



JOINT-STOCK FINANCIAL CORPORATION
SISTEMA

FOR IMMEDIATE RELEASE

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SISTEMA ANNOUNCES INTERIM FINANCIAL RESULTS

Moscow, Russia – December 21, 2007 – Sistema (the “Group”) (LSE: SSA), the largest diversified public corporation in Russia and the CIS, which manages fast growing companies operating in the consumer services sector, today announced its unaudited consolidated US GAAP financial results for the third quarter and the nine months ended September 30, 2007.

HIGHLIGHTS FOR THE THIRD QUARTER

- Consolidated revenues up 36.9% year on year to US\$ 3.7 billion
- OIBDA up 2.4% year on year to US\$ 1.4 billion and OIBDA margin of 37.7%
- Operating income of US\$ 943.2 million and operating margin of 25.4%
- Net income of US\$ 228.2 million
- Earnings per share of US cent 2.46

HIGHLIGHTS FOR THE NINE MONTHS OF 2007

- Consolidated revenues up 36.4% year on year to US\$ 9.6 billion
- OIBDA up 19.8% year on year to US\$ 3.6 billion and OIBDA margin of 37.2%
- Operating income up 15.3% year on year to US\$ 2.4 billion and operating margin of 24.7%
- Net income up 36.4% year on year to US\$ 1.1 billion
- Total consolidated assets up 31.3% year on year to US\$ 24.2 billion
- Earnings per share up 40.8% year on year to US cent 11.85

Alexander Goncharuk, President and Chief Executive Officer of Sistema, commented: “We have delivered another quarter of strong revenue growth across our Group companies with US\$ 9.6 billion in total revenues generated year to date. Our profitability has increased from the levels achieved in the first half of 2007 as we continue to focus on streamlining our operations and offering competitive products.

In line with our strategy of developing non-public fast-growing businesses we have further expanded our banking and retail networks and acquired a 48% stake in Dalcombank, which extended our presence to the Russia's Far East region. Our telecom companies have made a number of scale acquisitions in the Russian regions and the CIS both in the mobile and alternative telecoms segments.

We have also taken steps to increase the liquidity of our local shares by announcing a 1,000 times share split and the listing of our shares on the Moscow Interbank Currency Exchange (MICEX) in addition to RTS and MSE listings during the quarter.

We continue to be fully committed to executing on our strategy through profitable growth and development of our portfolio of non-listed companies in the existing business segments.”

FINANCIAL SUMMARY¹

<i>(US\$ millions, except per share amounts)</i>	3Q 2007	3Q 2006	Year on Year Change	9m 2007	9m 2006	Year on Year Change
Revenues	3,707.7	2,708.0	36.9%	9,613.6	7,048.0	36.4%
OIBDA ²	1,397.2	1,365.0	2.4%	3,576.5	2,984.4	19.8%
Operating Income	943.2	1,050.0	(10.2%)	2,371.1	2,057.1	15.3%
Net Income	228.2	500.0	(53.3%)	1,105.3	810.1	36.4%
Basic and diluted earnings per share (US cent)	2.46	5.21	(52.7%)	11.85	8.42	40.8%

Sistema's consolidated revenues increased by 36.9% year on year in the third quarter and by 36.4% in the nine month period, which reflected the solid performance of the Group's Telecommunications businesses and high levels of revenue growth in the Group's Banking, Retail, Real Estate and Tourism businesses. Non-telecommunications businesses accounted for 27.7% of the Group consolidated revenues for the third quarter and 26.5% for the nine month period, compared to 23.1%, and 23.7% for the corresponding periods of 2006. The organic year on year and like for like growth was 31.1% for the nine month period, and amounted to US\$ 2.2 billion, excluding businesses acquired or divested since the end of the third quarter of 2006.

Group OIBDA increased by 2.4% year on year in the third quarter, and by 19.8% year on year for the nine month period. The Group's OIBDA margin declined from 50.4% to 37.7% in the third quarter, and from 42.3% to 37.2% in the nine month period. MTS showed increase in profits as a result of strong usage growth in Russia and expanded its OIBDA margin by 1.3 percentage points year on year to 52.3% in the nine month period. Comstar's OIBDA increased by 40.6% year on year and OIBDA margin expanded by 3.2 percentage points in the nine month period. The Group OIBDA margin in the nine month period was, however, adversely impacted by the operating losses in the Telecommunications Solutions division of SITRONICS and in Sistema Hals. In addition, the prior reporting period included a non-recurring gain on disposal of

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 and a reconciliation of OIBDA to their most directly comparable US GAAP financial measures.

the 35% stake in Sistema-Invest (the holding company for investments in energy companies in the Republic of Bashkortostan) of US\$ 175.0 million, which was recorded in the third quarter of 2006.

Consolidated depreciation and amortization expense was up 44.1% year on year to US\$ 453.9 million in the third quarter, and increased by 30.0% year on year to US\$ 1,205.4 million in the nine month period, following the growth in the asset base of the Group.

Selling, general and administrative expenses rose by 41.6% year on year to US\$ 575.7 million in the third quarter and by 34.4% year on year to US\$ 1,651.3 million for the nine month period.

Group operating income declined by 10.2% year on year in the third quarter, with an operating margin of 25.4% largely as a result of operating losses in SITRONICS. However, operating income increased by 15.3% year on year for the nine month period as a result of the strong performance of the Telecommunication segment.

The effective tax rate increased to 35.5% in the first nine months of 2007, compared to 29.0% for the corresponding period of 2006.

The net income declined by 54.4% year on year for the third quarter, whilst it increased by 36.4% year on year for the nine month period. The net income growth for the nine month period resulted from the Group's strong operating performance and a US\$ 521.9 million gain on the sale of ROSNO.

