JOINT-STOCK FINANCIAL CORPORATION
SISTEMA

July 10, 2007

SISTEMA ANNOUNCES FINANCIAL RESULTS FOR THREE MONTHS ENDED MARCH 31, 2007

Moscow, Russia - July 10, 2007 – Sistema (the "Group") (LSE: SSA), the largest private sector consumer services company in Russia and the CIS, today announced its unaudited consolidated US GAAP financial results for the three months ended March 31, 2007.

FIRST QUARTER HIGHLIGHTS

- **Consolidated revenues up 44% year on year to US$ 2.7 billion**
- **OIBDA up 58% year on year to US$ 1.1 billion with increased margin of 40.5%**
- **Operating income up 87% year on year to US$ 728.5 million with increased margin of 27%**
- **Net income up more than five fold year on year to US$ 745.9 million**
- **US$ 356.4 million raised through SITRONICS initial public offering in February 2007**
- **Completion of sale of 49.2% stake in ROSNO insurance joint venture for US$ 750 million in February 2007**

Alexander Goncharuk, President and Chief Executive Officer, commented: "The 44% revenue growth generated in the first quarter of 2007 demonstrates our solid performance across all business lines, and particularly in the telecommunications segment. The non-telecommunications businesses now account for almost a quarter of total revenues. We have successfully combined this growth with a more than five fold year on year increase in net income, which reflects our focus on maximizing shareholder value creation through improved operational performance and selective asset realizations. Specifically, we have been able to realize our investment in ROSNO through the sale of our 49.2% stake for US$ 750 million. The IPO of SITRONICS was another important milestone in the development of our Group. We are well positioned for continued growth in all of our business areas and remain focused on enhancing our competitive position and profitability in each segment."

FINANCIAL SUMMARY[1]

(US$ millions)	**Q1 07**	**Q1 06**	**Year on Year Growth**	**Q4 06**	**Quarter on Quarter Change**
Revenues	2,706.0	1,882.4	*43.8%*	3,218.6	*-15.9%*
OIBDA[2]	1,095.5	692.7	*58.2%*	992.7	*10.4%*
OIBDA Margin	*40.5%*	*36.8%*		*30.8%*	
Operating income	728.5	388.9	*87.3%*	634.1	*14.9%*
Operating Margin	*26.9%*	*20.7%*		*19.7%*	
Net income	745.9[3]	129.5	*476.1%*	2.9[4]	-
Net income Margin	27.6%	*6.9%*		*0.1%*	

OPERATING REVIEW

Sistema's consolidated revenues increased by 44% year on year in the first quarter of 2007 as a result of the healthy performance by the Group's Telecommunications and non-telecommunications operations. The non-telecommunications businesses accounted for 24% of Group consolidated revenues in the first quarter, compared to 19% for the corresponding period of 2006. The organic year on year growth in the first quarter (excluding businesses acquired or divested since the end of the first quarter of 2006) was 38%.

Group OIBDA increased by 58% year on year in the first quarter and by 10% quarter on quarter compared to the fourth quarter of 2006. The Group's OIBDA margin increased from 36.8% in the first quarter of 2006 to 40.5% in the first quarter of 2007. MTS showed particularly strong growth and expanded its OIBDA margin by 5.4 percentage points year on year to 51.9%, as a result of improving efficiency levels. Comstar's adjusted[5] OIBDA margin was up quarter on quarter from an underlying level of 33% in the fourth quarter of 2006 to 40%, due to the positive effect of the introduction of new tariffs at MGTS and the benefits of the restructuring on Comstar Moscow's margin. The first quarter profitability levels were however adversely impacted by the delaying of some key projects at SITRONICS until later in 2007.

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[1] ROSNO is accounted for as a discontinued operation for all periods presented. Thus, here and further, ROSNO's financial results are excluded from all the captions presenting the Group's consolidated results from continuing operations.

[2] See Attachment A for definitions and reconciliation of OIBDA and OIBDA margin to their most directly comparable US GAAP financial measures.

[3] During the three months ended March 31, 2007, the Group's investments in Svyazinvest and Permskie Motory were recorded at cost, due to the unavailability of financial information for the respective period.

[4] Net income for the three months ended December 31, 2006 includes a charge to non-operating expenses of US$ 170 million, net of minority interest of US$ 150 million, related to the Bitel liability and investment write-offs.

[5] Adjusted for the impact of the US$ 62.1 million stock bonus awards in the three months ended December 31, 2006.

Group operating income was up 87% year on year and by 15% quarter on quarter. The Group operating margin increased in the first quarter to 26.9%, from 20.7% a year ago, and from 19.7% in the fourth quarter of 2006.

Consolidated depreciation and amortization expenses increased by 21% year on year from US$ 303.8 million to US$ 367.0 million due to the growth in the Group's fixed and intangible asset base over the past twelve months, and the previously announced accelerated depreciation of analogue equipment by MGTS.

Selling, general and administrative expenses rose by 32% year on year from US$ 339.6 million to US$ 447.7 million, due to the growth in advertising expenses in the telecommunications businesses and the overall increase in wage expenses.

