18 December, 2008

SISTEMA ANNOUNCES UNAUDITED FINANCIAL RESULTS FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2008

Moscow, Russia – 18 December, 2008 – Sistema (the “Group”) (LSE: SSA), the largest diversified public corporation in Russia and the CIS, which manages fast growing companies operating in the telecommunications, consumer services and technology sectors, today announced its unaudited consolidated US GAAP financial results for the third quarter ended September 30, 2008.

THIRD QUARTER HIGHLIGHTS

- **Consolidated revenues up 31.5% year on year to US$ 4,592.6 million**
- **OIBDA up 25.6% year on year to US$ 1,678.6 million with an OIBDA margin of 36.5%**
- **Operating income up 17.6% year on year to US$ 1,065.5 million with an operating margin of 23.2%**
- **Cash flow from operations of US$ 1,010.4 million**
- **Net income of US$ 99.9 million, including US$ 396.0 million of foreign exchange and derivative contract losses**
- **Total assets up 32.0% year on year to US$ 32.0 billion**

Leonid Melamed, President and Chief Executive Officer, commented: “The third quarter saw a continued healthy operating performance across the group and further delivery on our strategic objectives. In addition, the group wide initiatives to increase efficiency levels have resulted in higher operating margins. These positive underlying developments have however been impacted by foreign exchange effects due to our dollar denominated reporting and borrowings. In the challenging environment that we are now operating in, we are more focused than ever on our core businesses, and those market segments where we have an established presence and customer relationships and the ability to build market share.

Our businesses are relatively more defensively positioned across key industry segments, and we are working even more closely with the public sector. We have also adjusted our investment programmes, both to reflect the market conditions, but also to enable us to continue to deliver growth in the medium and longer term. In addition, we have worked to strengthen our financial position by successfully refinancing and paying down short term borrowings, and we continue to generate substantial operating cash flows.”

FINANCIAL SUMMARY[1]

(US$ millions, except per share amounts)	**3Q 2008**	**3Q 2007**	**Year on Year Change**	**2Q 2008**	**Quarter on Quarter Change**
Revenues	**4,592.6**	3,491.7	31.5%	4,280.4	7.3%
OIBDA	**1,678.6**	1,336.9	25.6%	1,493.8	12.4%
Operating income	**1,065.5**	905.8	17.6%	907.3	17.4%
Net income	**99.9**	241.0	(58.6%)	277.3	(64.0%)
Basic and diluted earnings per share (US cents)	**1.1**	2.5	(56.3%)	3.0	(64.0 %)

GROUP OPERATING REVIEW

Sistema has reorganized its operating business segments in line with the strategic focus on three core business units – 'Telecommunications', 'Consumer', 'Technology & Industry' - as well as the 'Corporate & Other' segment. The reporting segmentation has therefore been adjusted with effect from July 1, 2008 and results for prior periods are presented accordingly.

Sistema generated a 31.5% year on year and 7.3% quarter on quarter increase in consolidated revenues in the third quarter of 2008, following strong operating performance in all of the Group's business units. The businesses outside the Telecommunications unit accounted for 28.5% of total Group consolidated revenues in the third quarter, compared to 27.6% in the second quarter and 25.9% in the third quarter of 2007. Organic year on year growth for the third quarter of 2008, when excluding businesses acquired or divested since the end of the third quarter of 2007, was 30.1% and amounted to US$ 1.1 billion.

Selling, general and administrative expenses decreased 2.8% quarter on quarter as a result of the implementation of a Group-wide cost management programme. Selling, general and administrative expenses were up 78.0% year on year.

Group OIBDA was up 25.6% year on year and 12.4% quarter on quarter in the third quarter. The Group's OIBDA margin increased quarter on quarter from 34.9% to 36.5%.

Depreciation and amortization expenses were up 42.2% year on year and 4.5% quarter on quarter, following the growth in capital expenditure year on year.

Group operating income increased 17.6% year on year and 17.4% quarter on quarter, with an operating margin of 23.2% in the third quarter, compared to 21.2% in the second quarter of 2008 and 25.9% in the third quarter of 2007.

Group interest expense increased to US$ 140.9 million in the third quarter of 2008 compared to US$ 96.1 million for the same period of 2007.