The weighted average number of outstanding shares decreased from 9,619,638,000 in the nine-month period of 2006 to 9,324,039,000 in the same period of 2007. The Group reported a 40.8% year on year increase in basic and diluted earnings per share from US\$ 0.08 to US\$ 0.12 for the nine month period of 2007.

OPERATING REVIEW³

TELECOMMUNICATIONS

<i>(US\$ millions)</i>	3Q 2007	3Q 2006	Year on Year Change	9m 2007	9m 2006	Year on Year Change
Revenues	2,683.6	2,081.9	28.9%	7,069.0	5,379.3	31.4%
OIBDA	1,411.2	1,116.0	26.5%	3,686.5	2,667.1	38.2%
Operating Income	992.6	828.5	19.8%	2,576.6	1,803.5	42.9%
Net Income ⁴	343.3	336.3	2.1%	924.0	653.0	41.5%

³ 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 and may differ from respective standalone values due to certain reclassifications and adjustments.

The Telecommunications segment, which comprises MTS, the largest mobile phone operator in Russia and the CIS, and Comstar UTS, the leading fixed line telecommunications operator in Russia and the CIS, demonstrated 28.9% year on year revenue growth in the third quarter of 2007, and 31.4% for the nine month period. The segment accounted for 73.5% of the Group's consolidated revenues in the first nine months of 2007 compared to 76.3% for the same period of 2006. The growth was primarily organic, with the exception of US\$ 113.0 million of revenue generated by businesses acquired after the end of the third quarter of 2006. MTS continued to be the main contributor to the segment revenues and accounted for 83.6% of the segment's revenue in the first nine months of 2007.

MTS added approximately 3.3 million subscribers during the third quarter of 2007 resulting in the total consolidated base of 78.0 million customers as at September 30, 2007. MTS generated 23.3% year on year revenue growth for the third quarter from US\$ 1,797.7 million to US\$ 2,216.0 million. This growth reflected an increase in average monthly service revenue per subscriber ("ARPU") in Russia from US\$ 8.6 in the third quarter of 2006 to US\$ 10.0 in the third quarter of 2007. Russian subscribers' monthly Minutes of Use (MOU) increased to 167 in the third quarter of 2007 from 135 in the third quarter of 2006. MTS' revenues for the first nine months of 2007 increased by 29.4% year on year to US\$ 5,926.0 million from US\$ 4,578.4 million. MTS' OIBDA, as a result of the robust ARPU growth combined with the expansion of its subscriber base, rose by 16.6% year on year in the third quarter to US\$ 1,174.7 million and by 32.5% year on year in the first nine months of 2007 to US\$ 3,096.5 million.

Comstar UTS generated 27.6% year on year revenue growth in the third quarter and 30.4% year on year growth for the nine month period, from US\$ 291.8 million to US\$ 372.2 million and from US\$ 828.2 million to US\$ 1,080.2 million, respectively. This growth reflected high customer demand for the unlimited tariff plan introduced by MGTS in February 2007, and for Comstar's double and triple-play service offerings. Comstar-Direct, the largest broadband service provider in Moscow, had 452,600 residential subscribers, including 106,000 double-play (broadband Internet + IPTV) customers at the end of the third quarter. During the third quarter Comstar UTS introduced new broadband sales channels; launched new post-paid broadband Internet tariffs and MGTS - branded low speed broadband offering, as well as a combined offering of residential telephony and broadband internet services. Comstar UTS reported a 44.1% year on year increase in OIBDA to US\$ 165.0 million in the third quarter, and a 40.6% year on year growth in the first nine months of 2007 to US\$ 468.6 million.

Segment OIBDA was up 26.5% year on year in the third quarter and up 38.2% year on year for the nine month period, with an increased combined OIBDA margin of 52.1% in the first nine months of 2007, up from 49.6% in the first nine months of 2006. This increase in margin primarily reflected the improved profitability of the business.

Segment's net income after minority interest deductions for the third quarter increased by 2.1% year on year, and by 41.5% for the nine month period.

TECHNOLOGY

⁴ Here and further net income / (loss) for the segments are presented after minority interest.

<i>(US\$ millions)</i>	3Q 2007	3Q 2006	Year on Year Change	9m 2007	9m 2006	Year on Year Change
Revenues	377.4	349.0	8.2%	1,015.7	1,045.6	(2.9%)
OIBDA	(69.2)	28.9	-	(107.7)	109.5	-
Operating (Loss)/Income	(82.5)	12.6	-	(148.2)	75.0	-
Net (Loss)/Income	(79.8)	(1.2)	-	(141.2)	32.5	-

The Technology segment comprises SITRONICS, a leading provider of telecommunications, IT and microelectronic solutions in Russia and the CIS, with a growing presence in other EEMEA emerging markets. SITRONICS' revenues were up by 8.2% year on year in the third quarter, while revenues decreased by 2.9% year on year in the first nine months of 2007. The IT Solutions and Microelectronic Solutions operating divisions continued to perform in line with expectations.

The segment recorded negative OIBDA of US\$ 69.2 million in the third quarter of 2007, compared with positive OIBDA of US\$ 28.9 million in the third quarter of 2006, due to losses incurred by the Telecommunications Solutions and Consumer Electronics divisions. IT Solutions and Microelectronic Solutions divisions reported year on year increases in the operating income in the third quarter of 2007. The Electronics Manufacturing Services division reduced its operating losses year on year.