The effective tax rate decreased from 40.2% in the first quarter of 2006 to 32.0% in the first quarter of 2007, largely as a result of the change in the functional currency of MTS with effect from January 1, 2007. The change eliminated the difference between the accounting treatment of foreign exchange gains on MTS' US Dollar-denominated debt under US GAAP and the Russian tax code.

Sistema's share in the net income of the affiliated Bashkir oil companies amounted to US$ 21.5 million in the first quarter of 2007.

The growth in net income before US$ 99.4 million of discontinued operations resulted from the organic growth in the telecommunications segment and was partly offset by the decrease in net income reported by the technology segment. The sale of the Group's stake in ROSNO contributed an additional US$ 522.9 million of net proceeds after tax to the total net income for the first quarter of 2007. As a result, net income increased more than five fold year on year.

Telecommunications[6]

(US$ millions)	**Q1 07**	**Q1 06**	**Year on Year Growth**	**Q4 06**	**Quarter on Quarter Change**
Revenues	2,067.1	1,534.2	*35%*	2,096.3	*-1%*
OIBDA	1,081.4	708.2	*53%*	942.3	*15%*
Operating Income	743.1	404.9	*84%*	606.8	*23%*
Net Income	227.3	128.6	*77%*	69.8[7]	*226%*

The Telecommunications segment, which comprises MTS, the largest mobile phone operator in Russia and the CIS, and Comstar UTS, the leading combined telecommunications operator

[6] Here and further, in the comparison of period to period results of operations, in order to analyze changes, developments and trends in revenues by reference to individual segment revenues, revenues are presented on an aggregated basis, which is revenues after the elimination of 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. SITRONICS' and Sistema Hals' financial results may differ from respective standalone values due to certain reclassifications and adjustments.

[7] Net income for the three months ended December 31, 2006 includes charges to non-operating expenses of US$ 170 million, net of minority interest of US$ 150 million, related to the Bitel liability and investment write-offs.

in the CIS, generated 35% year on year revenue growth in the first quarter of 2007. The segment accounted for 76% of the Group's consolidated revenues in the quarter, compared to 81% a year ago. The growth was primarily organic, with the exception of US$ 5.7 million of revenue generated by businesses acquired after the end of the first quarter of 2006 by Comstar (DG Tel and Technologic Systems in Ukraine, Cornet and Callnet in Armenia, and Astelit in Russia) and MTS (Dagtelecom). MTS continued to be the main contributor to the segment revenues and accounted for 84% of the segment's year on year growth in the quarter.

MTS added 1.3 million subscribers during the quarter and had 74.2 million subscribers by the end of the first quarter of 2007. The Company generated 35% year on year revenue growth to US$ 1.7 billion, which reflected a year on year increase in average monthly service revenue per Russian subscriber ("ARPU") from US$ 6.6 to US$ 8.2. Russian subscribers' monthly Minutes of Use (MOU) increased by 14% year on year to 134. MTS' consolidated OIBDA rose by 51% year on year to US$ 0.9 billion, largely as a result of optimized marketing and advertising spending. MTS was also able to decrease the cost of customer acquisition on a sequential basis in the first quarter, with subscriber acquisition costs (SAC) falling from US$ 29.1 in the fourth quarter of 2006 to US$ 26.2 in the first quarter of 2007.

Comstar UTS generated 32% year on year revenue growth to US$ 328.9 million, reflecting healthy organic revenue growth driven by the high customer demand for the unlimited tier of the tariff plans introduced by MGTS from February 2007, the positive impact of the introduction of 'Calling Party Pays', and the healthy development of the Comstar Direct broadband Internet and double-play offerings. Comstar Direct announced in April that it had become the first operator in Moscow to pass the 400,000 subscriber milestone, and increased its subscriber base by 11% quarter on quarter. Comstar UTS reported a 23% year on year increase in OIBDA to US$ 133.9 million in the first quarter.

Segment OIBDA was up 53% year on year, with an increased combined OIBDA margin of 52.3% in the first quarter, up from 46.2% a year ago and 45.0% in the fourth quarter of 2006. This increase in margin primarily reflected the increased operating profitability at MTS as a result of the restructuring program implemented from May 2006. Segment net income for the first quarter increased by 77% year on year.

MTS provided updated guidance for the full year 2007 in May. MTS stated that it expects its revenues to grow by no less than 22% in 2007 and its OIBDA margin for the full year to be at least 50%. MTS announced in April 2007 that it had been awarded third generation (3G) licenses for the entire territory of Russia and Uzbekistan. MTS is currently forecasting capital expenditure of up to US$ 1 billion up until the end of 2009 on network deployment and the commercial launch of 3G services.

Technology

(US$ millions)	**Q1 07**	**Q1 06**	**Year on Year Growth**
Revenues	310.8	239.6	*30%*
OIBDA	-11.6	21.0	-
Operating Income	-24.9	19.7	-
Net Loss/Income	-23.0	5.6	-

The Technology segment comprises SITRONICS, which is a leading provider of telecommunications, IT and microelectronic solutions in Russia and the CIS, with a growing presence in other EEMEA emerging markets. SITRONICS generated 30% year on year revenue growth in the first quarter and accounted for 11% of Group revenues for the quarter, compared to 9% for the same period of 2006.

