>	<b>1,031.6</b>	<b>932.6</b>	<b>1,164.8</b>
<b>Depreciation, depletion and amortization</b>	<b>818.8</b>	<b>705.0</b>	<b>757.2</b>
<b>OIBDA</b>	<b>1,850.4</b>	<b>1,637.6</b>	<b>1,921.9</b>