REAL ESTATE

<i>(US\$ millions)</i>	3Q 2007	3Q 2006	Year on Year Change	9m 2007	9m 2006	Year on Year Change
Revenues	77.8	54.6	42.5%	207.5	161.1	28.8%
OIBDA	26.8	15.5	72.7%	(64.2)	60.0	-
Operating (Loss)/Income	24.1	13.0	85.2%	(73.0)	55.7	-
Net (Loss)/Income	19.9	24.7	(19.6%)	(59.6)	34.0	-

Revenues in Sistema Hals, a leading Moscow-based real estate development, management and investment company, increased by 42.5% year on year in the third quarter and by 28.8% in the first nine months of 2007, primarily as a result of a significant growth in the real estate development division. The division's revenues grew from US\$ 110.1 million for the nine month period of 2006 to US\$ 142.4 million for the nine month period of 2007. In the nine month period the division completed and sold to MBRD, the banking subsidiary of Sistema, "Sadovnicheskaya, 75", a business centre located in Moscow; it achieved higher than expected prices and sales volumes of land plots for the "Aurora" project located in the Moscow region; and recognized revenues from the sales of apartments within "Yartsevskaya, 27v". Additionally, Sistema Hals completed the sale of "Kamennyi Ostrov" project in St Petersburg.

Revenues in the project construction management division increased by 3.1% year on year to US\$ 20.2 million in the first nine months of 2007, as a result of the contribution from the construction design project for the Moscow subway line and two new subway stations –

“Strogino” and “Mitino”, and of the “Krasnopresnenskiy Prospekt” project, which included the tunnel in Serebryany Bor.

The asset management division, primarily as a result of the robust growth in house sales and the increase in rental income from single family houses, increased revenues by 82.0% year on year to US\$ 28.9 million in the first nine months of 2007. The “Serebryany Bor” development accounted for the major part of the rental income year to date.

Segment OIBDA nearly doubled year on year in the third quarter, while the OIBDA declined in the nine month period of 2007, primarily as a result of US\$ 98.0 million stock bonus awarded in June 2007 under the share option program to the Board of Directors and management of Sistema Hals.

BANKING

<i>(US\$ millions)</i>	3Q 2007	3Q 2006	Year on Year Change	9m 2007	9m 2006	Year on Year Change
Revenues	96.6	56.0	72.7%	270.6	143.8	88.2%
OIBDA	16.9	7.0	139.8%	34.0	16.8	102.7%
Operating Income	14.4	6.4	124.9%	28.9	15.0	92.5%
Net Income	10.2	3.4	203.5%	20.1	6.7	199.3%

The Banking segment comprises the Moscow Bank for Reconstruction and Development (MBRD) and the East-West United Bank (EWUB). The segment provides corporate and retail banking services in Russia and Luxembourg. Segment revenues increased by 72.7% year on year in the third quarter and by 88.2% in the nine month period, following the acquisition of control over the operations of EWUB in December 2006, and the growth of the segment’s retail business and corporate lending. The loan portfolio grew by 108.6% to US\$ 2,365 million as at September 30, 2007 (of which 31.0% relates to EWUB consolidation effect), compared to September 30, 2006, whilst interest income received from retail and corporate lending increased by 94.4% year on year (of which 19.3% relates to EWUB consolidation effect) to US\$ 225.1 million in the nine month period. MBRD expanded its retail business through the opening of 4 branches and 43 mini-offices since the end of the third quarter of 2006. MBRD’s retail network included a total of 15 branches and 147 mini-offices as at September 30, 2007. Revenues from leasing activities more than doubled year on year, and contributed US\$ 16.0 million to the segment’s revenues in the nine month period.

RETAIL

<i>(US\$ millions)</i>	3Q 2007	3Q 2006	Year on Year Change	9m 2007	9m 2006	Year on Year Change
Revenues	141.4	82.3	71.8%	333.7	200.2	66.7%
OIBDA	3.3	4.7	(28.7%)	(9.0)	(2.8)	-
Operating Income / (Loss)	1.1	3.6	(70.6%)	(15.0)	(4.7)	-
Net (Loss)/Income	(1.7)	2.4	-	(23.1)	(8.2)	-

The Retail segment comprises Detsky Mir, the largest children's goods chain of retail stores in Russia. Total revenues grew by 71.8% year on year in the third quarter and by 66.7% year on year in the nine month period, whilst retail revenues, which accounted for 89% of total revenues in the first nine months of 2007, more than doubled year on year to US\$ 296 million. Wholesale and rental revenues represented the remaining share of total revenues.

Detsky Mir reported a net loss in the first nine months of 2007, which was largely due to the continued significant expansion of the retail network and the seasonality of its sales.

The network of retail outlets grew by 31 stores to 79 in total as at September 30, 2007, while the aggregate retail space increased by 81% year on year to 142 thousand square meters. As at December 21, 2007, Detsky Mir's retail network consisted of 93 retail outlets located in 45 Russian cities, with a total retail space of 167 thousand square meters.

MASS MEDIA

<i>(US\$ millions)</i>	3Q 2007	3Q 2006	Year on Year Change	9m 2007	9m 2006	Year on Year Change
Revenues	34.3	19.9	72.3%	88.5	65.5	35.1%
OIBDA	2.3	3.1	(26.6%)	10.2	13.0	(21.7%)
Operating (Loss)/Income	(1.5)	0.8	-	(0.4)	3.6	-
Net Income	1.8	4.1	(56.1%)	1.1	3.9	(72.4%)

The Mass Media segment, which comprises the Group's Pay-TV business, operating under the brand name Stream-TV, as well as advertising, print and other media operations, generated 72.3% and 35.1% year on year revenue growth in the third quarter and the nine month period, respectively. Stream-TV's revenues increased by 52.5% year on year to US\$ 60.3 million in the first nine months of 2007. The Stream-TV subscriber base increased by 29.7% year on year to 1.7 million subscribers as at September 30, 2007, including 1.6 (1.25) million Pay-TV customers, 102,000 (73,800) Internet and 9,946 (9,234) IP telephony subscribers. The Maxima Group, an advertising agency, which operates in Russia, Ukraine, Kazakhstan and Belarus, contributed US\$ 25.6 million to segment revenues for the first nine months of 2007.