SITRONICS reported a negative OIBDA and a net loss in the first quarter. The first quarter profitability levels were adversely impacted by the deferral of some key customer projects until later in 2007. The increase in the cost base was due to the higher level of fixed costs following the scaling up of operations, the increase in research and development costs related to new products that were due to be implemented during the period but have been delayed, and the ongoing expansion into the Middle East and Africa.

The Company's revenue streams are largely dependent on scale contracts which tend to weight more to the second half of the year and SITRONICS has won a number of new public and private sector contracts during the first half of 2007. In addition, the delayed MGTS and MTS projects are now expected to commence during the second half of 2007 and run into 2008. New contracts have been secured with the Russian Federal Agency of Industry, Wateen Telecom in Pakistan, Telecom Srbija in Serbia, CALLAX in Germany, BTC Mobile in Bulgaria, a World Bank-funded project in Ukraine, and National Machinery Import & Export Corporation in China.

SITRONICS completed its Initial Public Offering on the London Stock Exchange in February 2007 and raised US$ 356.4 million of net proceeds.

Real Estate

(US$ millions)	**Q1 07**	**Q1 06**	**Year on Year Growth**
Revenues	34.5	15.7	*119%*
OIBDA	7.0	0.3	-
Operating Income	4.1	-0.4	-
Net Income/Loss	4.7	-5.8	-

Revenues for the Real Estate segment, which comprises Sistema Hals, a leading Moscow-based real estate development, management and investment company, more than doubled year on year in the first quarter. The Segment's OIBDA margin increased from 2% in the first quarter of 2006 to 20% in the first quarter of 2007, primarily due to the growth of revenue from operating activities and a decrease in operating expenses. The net loss in the first quarter of 2006 was therefore reversed into a net profit in the first quarter of 2007. The real estate development division remained one of the primary growth drivers of the business and accounted for 46% of segment revenues for the quarter, compared to 37% for the corresponding period of 2006. The growth in revenues primarily resulted from the construction of the Siemens Tower project, Yartsevskaya, 27V, a residential building with 29,910 square meters of gross built area (GBA), located in the western part of Moscow, and the sale of land plots at Avrora residential development in the Moscow region. Additionally, Sistema Hals recognized US$ 3.5 million in revenues from the partial completion of the Siemens Tower project. Revenues in the project construction management division more than doubled year on year to US$ 8.9 million in the first quarter of 2007. The asset management division increased revenues by 81% year on year to US$ 6.4 million in the first quarter of

2007, primarily as a result of an increase in the number of houses sold within the asset restructuring program and the growth in rental revenues.

Sistema Hals announced the results of an independent valuation of its real estate property and projects in March 2007. The valuation was carried out by Cushman and Wakefield Styles & Riabokobylko (C&WS&R), and indicated that the value of the Sistema Hals portfolio had increased by 35% between June 30, 2006 and January 1, 2007 to US$ 2.0 billion.

Sistema Hals signed an agreement with the X5 Retail Group, Russia 's largest grocery retailer, in May 2007 for the opening of branches of the Perekrestok supermarket chain in two of Sistema Hals retail & leisure centers in Moscow and in several regional malls.

Banking

(US$ millions)	**Q1 07**	**Q1 06**	**Year on Year Growth**
Revenues	79.8	44.1	*81%*
OIBDA	10.5	9.0	*16%*
Operating Income	9.3	8.7	*7%*
Net Income	4.4	5.9	*-27%*

The Banking segment comprises the Moscow Bank for Reconstruction and Development (MBRD), which provides corporate and retail banking services in Russia, and its subsidiaries. Segment revenues almost doubled year on year in the first quarter. The bank's loan portfolio grew by 59% year on year to US$ 1.6 billion as at March 31, 2007 and interest income received from the retail banking operations increased to US$ 13.9 million in the first quarter of 2007. The bank increased its interest income from non-Sistema clients following the expansion of its retail business with the opening of 5 mini-offices in the first quarter of 2007. The bank's retail network included a total of 13 branches and 112 mini-offices as at the end of the quarter. Leasing activities contributed US$ 6.1 million to the segment's revenue in the first quarter of 2007.

Retail

(US$ millions)	**Q1 07**	**Q1 06**	**Year on Year Growth**
Revenues	86.9	56.0	*55%*
OIBDA	-5.0	-2.9	-
Operating Income	-7.0	-3.1	-
Net Loss	-8.5	-5.0	-

The Retail segment comprises Detsky Mir, one of the largest children's goods retail store chains in Russia. Total revenues grew by 55% year on year, whilst retail revenues, which accounted for 89% of total revenues in the period, increased by 149% year on year to US$ 77.0 million. Wholesale and rental revenues represented the remaining share of total revenues.

Detsky Mir reported a net loss in the quarter, which was largely due to the significant expansion of the retail store network undertaken in the fourth quarter of 2006 and the fact that the first quarter is a seasonally weaker period of the year.

The first quarter saw a significant expansion in the network of retail outlets, which increased by 28 stores to 67 in total, while the aggregate retail space doubled year on year to 117 thousand square meters.

Additionally, 7 new outlets were added to the retail store network since the end of the quarter. As at July 10, 2007, Detsky Mir's retail network consisted of 74 retail outlets, with total retail space of 133 thousand square meters, located in 36 Russian cities.