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

The Group incurred non-cash foreign exchange losses of US$ 335.5 million in the quarter which mainly arose from the difference in value of the Group's U.S. dollar denominated borrowings between balance sheet dates. Furthermore, the Group recorded US$ 60.6 million of losses on derivative instruments.

The effective tax rate was 41.4% for the third quarter, compared to 37.2% in the third quarter of 2007 and 29.7% in the second quarter of 2008. The higher effective tax rate reflected the pre-tax losses for a number of companies in the start-up or early phase of development, whose losses cannot be offset against the Group's consolidated profits.

Net income totaled US$ 99.9 million in the third quarter, compared to US$ 241.0 million for the corresponding period in 2007 and US$ 277.3 million in the second quarter of 2008.

SEGMENTAL OPERATING REVIEW[2]

TELECOMMUNICATIONS BUSINESS UNIT

(US$ millions)	**3Q 2008**	**3Q 2007**	**Year on Year Change**	**2Q 2008**	**Quarter on Quarter Change**
Revenues	**3,281.4**	2,595.8	26.4%	3,104.4	5.7%
OIBDA	**1,636.0**	1,352.4	21.0%	1,508.6	8.5%
Operating income	**1,063.5**	951.5	11.8%	966.8	10.0%
Net income[3]	**307.0**	385.0	(20.3 %)	386.9	(20.6 %)
MTS					
Revenues	**2,812.3**	2,216.0	27.0%	2,635.5	6.7%
OIBDA	**1,453.2**	1,174.7	23.7%	1,349.5	7.7%
Operating income	**935.5**	801.8	16.7%	857.2	9.1%
Net income	**279.2**	351.0	(20.5%)	354.4	(21.2%)
Comstar UTS					
Revenues	**420.4**	372.2	12.9%	417.3	0.7%
OIBDA	**198.4**	165.0	20.2%	159.3	24.5%
Operating income	**145.9**	123.1	18.5%	107.1	36.3%
Net income / (loss)	**19.2**	(40.9)	-	15.7	22.0%

[2] 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 subsidiary's 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.
[3] Here and further net income / (loss) for the segments are presented after minority interest.

Shyam Telelink					
Revenues	**4.9**	-	-	6.1	(19.6%)
OIBDA	**(8.8)**	-	-	(3.3)	-
Operating loss	**(14.2)**	-	-	(4.9)	-
Net loss	**(21.4)**	-	-	(13.7)	-
Mass Media					
Revenues	**62.2**	34.3	81.3%	51.3	21.3%
OIBDA	**17.6**	2.3	671.5%	12.3	43.1%
Operating loss	**(2.5)**	(1.5)	-	(3.8)	-
Net (loss) / income	**(11.5)**	1.8	-	(6.8)	-

The Telecommunications business unit comprises MTS; Comstar UTS; Shyam Telelink Ltd. and the Mass Media segment, which combines creation, aggregation and distribution of media content in Russia, and a number of advertising assets. The unit's revenues increased 26.4% year on year and 5.7% quarter on quarter primarily due to the strong operational and financial performance of MTS.

The Telecommunications Assets unit's OIBDA was up 21.0% year on year and 8.5% quarter on quarter. The unit's net income decreased 20.3% year on year and 20.6% quarter on quarter largely as a result of non-cash losses due to the translation of US dollar-denominated debt during the period.

The Telecommunications Assets unit accounted for 71.5% of the Group's consolidated revenues in the third quarter of 2008. MTS continued to be the main contributor accounting for 85.2% of the unit's revenues in the quarter.

MTS added approximately 0.6 million subscribers during the third quarter of 2008 resulting in the total consolidated base of approximately 87.6 million customers as at September 30, 2008. MTS generated 27.0% year on year and 6.7% quarter on quarter revenue growth in the third quarter of 2008. This growth reflected an increase in average monthly service revenue per subscriber ("ARPU") in Russia from US$ 10.2 in the third quarter of 2007 to US$ 11.5 in the third quarter of 2008. Russian subscribers' monthly Minutes of Use (MOU) increased to 213 in the third quarter of 2008 from 167 in the third quarter of 2007.

MTS' OIBDA rose by 23.7% year on year and 7.7% quarter on quarter in the third quarter of 2008 due to the robust ARPU growth, the increase in its subscriber base and continued improvement in management overhead costs. The OIBDA margin in the third quarter was 51.7% compared to 51.2% in the second quarter of 2008 and 53% in the third quarter of 2007.