CORPORATE AND OTHER

(US\$ millions)

	3Q 2007	3Q 2006	Year on Year Change	9m 2007	9m 2006	Year on Year Change
Revenues						
Radars and Aerospace	79.6	55.7	43.0%	206.7	125.9	64.2%
Tourism	124.2	59.3	109.4%	275.0	136.2	101.9%
Pharmaceuticals	17.5	10.2	72.3%	52.4	14.3	266.2%
Healthcare Services	16.4	4.0	312.3%	45.9	11.9	286.3%
Perm Motors Group	102.9	-	-	249.4	-	-
Other	17.4	20.7	(15.9%)	39.3	56.1	(29.9%)
Total	358.0	149.9	138.8%	868.7	344.4	152.2%
OIBDA						
Radars and Aerospace	7.4	7.2	3.2%	28.8	16.6	73.3%
Tourism	10.3	11.9	(13.7%)	22.8	16.5	38.3%
Pharmaceuticals	(1.9)	0.3	-	0.8	0.7	7.8%
Healthcare Services	3.3	0.5	682.9%	6.7	2.3	191.6%
Perm Motors Group	3.6	-	-	10.8	-	-
Other	(19.1)	217.1	-	(60.9)	289.4	-
Total	3.6	237.0	-	9.0	325.5	(97.2%)

The revenues of the Radars and Aerospace division, which comprises RTI Systems, increased by 43% year on year in the quarter and by 64.2% year on year in the first nine months of 2007, as a result of an increase in the volume of services performed under a number of government contracts. As at September 30, 2007 the division completed 85% of a US\$ 115.4 million contract with the Ministry of Emergency Situations for the construction of the National Emergency Situations Center.

RTI Systems' OIBDA increased by 73.3% year on year in the nine month period, with OIBDA margin expanding to 13.9%.

The Tourism division's revenues more than doubled year on year in the third quarter and year to date. OIBDA increased by 38.3% year on year for the nine month period. The division completed a number of scale acquisitions during the quarter in its hotel and tour operator segments.

The Pharmaceuticals division's revenues increased by 72.3% year on year in the third quarter and more than tripled year on year for the nine month period. OIBDA declined in the third quarter and rose by 7.8% year on year for the nine month period, reflecting the acquisition of Mapichem AG and the sale of other investments.

The Healthcare Services division's revenues more than quadrupled year on year in the third quarter and more than tripled year on year in the nine month period. The division, which comprises the Medsi and Medsi-II clinics, American Hospital Group and Medexpress, is developing into a leading private healthcare provider in Russia, with comprehensive medical care and a chain of private clinics. In the first nine months of 2007, 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. As a result of these acquisitions, the network of healthcare facilities has increased to 26 clinics in Moscow and the regions. Segment OIBDA more than doubled year on year in the first nine months of 2007.

Revenues of Perm Motors Group, a designer, developer and manufacturer of aero-engines, gas turbine power stations, helicopter gear boxes and transmissions, amounted to US\$ 102.9 million for the third quarter and to US\$ 249.4 million for the nine month period of 2007.

OIBDA for the other segment for the third quarter and the nine month period was primarily impacted by the prior period \$175 million gain on disposal of the 35% stake in Sistema-Invest (the holding company for investments in Bashkortostan's energy companies).

FINANCIAL REVIEW

Net cash provided by operating activities increased by 81.5% year on year to US\$ 1.2 billion in the third quarter and by 69.8% year on year to US\$ 2.3 billion in the nine month period of 2007. This was largely as a result of growth in the Group's OIBDA and a number of positive changes in the Group's working capital structure.

Net cash used in investing activities totalled US\$ 1.5 billion in the third quarter and US\$ 3.1 billion in the first nine months of 2007, and included US\$ 669.2 million and US\$ 1.5 billion of capital expenditure, respectively, compared to US\$ 712.2 million and US\$ 1.7 billion, for the corresponding periods of 2006. The Group spent US\$ 962.5 million on the acquisition of businesses during the first nine months of 2007, compared to US\$ 472.9 million in the first nine months of 2006.

Cash flows from financing activities amounted to US\$ 558.1 million in the third quarter and US\$ 1.2 billion in the first nine months of 2007, compared to US\$ 184.8 million and US\$ 2.2 billion respectively for the corresponding periods of 2006. Major sources of financing in the third quarter included SITRONICS Ruble-denominated bond issue in the amount of RUB 3.0 billion (approximately US\$ 115.8 million) which was priced in September 2007, a US\$ 500 million credit line obtained by Sistema Hals from VTB in July 2007, and a US\$ 30 million multicurrency loan agreement signed by Detsky Mir with Moscow International Bank.

The Group's cash balances increased to US\$ 1,073.7 million as at September 30, 2007, compared to balance of US\$ 598.4 million as at December 31, 2006. The Group's net debt (short-term and long-term debt minus cash and cash equivalents) remained at US\$ 6.4 billion as at September 30, 2007 and December 31, 2006.

In September 2007, the Board of Directors of Sistema approved the split of the nominal value of the Company's ordinary shares at a ratio 1,000:1. As a result of the share split, Sistema's share capital comprises 9,650,000,000 ordinary shares with a par value of RUB 0.09 per share.