Media

(US$ millions)	**Q1 07**	**Q1 06**	**Year on Year Growth**
Revenues	26.9	19.8	*36%*
OIBDA	5.0	3.7	-
Operating Income	1.3	0.1	-
Net Loss	-0.2	-1.7	-

The Media segment, which comprises the Group's pay-TV, advertising, print and other media operations, generated 36% year on year revenue growth in the first quarter. Stream-TV, one of the largest providers of pay-TV services in Russia, which was acquired in February 2006, contributed US$ 19.2 million in revenues for the first quarter of 2007, compared to US$ 12.1 million in the first quarter of 2006.

The Stream-TV subscriber base grew by 4% quarter on quarter to 1.66 million subscribers by the end of the quarter, including 1.56 million pay-TV customers, 86,000 Internet and 9,700 telephony subscribers. The Maxima Group, an advertising agency, which operates in Russia, Ukraine, Kazakhstan and Belarus, contributed US$ 7.4 million to segment revenues, primarily due to the growth in its Ukrainian subsidiary and the increase in print advertising revenues.

The increase in segment operating income reflected the growth in the subscriber base and Stream-TV ARPU.

Corporate and Other

(US$ millions)	**Q1 07**	**Q1 06**	**Year on Year Growth**
Revenues			
Radars and Aerospace	70.3	21.4	229%
Tourism	48.6	26.0	87%
Pharmaceuticals	17.2	1.1	1,464%
Healthcare Services	5.4	3.5	54%
Other	8.5	7.5	13%
Total	150.0	59.5	152%
OIBDA			
Radars and Aerospace	12.4	1.7	-
Tourism	6.4	0.3	-
Pharmaceuticals	3.5	0.5	-
Healthcare Services	0.4	0.9	-
Other	-9.6	2.5	-
Total	13.1	5.9	-

Revenues for the Radars and Aerospace division, which comprises Concern RTI Systems, more than tripled year on year in the quarter while OIBDA increased more than six times year on year, as a result of an increase in the volume of services performed under a number of government contracts. OIBDA margin increased to 17.6% in the first quarter compared to 7.9% in the first quarter of 2006. Concern RTI Systems is a supplier of strategic missile defense systems, as well as information, communication and navigation systems for a number of Russian Ministries and Federal Agencies. RTI Systems deployed an early-warning space control radar in Lechtusi, near St. Petersburg, during the first quarter, and also completed the testing of the coastal over-the-horizon surface wave radar.

The Tourism division's revenues almost doubled year on year in the first quarter of 2007 and the OIBDA margin rose year on year to 13.2% from 1.2% in the same period of 2006. The core tour operator business is complemented by a hotel business, a chain of retail outlets and transportation services. Intourist served over 100,000 tourists in the first quarter of 2007.

The Pharmaceuticals division's revenues for the first quarter of 2007 increased almost 16 times and OIBDA rose 7 times year on year in the quarter, reflecting a number of strategic transactions.

The Healthcare Services division's revenues increased 54.3% year on year. The division, which comprises the Medsi and Medsi-II clinics, is developing into a leading private healthcare provider in Russia with comprehensive medical care and a chain of private clinics. Medsi acquired the American Hospital Group, a leading medical centre for expatriates, located in Moscow, as well as MedExpress, a chain of private healthcare facilities in Russia, after the end of the quarter. As a result of these acquisitions, the network of healthcare facilities has increased to over 20.

EQUITY IN NET INCOME OF ENERGY COMPANIES

The results of Sistema's participation in the equity of Bashkir Oil companies, which comprise exploration, refining and trading operations, are included in the "Equity in net income of energy companies in the Republic of Bashkortostan" line in the consolidated statements of operations. Sistema's share in the net income of the affiliated companies amounted to US$ 21.5 million in the first quarter of 2007. Sistema actively participates in the development of these assets by holding three seats on each of the Boards of Directors of the companies.

FINANCIAL REVIEW

Net cash provided by operating activities declined year on year to US$ 214 million in the first quarter of 2007 from US$ 240 million in the first quarter of 2006 largely as a result of an increase in the portfolio of trading securities.

Net cash used in investing activities totaled US$ 378.0 million for the first quarter of 2007 and included US$ 404.0 million of capital expenditure, compared to US$ 864.7 million and US$ 393.8 million for the corresponding period of 2006, respectively. The decrease in net cash used in investing activities resulted primarily from the disposal of the Rosno stake in the first quarter of 2007. The Group spent US$ 39.0 million on the acquisition of businesses during the first quarter of 2007 as described in the Acquisitions and Disposals section later in this press release, compared to US$ 321 million in the first quarter of 2006.

Cash flow from financing activities amounted to US$ 703 million for the quarter, which primarily reflects the net proceeds from the IPO of SITRONICS in February.

Group cash balances totaled US$ 1.1 billion at the end of the period, compared to US$ 502 million at December 31, 2006. Group net debt (debt minus cash and cash equivalents) amounted to US$ 5.8 billion as at March 31, 2007, compared to US$ 6.3 billion as at December 31, 2006. The proceeds from the sale of ROSNO and from the IPO of SITRONICS have improved the cash position of the Group.

Standard & Poor's (S&P) Ratings Services revised its outlook rating on Sistema in February 2007 from ‘stable’ to ‘positive’. At the same time, S&P reaffirmed the 'BB-' long-term corporate credit rating for the Group.