Comstar UTS generated 12.9% year on year revenue growth in the third quarter of 2008. This growth reflects the mixed effect of the ongoing growth in fixed-to-mobile traffic, the scaling of the regional business, the effects of changes in regulatory tariffs and US dollar appreciation. Comstar UTS' revenues remained stable quarter on quarter. Comstar UTS' Moscow broadband subscriber base grew by 70% year on year in the third quarter of 2008 to 844,000 customers. The residential broadband subscriber base in Moscow grew by 75% year on year to 793,000 customers. The number of double-play (Internet & Pay-TV) subscribers grew by 39% year on year to 147,000.

Comstar UTS' OIBDA increased by 20.2% year on year and by 24.5% quarter on quarter in the third quarter. The OIBDA margin improved substantially to 47.2% in the third quarter compared to 44.3% in the corresponding period of 2007 and 38.2% in the second quarter of 2008.

Shyam Telelink's revenues decreased by 19.6% quarter on quarter in the third quarter of 2008 due to decline in fixed line traffic volumes. Shyam Telelink made a net loss in the third quarter as a result of increased operating expenses and the launch of the CDMA 800 MHz network in the state of Rajasthan at the end of the period. Shyam Telelink's fixed line subscriber base increased by 5% year on year to 271,434 subscribers as at September 30, 2008.

The Mass Media segment revenues were up 81.3% year on year and 21.3% quarter on quarter primarily as a result of the robust growth in the Internet and Stream-TV subscribers, whilst its Stream content ARPU remained stable quarter on quarter at RUB 10.6 (approximately US$ 0.4). The segment generated a 25.1% growth quarter on quarter in programming hours sold. The Stream-TV' subscriber base was up by 52.8% year on year to 1.8 million subscribers, whilst its Internet subscriber base has increased by 76.8% year on year to more than 182,000 subscribers and IP-telephony users were up to 10,475 during the period. Combined Stream-TV ARPU and Pay-TV ARPU remained stable at US$ 3.4 and US$ 4.3, respectively, in the third quarter. Internet ARPU decreased slightly to US$ 13.1 in the quarter.

The Mass Media segment's OIBDA increased by more than six times year on year and by 43.1% quarter on quarter. The OIBDA margin increased to 28.4% in the third quarter compared to 24.0% in the second quarter and 6.7% in the corresponding period of 2007.

In September 2008, Shyam Telelink launched a CDMA 800 MHz mobile network under the brand name "Rainbow" in the state of Rajasthan.

In August 2008, Shyam Telelink received radio frequencies in the CDMA 800 MHz range in three additional Indian circles of Delhi, Mumbai and Punjab, with a combined population of over 62 million people. As a result, Shyam Telelink now has spectrum in 22 Indian circles, covering 28 administrative states and 7 union territories, with a combined population of approximately 1.1 billion people.

In July 2008, Comstar UTS acquired a 100% stake in LLC "Strategia", the owner of CJSC Ural Telephone Company ("UTC"), a leading alternative telecommunications operator in Ekaterinburg and the Sverdlovsk region, for a total cash consideration of RUB 1.0 billion (approximately US$ 40.0 million).