In July 2007, Fitch Ratings upgraded Sistema's long-term foreign and local currency Issuer Default Ratings ("IDL") to 'BB-' from 'B+', with a stable outlook. Fitch also upgraded the Eurobonds and Medium-Term Notes programme issued by Sistema Finance S.A. and Sistema Capital S.A., both guaranteed by Sistema, to 'BB-' from 'B+'.

ACQUISITIONS AND DISPOSALS

Telecommunications

In September 2007, MTS acquired 80% stake in International Cell Holding Ltd, the indirect owner of K-Telecom CJSC, Armenia's largest mobile phone operator, for a cash consideration of EUR 260 million and a contingent consideration of up to EUR 50 million, as well as the assumption of EUR 80 million of debt. MTS also entered into a call and put option agreement for the remaining 20% stake to be exercised no earlier than July 2010.

In August 2007, Comstar UTS completed the acquisition of Sochitelecomservice, a leading alternative telecommunications operator in Sochi for a total cash consideration of US\$ 0.8 million.

Real Estate

In September 2007, Sistema-Hals acquired a 74.9% stake in Gorki-8, which owns more than 35,000 square meters of real estate, including more than 70 townhouses and a retail mall, and nine hectares of land near the Rublevo-Uspenskoe highway, one of the most expensive and prestigious Moscow suburbs, for a total cash consideration of US\$ 100.4 million.

In July 2007, Sistema-Hals acquired a further 28% stake in the Kamelia Health Spa, thus increasing its total holding to 95.6%.

Banking

In August 2007, Sistema acquired 20% stake in Dalcombank, a commercial bank based in the Far East of Russia, for a total cash consideration of US\$ 8.3 million. The Bank provides banking services across a wide retail network in 29 cities of Russia's Far East region, including its largest cities: Khabarovsk, Vladivostok, Yakutsk, Blagoveschensk, Birobidjan, Komsomolsk-on-Amur and Irkutsk.

Corporate and other

In September 2007, Sistema acquired a 10% stake in Shyam Telelink Ltd., an Indian telecommunications operator for a total cash consideration of US\$ 11.4 million.

SIGNIFICANT EVENTS FOLLOWING THE END OF THE REPORTING PERIOD

Telecommunications

In December 2007, MTS acquired 100% of Bashcell, a mobile phone operator in the Volga region of Russia for US\$ 38 million, including the assumption of US\$ 32 million in debt.

In December 2007, Comstar completed the call option exercise for a total cash consideration of US\$ 322.2 million for the shares acquired by Access Telecommunications Coöperatief U.A. Access Telecommunications Coöperatief U.A. acquired 46,232,000 Comstar shares purchased from MGTS Finance S.A. for US\$ 6.97 per share. The purchased shares represent 11.06% of the total number of issued and outstanding Comstar shares.

In November 2007, Comstar UTS acquired, for a total cash consideration of US\$ 21.0 million, an 87.5% stake in Regional Technical Centre, an alternative fixed-line telecommunications operator in the Khanty-Mansi Autonomous Area.

In November 2007, Comstar UTS acquired Digital Telephone Networks South ('DTN'), the largest alternative telecommunications operator in the Southern Federal District of Russia, for a total cash consideration of RUB 4.1 billion (approximately US\$ 167.4 million).

In October 2007, MTS received an upgrade from Moody's Investor Service of its corporate and existing bond ratings from 'Ba3' to 'Ba2' with the positive outlook.

Real Estate

In December 2007, Sistema Hals signed a strategic partnership agreement with Hebei Construction Group, a Chinese state-owned company, to jointly develop real estate projects in Russia. Hebei Construction Group is expected to act as a general contractor for Sistema Hals' residential development at 28A Yelninskaya Street in Kuntsevo, Moscow.

In December, 2007, Sistema-Hals has issued a commercial paper worth RUB 3,781,000,000 (approximately USD 154.8 million) to finance the launch of the second phase in construction of a mega villa community, situated on the Rublevo-Uspenskoye Highway on an area obtained by Gorki-8 Ltd. (a subsidiary of Sistema-Hals acquired in September, 2007) totalling 61 hectares.

In November 2007, Sistema Hals obtained a US\$ 200 million credit line from VTB for a five year term.

In October 2007, Sistema Hals acquired a land plot in the Khamovniki district in the center of Moscow. The plot is expected to be redeveloped as an office and residential complex with a total area of approximately 70,000 square meters.

Technology

In November 2007, SITRONICS signed a US\$ 125 million loan agreement with Dresdner Bank AG. The loan bears an annual interest rate of 9.25%. The proceeds of the loan will be used to refinance certain current liabilities of SITRONICS and also to finance the working capital needs of its subsidiaries.

Retail

In November 2007, Detsky Mir received a US\$ 55 million trade finance line from HSBC Russia.

Corporate and other

In December 2007, Sistema announced its decision to offer up to RUB 6 billion of unconvertible interest-bearing bonds with a par value of RUB 1,000, and to list the bonds on the Moscow Interbank Currency Exchange (MICEX). Coupon payments will be made on a 182-day basis with the coupon to be determined at the end of the offering. The proceeds of the placement will be used to refinance Sistema's existing debt facilities and to finance the Company's investment activities. VTB and ROSBANK have been appointed as the Underwriters of the issue.

In December 2007, Sistema recommenced trading in its shares on the Russian stock exchanges, following the 1000:1 share split. The share split has been carried out as part of a programme aimed at increasing the liquidity of the Company's shares on the Russian market.

In December 2007, Sistema launched a put option program on Sistema-Hals global depository receipts. According to the program, the options may be exercised in six months from the options purchase date. The total amount of the program is up to USD 50 million dollars.