ACQUISITIONS AND DISPOSALS

Telecommunications
In March 2007, Comstar sold its 45% equity stake in ZAO Metrocom, an alternative fixed-line telecommunications operator based in St. Petersburg, to closed joint-stock company MCT. The shares were sold for a total cash consideration of US$ 20 million.

Technology
In March 2007, SITRONICS acquired 3.3% of ordinary shares in VZPP-Micron from BIPOLYAR LLC. As a result, SITRONICS now owns 100% of VZPP-Micron. VZPP-Micron is a producer of electronic power supply control components for customers in Russia and overseas, and is part of SITRONICS Microelectronic Solutions division.

Real Estate
In March 2007, Sistema Hals acquired a 67.58% stake in the KAMELIYA Health Resort in the city of Sochi, which is currently being renovated as a multifunctional complex that will include a 5-star hotel, luxury apartments and a full internal infrastructure.

Insurance
In February 2007, Sistema completed the sale of a 49.2% stake in ROSNO to Allianz, Sistema’s strategic partner in ROSNO, for a total cash consideration of US$ 750.0 million, resulting in a net gain from the disposal of US$ 521.9 million. Sistema remains a minority shareholder in ROSNO with a 2.8% stake.

Media
Sistema Mass Media has finalised the acquisition of a 26% stake in JSC “Digital Broadcasting” – previously Sistema Mass Media had owned 74% of the share capital of the company. As a result of the deal, Sistema Mass Media has consolidated its shareholding in the company, which is working to become a key player in mobile broadcasting in DVB-H format.

Treasury Shares

In February 2007, Sistema purchased an additional 0.48% of its own stock. Sistema acquired in total 284,243 ordinary shares (2.95% of outstanding shares) for US $347.3 million. The acquired shares are intended for the funding of share option program for the top management and may also be used in connection with certain future acquisition activities.

SIGNIFICANT EVENTS FOLLOWING THE END OF THE REPORTING PERIOD

Telecommunications

In June 2007, the Annual General Meeting of shareholders ("AGM") of MTS approved the payment of annual dividend of RUR 9.67 per ordinary share (approximately US$ 1.87 per ADR) for the year ended December 31, 2006, amounting to a total of RUR 19.3 billion (US$ 747.4 million). Dividends are due to be paid before the end of 2007. The AGM elected the new Board of Directors, including two independent directors. Following the AGM, the Board elected Mr. Alexey Buyanov, Senior Vice President, Chief Financial Officer of Sistema, as Chairman of the Board and Mr. Sergey Drozdov, Senior Vice President, Head of Property of Sistema, as Vice Chairman of the Board.

In June 2007, MTS acquired the remaining 26% stake in Uzdunrobita, the leading mobile operator in Uzbekistan, from a private investor for $250 million. As a result of this transaction, MTS' ownership stake in Uzdunrobita has increased to 100%.

In June 2007, MTS announced that its Board of Directors approved an employee remuneration program. The employee motivation and retention program consists of two parts: a performance-based monetary award and a phantom share program based upon MTS' American Depositary Receipts (ADRs). It will apply to up to 420 top- and mid-level managers.

In June 2007, the MGTS AGM approved an annual dividend of approximately RUR 1.3 billion, or approximately US$ 51.5 million, for the year ended December 31, 2006, to holders of MGTS shares as at the record date of May 12, 2007. The dividends of RUR 8.75 per ordinary share (approximately US$ 0.34), and of RUR 39.77 per preferred share (approximately US$ 1.54), are due to be paid by the end of 2007.

The Comstar AGM approved annual dividends of approximately RUR 62.7 million, or approximately US$ 2.4 million, for the year ended December 31, 2006, to be paid to holders of Comstar's shares as at the record date of May 17, 2007. The dividends of RUR 0.15 per ordinary share, or approximately US$ 0.0058 per Global Depositary Receipt, are due to be paid within 60 days of the AGM approval.

In June 2007, Comstar signed a 5-year ruble-denominated credit facility for RUR 26 billion (approximately US$ 1 billion) at a fixed annual interest rate of 7.6% with the Savings Bank of the Russian Federation (Sberbank). The credit line is expected to be used to finance Comstar's investment in the development of its telecommunications network development and the refinancing of existing loan facilities.

In June 2007, MGTS received preliminary approval from the Federal Service for Tariffs (FST) for the optimized structure of its combined tier of tariff plans for regulated voice services.

In June 2007, Comstar announced the appointment of Sergey Pridantsev as President and Chief Executive Officer with effect from June 13, 2007. Mr. Pridantsev is the former General Director of CenterTelecom, a provider of fixed-line telecommunications services in the Central Federal District of Russia.

In June 2007, Comstar announced acquisition of a 25% minority stake in its Ukrainian subsidiary, Comstar-Ukraine for a total cash consideration of US$ 0.9 million. Following the closing of this transaction, Comstar became the 100% owner of Comstar-Ukraine.

In April 2007, the Extraordinary General Meeting of Svyazinvest shareholders elected Sergei Shchebetov (Chairman of the Comstar Board of Directors) and Anton Abugov (First Vice President and Head of Strategy and Development at Sistema) to the Svyazinvest Board of Directors.