CONSUMER BUSINESS UNIT

(US$ millions)	**3Q 2008**	**3Q 2007**	**Year on Year Change**	**2Q 2008**	**Quarter on Quarter Change**
Revenues	**815.5**	404.7	101.5%	649.3	25.6%
OIBDA	**29.2**	46.3	(36.9 %)	24.8	17.7%
Operating income	**9.4**	34.3	(72.5 %)	2.8	240.1%
Net (loss) / income	**(82.0)**	21.1	-	(5.1)	-
Real Estate					
Revenues	**98.9**	77.8	27.1%	85.5	15.6%
OIBDA	**6.8**	26.8	(74.8 %)	(4.5)	248.6%
Operating income	**1.6**	24.1	(93.5 %)	(10.5)	115.1%
Net (loss) / income	**(66.4)**	19.9	-	(13.9)	-
Banking					
Revenues	**190.9**	96.6	97.5%	190.9	0.0%
OIBDA	**3.6**	16.9	(78.4 %)	24.1	(84.9%)
Operating income	**(3.7)**	14.4	-	17.6	-
Net (loss) / income	**(6.8)**	10.2	-	11.8	-
Retail					
Revenues	**229.5**	141.4	62.4%	184.1	24.7%
OIBDA	**6.4**	3.3	93.1%	(9.9)	-
Operating income	**0.6**	1.1	(43.4%)	(15.9)	-
Net loss	**(11.3)**	(1.7)	-	(10.8)	-
Tourism					
Revenues	**271.5**	124.2	118.5%	164.2	65.3%
OIBDA	**13.4**	10.3	30.1%	13.3	0.3%
Operating income	**13.0**	6.4	102.5%	10.6	22.7%
Net income	**2.5**	3.9	(33.9%)	5.7	(55.2%)
Healthcare					
Revenues	**31.6**	16.4	92.4%	31.4	(0.9%)
OIBDA	**2.1**	3.3	(35.5%)	1.7	25.5%
Operating income	**0.9**	2.5	(60.6 %)	0.8	18.6%
Net income / (loss)	**0.1**	1.6	(94.4 %)	(0.1)	182.7%

The Consumer business unit comprises Real Estate segment; the Banking segment, including the Moscow Bank for Reconstruction and Development (MBRD), the East-West United Bank (EWUB) and Dalcombank; the Retail segment; the Tourism segment and the Healthcare segment. The Consumer business unit doubled its year on year revenue growth in the third quarter of 2008 due to strong growth of its operations across all segments. The unit's revenues were up 25.6% quarter on quarter and accounted for 17.3% of the Group's consolidated revenues in the third quarter of 2008.

The Consumer unit's OIBDA declined by 36.9% year on year, but increased by 17.7% quarter on quarter reflecting the mixed effects of prevailing market conditions and the seasonality of the business. The unit incurred a net loss in the third quarter of 2008 largely due to US$ 68.5 million of foreign currency exchange losses recorded by Sistema Hals as a result of the appreciation of its U.S. dollar-denominated borrowings.

Revenues in the Real Estate segment, Sistema Hals, increased by 27.1% year on year and 15.6% quarter on quarter, primarily due to the sale of the Rochdelskaya 22 project and a building complex at 8 Marta Street and ongoing sales in other residential projects, including Dnepropetrovskaya, Nahimovskiy and Rublevskoe Highway. Sistema Hals' OIBDA decreased by 74.8% year on year but was up quarter on quarter from the OIBDA loss in the second quarter of 2008.

The Banking segment's revenues remained stable quarter on quarter and nearly doubled year on year in the third quarter of 2008. The segment's OIBDA declined 78.4% year on year and 84.9% quarter on quarter following an increase in the segment's reserves in accordance with the requirements of the Central Bank of Russia. The loan portfolio, including leases, declined by 2.2% quarter on quarter to US$ 4.5 billion as at September 30, 2008. Interest income received from retail and corporate lending operations more than doubled year on year and increased by 9.8% quarter on quarter to US$ 183.5 million in the third quarter.

Revenues in the Retail segment which comprises Detsky Mir the largest children's goods chain of retail stores in Russia increased by 62.4% year on year and 24.7% quarter on quarter. Retail revenues accounted for 96.8% of total revenues in the period and amounted to US$ 221.7 million. The segment's OIBDA almost doubled year on year and increased dramatically quarter on quarter from a negative OIBDA of US$ 9.9 million to a positive amount of US$ 6.4 million. Detsky Mir reported a net loss in the third quarter, which was mainly due to the foreign exchange losses in the period. The network of retail outlets grew by 38 stores year on year to 117 in total as of September 30, 2008, whilst the aggregate retail space increased by 42% year on year to 201,000 square metres. As at December 18, 2008, Detsky Mir's retail network consisted of 128 retail outlets located in 67 Russian cities including 2 outlets based in Ukraine, with total retail space of over 219,000 square metres.

The Tourism segment's revenues more than doubled year on year and increased by 65.3% quarter on quarter as a result of the rapid growth and strong performance of its tour operating division, particularly on routes to Egypt and Turkey. The Tourism segment's OIBDA increased 30.1% year on year and remained stable quarter on quarter due to an increase in sales of rooms in its five leased hotel accommodations in Turkey. The segment serviced 285,000 customers in the third quarter of 2008 compared to 92,000 in the corresponding period of 2007. The hotel group more than doubled year on year the total number of rooms under management to 5,168 as at September 30, 2008.