In October 2007, Moody's Investor Services upgraded the corporate ratings of Sistema from 'B1' to 'Ba3' with a positive outlook.

In October 2007, Sistema completed the acquisition of a 28.16% stake in Dalcombank, a commercial bank based in the Far East of Russia, for a total cash consideration of US\$ 11.7 million. As a result of this acquisition Sistema increased its ownership in Dalcombank to 48.16%.

In October 2007, Sistema signed a share purchase agreement for the acquisition of an additional 41% stake in Shyam Telelink Ltd., an Indian telecommunications operator, and a call option agreement, which gives Sistema the right to increase its stake in Shyam Telelink Ltd. from 51% up to a maximum 74%, subject to receiving an approval from the Foreign Investment Promotion Board of India.

Conference call information

Sistema management will host a conference call today at 9 am (New York time) / 2 pm (London time) / 4 pm (CET) / 5 pm (Moscow Time) to present and discuss the first half results.

The dial-in numbers for the conference call are:

UK/International: +44 (0) 20 8609 0205
US: +1 703 621 9126
PIN number: 903615#

A replay will then be available for 7 days after the conference call. To access the replay, please dial:

UK/International: +44 (0) 20 8609 0289
PIN number: 196881#

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

Sistema Investor Relations
Laila Simanova
Tel: +7 495 730 66 00
ir@sistema.ru

Shared Value Limited
Larisa Kogut-Millings
Tel. +44 (0) 20 7321 5037
sistema@sharedvalue.net

Sistema is the largest private sector consumer services company in Russia and the CIS, with over 80 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\$ 9.6 billion for the first nine months of 2007, and total assets of US\$ 21.2 billion as at September 30, 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 the Moscow Interbank Currency Exchange (MICEX), 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
FOR THE THIRD QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006
(UNAUDITED)
(Amounts in thousands of U.S. dollars, except share and per share amounts)

	Three months ended		Nine months ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Sales	\$ 3,613,513	\$ 2,655,491	\$ 9,354,306	\$ 6,921,832
Revenues from financial services	94,137	52,462	259,293	126,174
TOTAL REVENUES	3,707,650	2,707,953	9,613,599	7,048,006
Cost of sales, exclusive of depreciation and amortization shown separately below	(1,602,501)	(1,093,744)	(4,167,271)	(2,963,359)
Financial services related costs, exclusive of depreciation and amortization shown separately below	(44,104)	(25,385)	(112,745)	(65,588)
TOTAL COST OF SALES	(1,646,605)	(1,119,129)	(4,280,016)	(3,028,947)
Selling, general and administrative expenses	(575,698)	(406,340)	(1,651,326)	(1,228,795)
Depreciation and amortization	(453,914)	(315,049)	(1,205,403)	(927,308)
Provision for doubtful accounts	(64,838)	(14,654)	(117,601)	(74,577)
Other operating expenses, net	(43,453)	(26,553)	(130,576)	(120,314)
Equity in net income of investees	13,445	34,965	71,241	78,627
Gain on disposal of interests in subsidiaries and affiliates	6,649	188,801	71,219	310,401
OPERATING INCOME	943,236	1,049,994	2,371,137	2,057,093
Interest income	24,735	17,777	68,530	47,780
Change in fair value of derivative instruments	(200,382)	-	(226,882)	-
Interest expense, net of amounts capitalized	(100,913)	(91,598)	(318,588)	(257,109)
Currency exchange and translation gain/(loss)	87,967	(317)	151,932	7,073
Income from continuing operations before income tax, equity in net income of energy companies in the Republic of Bashkortostan and minority interests	754,643	975,856	2,046,129	1,854,837
Income tax expense	(290,972)	(228,022)	(762,366)	(582,197)
Equity in net income of energy companies in the Republic of Bashkortostan	17,808	36,231	99,263	151,310
Income from continuing operations before minority interests	481,479	784,065	1,383,026	1,423,950
Minority interests	(253,323)	(288,541)	(800,691)	(625,349)
Income from continuing operations	228,156	495,524	582,335	798,601
Income from discontinued operations, net of income tax effect of US\$ 3,319, US\$ 2,207 and US\$ 12,710 respectively	-	4,485	960	11,486
Gain from disposal of discontinued operations, net of income tax effect of US\$ 148,809	-	-	521,963	-
NET INCOME	\$ 228,156	\$ 500,009	\$ 1,105,258	\$ 810,087
Earnings per share, basic and diluted (US cent per share):	2.46	5.21	11.85	8.42

SISTEMA JSFC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS AS AT SEPTEMBER 30, 2007 (UNAUDITED)
AND DECEMBER 31, 2006
(Amounts in thousands of U.S. dollars)

	<u>September 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,073,679	\$ 501,706
Short-term investments	827,220	554,157
Loans to customers and banks, net	1,884,058	1,290,082
Accounts receivable, net	1,233,603	1,069,706
Prepaid expenses, other receivables and other current assets, net	1,030,602	917,551
VAT receivable	450,259	450,703
Inventories and spare parts	1,035,153	661,568
Deferred tax assets, current portion	183,001	195,672
Assets of discontinued operations	-	946,866
Total current assets	<u>7,717,575</u>	<u>6,588,011</u>
NON-CURRENT ASSETS:		
Property, plant and equipment, net	9,289,247	7,412,468
Advance payments for non-current assets	264,746	305,846
Goodwill	674,646	504,166
Licenses, net	881,234	452,372
Other intangible assets, net	1,232,274	1,222,676
Investments in affiliates	1,266,427	1,108,647
Investments in shares of Svyazinvest	1,460,936	1,390,302
Other investments	-	122,500
Loans to customers and banks, net of current portion	717,937	464,490
Debt issuance costs, net	71,861	80,220
Deferred tax assets, net of current portion	100,724	73,623
Other non-current assets	544,508	465,917
Total non-current assets	<u>16,504,540</u>	<u>13,603,227</u>
TOTAL ASSETS	<u>\$ 24,222,115</u>	<u>\$ 20,191,238</u>