Real Estate

In June 2007, Sistema Hals announced the adoption of a stock option program for members of its Board of Directors and Management Board. The program will provide both stock options and stock bonuses. Stock options entitle participants to acquire a specific number of shares in Sistema Hals, at a price determined and agreed in advance. Stock bonuses come in the form of shares granted to participants free of charge in return for their contribution to the development of the company.

Technology

In June 2007, SITRONICS announced the approval by its AGM of the Company’s annual report and annual financial statements for 2006, as well as the allocation of 5% of the Company’s net profit to set up a reserve fund. The AGM also approved the proposal of the Board of Directors not to pay an annual dividend for the year ended December 31, 2006.

On June 29, 2007, SITRONICS through its 100% owned subsidiary Sitronics Finance S.A. redeemed US$ 200 million of outstanding Eurobond Notes due 2009.

Banking

In May 2007, the Moscow Bank for Reconstruction and Development signed an agreement with the Dresdner Bank for a US$ 50 million credit line for 2 years.

Corporate & Other

In June 2007, Sistema announced results of its AGM. The AGM approved an annual dividend of RUR 48.0 per ordinary share, or approximately US$ 1.9 per GDR, for the year ended December 31, 2006. The dividends of RUR 463.2 million or approximately US$ 17.9 million, represents approximately 2% of Sistema’s US GAAP consolidated net income for the full year 2006, and is due to be paid within 60 days of the date of AGM approval on June 30, 2007.

In June 2007, Sistema announced that it intends to purchase its own stock through a wholly owned subsidiary Sistema Finance Investments at a price of US$ 1,350 per share for a total amount of up to US$ 150 million. The acquired shares are intended for the funding of this share option program and may also be used in connection with certain future acquisition activities.

Conference call information

Sistema management will host a conference call today at 10 am (New York time) / 3 pm (London time) / 4 pm (CET) / 6 pm (Moscow Time) to present and discuss the first quarter results.

The dial-in numbers for the conference call are:
UK/International: + 44 20 7138 0836
US: + 1 718 354 1172

A replay will then be available for 7 days after the conference call. To access the replay, please dial:
UK/International: + 44 20 7806 1970
US: + 1 718 354 1112

PIN number: 8074290#

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Sistema is the largest private sector consumer services company in Russia and the CIS, with over 75 million customers. Sistema develops and manages market-leading businesses in selected service-based industries, including telecommunications, technology, insurance, banking, real estate, retail and media. Founded in 1993, the company reported revenues of US$ 2.7 billion for the first quarter of 2007, and total assets of US$ 21.6 billion as at March 31, 2007. Sistema's shares are listed under the symbol "SSA" on the London Stock Exchange, under the symbol "AFKS" on the Russian Trading System (RTS), 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
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(Amounts in thousands of U.S. dollars)

	Jan - Mar 2007	Jan - Mar 2006	Oct - Dec 2006
Sales	2,630,463	1,845,084	3,138,455
Revenues from financial services	75,493	37,289	80,183
TOTAL REVENUES	2,705,956	1,882,373	3,218,638
Cost of sales, exclusive of depreciation and amortization shown separately below	(1,147,397)	(803,622)	(1,548,968)
Financial services related costs, exclusive of depreciation and amortization shown separately below	(31,329)	(20,908)	(37,943)
TOTAL COST OF SALES	(1,178,726)	(824,530)	(1,586,911)
Selling, general and administrative expenses	(447,695)	(339,608)	(608,115)
Depreciation and amortization	(367,026)	(303,784)	(358,565)
Other operating expenses, net	(23,757)	(42,209)	(64,095)
Equity in net income of investees	36,511	16,658	13,178
Net gain on disposal of interests in subsidiaries and affiliates	3,216	-	20,011
OPERATING INCOME	728,479	388,900	634,141
Interest income	20,752	17,902	17,659
Interest expense, net of amounts capitalized	(99,963)	(74,643)	(98,217)
Change in fair value of derivative financial instruments	13,500	-	(60,000)
Currency exchange and translation gain	31,821	27,665	62,260
Bitel liability and investments write-off	-	-	(320,000)
Income before income tax and minority interests	694,589	359,824	235,843
Income tax expense	(221,931)	(144,746)	(207,031)
Equity in net income/(loss) of energy companies in the Republic of Bashkortostan	21,521	57,185	(11,514)
Income before minority interests	494,179	272,263	17,298
Minority interests	(271,188)	(148,633)	(16,206)
Income from continuing operations before extraordinary gain	222,991	123,630	1,092
Income from discontinued operations	960	5,848	1,825
Gain on disposal of discontinued operations	521,963	-	-
NET INCOME	745,914	129,478	2,917

SISTEMA JSFC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(Amounts in thousands of U.S. dollars)