SISTEMA JSFC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS AS AT SEPTEMBER 30, 2007 (UNAUDITED)
AND DECEMBER 31, 2006
(Amounts in thousands of U.S. dollars)

	<u>September 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,190,746	\$ 868,378
Bank deposits and notes issued, current portion	1,370,327	961,595
Taxes payable	216,631	148,849
Deferred tax liabilities, current portion	72,020	48,885
Subscriber prepayments, current portion	523,260	552,997
Derivative financial instruments	418,897	184,316
Accrued expenses and other current liabilities	1,447,577	1,009,898
Short-term loans payable	615,809	1,296,778
Current portion of long-term debt	857,323	280,427
Liabilities of discontinued operations	-	869,534
Total current liabilities	<u>6,712,590</u>	<u>6,221,657</u>
LONG-TERM LIABILITIES:		
Long-term debt, net of current portion	6,041,932	5,296,017
Subscriber prepayments, net of current portion	132,194	136,861
Bank deposits and notes issued, net of current portion	312,765	65,200
Deferred tax liabilities, net of current portion	422,686	287,125
Postretirement benefit obligations	24,136	16,391
Deferred revenue	135,515	129,120
Total long-term liabilities	<u>7,069,228</u>	<u>5,930,714</u>
TOTAL LIABILITIES	<u>13,781,818</u>	<u>12,152,371</u>
Minority interests in equity of subsidiaries	4,305,444	3,453,769
Commitments and contingencies	-	-
Puttable shares of SITRONICS	84,580	80,000
SHAREHOLDERS' EQUITY:		
Share capital (9,650,000,000 shares issued; 9,264,893,000 and 9,365,757,000 shares outstanding as of September 30, 2007 and December 31, 2006, respectively, with par value of RUB 0.09)	30,057	30,057
Treasury stock (385,107,000 shares as of September 30, 2007 and 284,243,000 shares as of December 31, 2006 with par value of 0.09 Russian Rubles)	(482,741)	(347,068)
Additional paid-in capital	2,428,972	2,196,475
Retained earnings	3,571,018	2,483,690
Accumulated other comprehensive income	502,967	141,944
TOTAL SHAREHOLDERS' EQUITY	<u>6,050,273</u>	<u>4,505,098</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 24,222,115</u>	<u>\$ 20,191,238</u>

SISTEMA JSFC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THIRD QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006
(UNAUDITED)
(Amounts in thousands of U.S. dollars)

	Nine months ended	
	September 30, 2007	September 30, 2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,105,258	810,087
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	1,205,403	930,036
Loss on disposals of property, plant and equipment	3,939	1,516
Gain from disposal of discontinued operations	(521,963)	-
Income of discontinued operations	(960)	-
Currency exchange and translation (gain)/loss from non-operating activities	(151,932)	5,921
Gain on disposal of interests in subsidiaries and affiliates	(71,219)	(310,401)
Non-cash compensation to employees	144,106	90,778
Minority interests	800,691	635,930
Equity in net income of investees	(170,504)	(193,920)
Deferred income tax benefit	(9,809)	(73,558)
Debt issuance cost amortization	20,750	20,277
Change in fair value of derivative financial instruments	226,882	-
Amortization of connection fees	(68,783)	(68,321)
Provision for doubtful accounts receivable	117,601	78,004
Allowance for loan losses	26,895	22,769
Inventory obsolescence expense	36,019	12,923
Changes in operating assets and liabilities, net of effects from purchase of businesses:		
Trading securities	(107,045)	(62,102)
Loans to banks	(13,307)	(620,906)
Accounts receivable	(198,822)	(427,802)
Insurance-related receivables	-	(86,896)
Prepaid expenses, other receivables and other current assets	35,686	(122,439)
VAT receivable	18,850	98,858
Inventories and spare parts	(209,219)	(49,559)
Accounts payable	(74,119)	104,477
Insurance-related liabilities	-	270,217
Taxes payable	(93,536)	75,819
Subscriber prepayments	33,940	31,658
Accrued expenses and other current liabilities	226,842	190,502
Postretirement benefits obligation	7,746	1,978
Net cash provided by operations	\$ 2,319,388	1,365,846
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(1,314,738)	(1,355,216)
Purchases of intangible assets	(218,221)	(356,672)
Purchases of businesses, net of cash acquired	(962,507)	(472,949)
Proceeds from disposals of interests in subsidiaries and affiliates, net of cash disposed	636,683	207,337
Purchases of long-term investments	(103,055)	(167,422)
Proceeds from sale of long-term investments	20,000	-
Purchases of other non-current assets	(208,993)	(55,843)
Proceeds from sale of other non-current assets	85,890	-
Return of cash deposited for acquisition of Intracom Telecom	44,452	-
Purchases of short-term investments	(461,175)	(543,515)
Proceeds from sale of short-term investments	272,616	159,089
Proceeds from sale of property, plant and equipment	14,912	2,281
Net increase in loans to customers	(861,261)	(579,642)
Net cash used in investing activities	\$ (3,055,337)	(3,162,552)

SISTEMA JSFC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THIRD QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006
(UNAUDITED)
(Amounts in thousands of U.S. dollars)