	March 31, 2007	December 31, 2006
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,138,649	$ 501,706
Short-term investments	966,442	554,157
Loans to customers and banks, net	1,602,870	1,290,082
Accounts receivable, net	966,139	1,069,706
Prepaid expenses, other receivables and other current assets, net	1,031,229	917,551
VAT receivable	408,721	450,703
Inventories and spare parts	711,678	661,568
Deferred tax assets, current portion	193,409	195,672
Assets of discontinued operations	-	946,866
Total current assets	7,019,137	6,588,011
Property, plant and equipment, net	7,970,522	7,412,468
Advance payments for non-current assets	321,894	305,846
Investments in affiliates	1,155,376	1,108,647
Investments in shares of Svyazinvest	1,390,302	1,390,302
Other investments	122,500	122,500
Goodwill	519,030	504,166
Licenses, net	450,211	452,372
Other intangible assets, net	1,202,211	1,222,676
Loans to customers and banks, net of current portion	650,751	464,490
Debt issuance costs, net	78,960	80,220
Deferred tax assets, net of current portion	93,956	73,623
Other non-current assets	571,375	465,917
Total non-current assets	14,527,088	13,603,227
TOTAL ASSETS	$ 21,546,225	$ 20,191,238

SISTEMA JSFC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(Amounts in thousands of U.S. dollars)

	March 31, 2007	December 31, 2006
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 936,755	$ 868,378
Bank deposits and notes issued, current portion	1,084,396	961,595
Taxes payable	181,670	148,849
Deferred tax liabilities, current portion	66,791	48,885
Subscriber prepayments, current portion	477,317	552,997
Derivative financial instruments	170,816	184,316
Accrued expenses and other current liabilities	1,097,607	988,810
Short-term loans payable	1,504,651	1,296,778
Current portion of long-term debt	277,328	280,427
Liabilities of discontinued operations	-	869,534
Total current liabilities	5,797,331	6,200,569
LONG-TERM LIABILITIES:		
Long-term debt, net of current portion	5,198,544	5,296,017
Subscriber prepayments, net of current portion	127,645	136,861
Bank deposits and notes issued, net of current portion	129,154	65,200
Deferred tax liabilities, net of current portion	288,183	287,125
Postretirement benefits obligation	16,352	16,391
Deferred revenue	130,712	129,120
Total long-term liabilities	5,890,590	5,930,714
TOTAL LIABILITIES	11,687,921	12,131,283
Minority interests in equity of subsidiaries	4,072,794	3,459,245
Commitments and contingencies	-	
Puttable shares of SITRONICS	80,000	80,000
SHAREHOLDERS' EQUITY:		
Share capital (9,650,000 shares issued and 9,365,757 outstanding with par value of 90 Russian Rubles)	30,057	30,057
Treasury stock (284,243 shares with par value of 90 Russian Rubles)	(347,068)	(347,068)
Additional paid-in capital	2,428,972	2,196,475
Retained earnings	3,241,600	2,499,302
Accumulated other comprehensive income	351,949	141,944
TOTAL SHAREHOLDERS' EQUITY	5,705,510	4,520,710
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 21,546,225	$ 20,191,238

SISTEMA JSFC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THREE MONTHS ENDED MARCH 31, 2007, 2006 (UNAUDITED)
(Amounts in thousands of U.S. dollars)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 745,914	$ 129,478
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	367,026	304,805
(Gain)/Loss on disposals of property, plant and equipment	(1,257)	(600)
Profit recognized by the percentage-of-completion method on real estate developed for sale	(9,963)	(2,800)
Gain from discontinued operations	(522,923)	-
Gain on disposal of interests in subsidiaries and affiliates	(3,216)	-
Currency exchange and translation gain	(31,821)	(23,085)
Minority interests	271,188	154,678
Equity in net income of investees	(58,032)	(73,798)
Deferred income tax benefit	(15,552)	(37,129)
Debt issuance cost amortization	6,830	6,500
Change in fair value of a derivative financial instrument	(13,500)	-
Amortization of connection fees	(23,533)	(23,086)
Provision for doubtful accounts receivable	28,745	37,610
Allowance for loan losses	995	-
Inventory obsolescence expense	-	4,644
Changes in operating assets and liabilities, net of effects from purchase of businesses:		
Trading securities	(236,462)	(93,577)
Loans to banks	(219,665)	(139,775)
Insurance-related receivables	-	(49,651)
Accounts receivable	74,824	(188,304)
Prepaid expenses, other receivables and other current assets	(127,050)	29,062
VAT receivable	41,982	36,543
Inventories and spare parts	(40,146)	(55,054)
Accounts payable	40,413	(63,539)
Insurance-related liabilities	-	119,643
Taxes payable	(115,989)	35,122
Subscriber prepayments	(61,363)	31,696
Accrued expenses and other liabilities	116,429	100,309
Postretirement benefits obligation	(39)	265
Net cash provided by operations	213,835	239,957
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(332,657)	(320,034)
Purchases of intangible assets	(71,360)	(73,812)
Purchases of businesses, net of cash acquired	(39,000)	(320,698)
Proceeds from disposals of subsidiaries, net of cash disposed	636,683	-
Purchases of long-term investments	(5,479)	-
Proceeds from sale of long-term investments	20,000	-
Purchases of other non-current assets	(105,551)	-
Purchases of short-term investments	(212,306)	(124,965)
Proceeds from sale of short-term investments	10,973	109,705
Proceeds from sale of property, plant and equipment	1,357	662
Net increase in loans to customers	(280,629)	(135,507)
Net cash used in investing activities	(377,969)	(864,649)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from/(principal payments on) from short-term borrowings, net	208,800	(113,725)
Net increase/(decrease) in deposits from customers	70,954	(14,427)
Net increase in bank promissory notes issued	157,027	22,732
Proceeds from capital transactions of subsidiaries	356,463	1,032,917
Proceeds from long-term borrowings, net of debt issuance costs	76,950	452,264
Principal payments on long-term borrowings	(159,112)	(84,572)
Principal payments on capital lease obligations	(7,713)	(1,504)
Purchase of treasury stock	-	(50,892)
Net cash provided by financing activities	$ 703,369	$ 1,242,793
Effect of exchange rate changes on cash and cash equivalents	1,033	934
INCREASE IN CASH AND CASH EQUIVALENTS	$ 540,268	$ 619,035
CASH AND CASH EQUIVALENTS, beginning of the period	598,381	482,647
CASH AND CASH EQUIVALENTS, end of the period	$ 1,138,649	$ 1,101,682

SISTEMA JSFC AND SUBSIDIARIES

SEGMENTAL BREAKDOWN FOR THREE MONTHS ENDED MARCH 31 2007, 2006 (UNAUDITED)

(Amounts in thousands of U.S. dollars)

For the three months ended March 31, 2007	Tele-commu-nications	Tech-nology	Banking	Mass Media	Real Estate	Retail	Corporate and Other	Total
Net sales to external customers [(a)]	2,064,895	282,227	75,500	20,357	30,705	86,846	145,426	2,705,956
Intersegment sales	1,856	28,596	4,339	6,587	3,797	7	4,603	49,785
Income from equity affiliates	38,312	13	-	2,060	-	-	-60	40,325
Interest income	10,485	5,565	-	46	7,157	-164	14,462	37,551
Interest expense	(50,850)	(8,907)	-	(1,230)	(2,121)	(2,715)	(40,057)	(105,880)
Net interest revenue [(b)]	-	-	10,468	-	-	-	-	10,468
Depreciation and amortization	(338,234)	(13,338)	(1,174)	(3,712)	(2,883)	(2,041)	(5,643)	(367,025)
Operating income/(loss)	743,132	(24,928)	9,294	1,317	4,109	(7,029)	7,410	733,305
Income tax expense	(205,039)	(1,726)	(4,422)	(37)	(3,803)	(1,228)	(11,770)	(228,025)
Income/(loss) before minority interests	494,236	(26,468)	4,873	(285)	9,591	(8,528)	(2,829)	470,590
Investments in affiliates	301,285	-	-	8,748	2,628	-	858,122	1,170,783
Segment assets	13,688,740	1,982,743	3,439,731	371,916	967,347	298,990	4,056,517	24,805,984
Indebtedness [(c)]	3,867,884	586,878	438,598	26,028	363,891	138,423	1,556,717	6,978,419
Capital expenditures	309,420	16,281	4,246	7,158	60,802	6,512	16,071	420,490

For the three months ended March 31, 2006	Tele-commu-nications	Tech-nology	Banking	Mass Media	Real Estate	Retail	Corporate and Other	Total
Net sales to external customers [(a)]	1,531,486	171,015	37,289	16,288	13,384	56,003	56,908	1,882,373
Intersegment sales	2,695	68,546	6,834	3,480	2,365	5	2,615	86,540
Income from equity affiliates	16,690	7	-	-	-	-	(39)	16,658
Interest income	11,347,	836	-	-	67	995	459	13,704
Interest expense	(48,430)	(3,850)	-	(560)	(1,458)	(1,422)	(22,742)	(78,462)
Net interest revenue [(b)]	-	-	(9,032)	-	-	-	-	(9,032)
Depreciation and amortization	(303,251)	(1,275)	(326)	(3,519)	(612)	(230)	(4,385)	(313,598)
Operating income/(loss)	404,917	19,688	8,706	132	(351)	(3,100)	1,502	431,494
Income tax expense	(109,219)	(14,191)	(2,411)	(836)	(1,554)	(339)	(16,196)	(144,746)
Income/(loss) before minority interests	272,918	42,656	6,295	(1,765)	(6,023)	(4,588)	(23,402)	286,091
Investments in affiliates	222,215	-	17,749	487	960	-	706,824	948,235
Segment assets	10,894817	884,099	1,552,524	257,456	418,063	154,541	2,169744	16,331,244
Indebtedness [(c)]	3,121,238	240,763	210,000	219,490	214,857	73,043	1,596,912	5,676,303
Capital expenditures	355,031	12,879	6,000	8,356	6,054	127	3,733	392,180

[a)] – Interest income and expenses of the Banking segment are presented as revenues from financial services in the Group's consolidated financial statements.

[(b)] – The Banking segment derives a majority of its revenue from interest. In addition, management primarily relies on net interest revenue, not the gross revenue and expense amounts, in managing that segment. Therefore, only the net amount is disclosed.

[(c)] – Represents the sum of short-term and long-term debt

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 mobile operators 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 within the wireless telecommunications industry. OIBDA can be reconciled to our consolidated statements of operations as follows:

	Jan-March 2007	**Jan-March 2006**	**Oct-Dec 2006**
Operating Income	728,479	388,900	634,141
Depreciation and Amortization	(367,026)	(303,784)	(358,565)
OIBDA	**1,095,505**	**692,684**	**992,706**