	Nine months ended	
	September 30,	September 30,
	2007	2006
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on short-term borrowings, net	(733,267)	(240,021)
Net increase in deposits from customers	610,499	129,244
Net increase/(decrease) in bank promissory notes issued	87,024	(21,211)
Proceeds from long-term borrowings, net of debt issuance costs	1,678,303	2,007,833
Principal payments on long-term borrowings	(367,954)	(608,065)
Principal payments on capital lease obligations	(8,091)	(3,579)
Purchases of treasury stock	(160,473)	(50,892)
Payments to shareholders of subsidiaries	(240,000)	(59,000)
Dividends paid	(17,942)	(9,678)
Proceeds from capital transactions of subsidiaries	356,463	1,059,342
	<u>1,204,562</u>	<u>2,203,973</u>
Net cash provided by financing activities	\$	
	6,685	2,017
Effects of foreign currency translation on cash and cash equivalents	\$	
	475,298	409,284
INCREASE IN CASH AND CASH EQUIVALENTS	\$	
	598,381 ⁽¹⁾	482,647
CASH AND CASH EQUIVALENTS, beginning of the period	<u>598,381⁽¹⁾</u>	<u>482,647</u>
CASH AND CASH EQUIVALENTS, end of the period	<u>\$ 1,073,679</u>	<u>891,931</u>
CASH PAID DURING THE PERIOD FOR:		
Interest, net of amounts capitalized	\$ (321,122)	(306,699)
Income taxes	(853,226)	(613,060)
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Property, plant and equipment contributed free of charge	\$ 2,959	2,693
Equipment acquired through vendor financing	2,435	3,144
Equipment acquired under capital leases	6,548	8,183

⁽¹⁾ – including cash and cash equivalents of Rosno as of December 31, 2006 in the amount of \$96.7 million.

SISTEMA JSFC AND SUBSIDIARIES
SEGMENTAL BREAKDOWN FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006
(UNAUDITED)
(Amounts in thousands of U.S. dollars)

For the nine months ended September 30, 2007	Telecommunications	Tech-nology	Banking	Mass Media	Real Estate	Retail	Corporate and Other	Total
Net sales to external customers ^(a)	7,059,660	895,002	259,293	68,683	143,575	333,713	853,673	9,613,599
Intersegment sales	9,298	120,725	11,266	19,797	63,958	21	15,048	240,113
Equity in net income of investees	71,665	-	-	7,397	(58)	-	(366)	78,638
Interest income	39,092	13,029	-	443	14,538	47	58,051	125,200
Interest expense	(146,275)	(31,565)	-	(1,897)	(7,929)	(10,533)	(136,172)	(334,371)
Net interest revenue ^(b)	-	-	34,026	-	-	-	-	34,026
Depreciation and amortization	(1,109,892)	(40,513)	(5,147)	(10,562)	(8,769)	(6,020)	(24,498)	(1,205,401)
Operating income/(loss)	2,576,568	(148,234)	28,879	(361)	(72,966)	(15,017)	(15,460)	2,353,409
Income tax (expense)/benefit	(672,648)	(12,747)	(8,262)	(1,129)	(13,882)	1,325	(22,755)	(730,098)
Income/(loss) from continuing operations before minority interests	1,734,692	(179,806)	20,617	632	(70,650)	(21,715)	49,545	1,533,315
Investments in affiliates	320,711	-	12	13,438	(15,125)	-	842,476	1,191,762
Segment assets	14,817,068	1,771,807	3,557,454	399,745	1,180,525	436,963	4,859,909	27,023,471
Indebtedness ^(c)	3,924,032	481,148	537,030	40,449	513,817	179,245	1,839,343	7,515,064

^(a) – Interest income of the Banking segment is 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

For the nine months ended September 30, 2006	Telecommunications	Tech-nology	Banking	Mass Media	Real Estate	Retail	Corporate and Other	Total
Net sales to external customers ^(a)	5,375,389	827,266	126,078	49,464	154,357	200,030	310,219	7,042,803
Intersegment sales	3,897	218,288	17,709	16,026	6,739	145	34,230	297,034
Equity in net income of investees	79,181	29	-	4,990	-	-	114,421	198,621
Interest income	46,096	5,053	-	831	1,607	846	19,899	74,332
Interest expense	(150,832)	(22,957)	-	(1,100)	(4,875)	(5,352)	(88,635)	(273,551)
Net interest revenue ^(b)	-	-	16,788	-	-	-	-	16,788
Depreciation and amortization	(863,508)	(34,493)	(1,784)	(9,387)	(4,252)	(1,933)	(11,951)	(927,308)
Operating income/(loss)	1,803,546	75,032	15,004	3,646	55,699	(4,713)	313,505	2,261,719
Income tax (expense)/benefit	(479,925)	(21,104)	(8,131)	(3,078)	(7,370)	1,296	(37,836)	(556,148)
Income/(loss) from continuing operations before minority interests	1,213,249	37,109	6,873	4,201	38,910	(6,905)	386,990	1,680,427
Investments in affiliates	278,072	-	16,656	5,496	-	-	954,537	1,254,761
Segment assets	11,812,671	1,593,421	2,288,226	324,165	585,965	185,926	3,638,565	20,428,939
Indebtedness ^(c)	(3,045,217)	(457,626)	(366,953)	(36,812)	(272,040)	(87,570)	(1,592,674)	(5,858,892)

^(a) – Interest income of the Banking segment is 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:

	Jul-Sept 2007	Jul-Sept 2006	Jan-Sept 2007	Jan-Sept 2006
Operating Income	943,236	1,049,994	2,371,137	2,057,093
Depreciation and Amortization	453,914	315,049	1,205,403	927,308
OIBDA	1,397,150	1,365,043	3,576,540	2,984,401