The Healthcare Services segment's revenues nearly doubled year on year and remained stable quarter on quarter. The segment serviced 105,500 customers in the third quarter of 2008 compared to 98,850 customers in the second quarter of 2008. The number of medical services, including preventive and diagnostic, as well as treatment of patients, provided by the segment has increased by 9.0% quarter on quarter to 1,027,000 in the third quarter. Healthcare Services segment's OIBDA declined by 35.5% year on year, but increased 25.5% quarter on quarter. As at September 30, 2008 the network consisted of 26 new medical clinics, including 16 in Moscow and 10 in the regions.

TECHNOLOGY & INDUSTRY BUSINESS UNIT

(US$ millions)	**3Q 2008**	**3Q 2007**	**Year on Year Change**	**2Q 2008**	**Quarter on Quarter Change**
Revenues	**613.9**	482.3	27.3%	595.5	3.1%
OIBDA	**41.7**	(63.6)	165.6%	33.4	25.0%
Operating income/ (loss)	**23.1**	(78.5)	129.4%	13.0	77.5%
Net loss	**(24.7)**	(76.1)	-	(8.8)	-
High Technology					
Revenues	**461.8**	377.4	22.4%	481.0	(4.0%)
OIBDA	**25.4**	(69.2)	136.8%	25.9	(1.8%)
Operating income/ (loss)	**9.5**	(82.5)	111.5%	7.5	26.7%
Net loss	**(19.1)**	(79.8)	-	(11.3)	-
Radars and Aerospace					
Revenues	**133.0**	79.6	67.1%	107.6	23.6%
OIBDA	**18.5**	7.4	150.6%	13.5	36.8%
Operating income	**16.3**	10.1	62.0%	12.3	32.4%
Net income	**2.7**	7.2	(62.4%)	4.5	(39.2%)
Pharmaceuticals					
Revenues	**8.9**	17.5	(49.0%)	11.2	(20.5%)
OIBDA	**(5.2)**	(1.9)	-	(3.5)	-
Operating loss	**(5.6)**	(3.1)	-	(4.3)	-
Net loss	**(6.5)**	(3.5)	-	(3.9)	-

The Technologies and Industry business unit comprises the High Technology segment, including Sitronics, the Radars and Aerospace segment and the Pharmaceuticals segment. The unit reported a healthy revenue growth of 27.3% year on year in the third quarter of 2008 and a 3.1% increase quarter on quarter. The unit contributed 11.1% of the Group's consolidated revenues in the third quarter of 2008. Sitronics accounted for 75.2% of the unit's revenues in the quarter.

The Technologies and Industry unit's OIBDA was positive for three consecutive quarters of 2008 and was up 25.0% quarter on quarter. The unit's net loss was reduced from US$ 76.1 million in the third quarter of 2007 to US$ 24.7 million in the third quarter of 2008 due to the continued improvement in Sitronics' performance.

Sitronics' revenues were up 22.4% year on year and decreased 4% quarter on quarter in the third quarter of 2008. The Microelectronics Solutions and Information Technology Solutions divisions exhibited a healthy performance year on year, with the Telecommunications Solutions division showing continued growth year on year in top line revenues.

Sitronics' OIBDA increased substantially to US$ 25.4 million in the third quarter of 2008, compared to a loss of US$ 69.2 million in the corresponding period in 2007, and was down 1.8% quarter on quarter. The OIBDA margin increased to 5.5% in the third quarter compared to negative amount in the third quarter of 2007.

The Radars and Aerospace segment, which comprises RTI Systems, demonstrated revenue growth of 67.1% year on year and 23.6% quarter on quarter as a result of an increase in the volume of services performed under several existing government contracts. The Radars and Aerospace segment's OIBDA more than doubled year on year and was up 36.8% quarter on quarter. During the quarter, the Russian Ministry of Economic Development appointed RTI Systems as the sole manufacturer of radar stations. RTI Systems also signed a contract worth RUB 5.9 billion (approximately US$ 211.3 million) to manufacture equipment for the radar stations.

The Pharmaceuticals segment's revenues declined 49.0% year on year and 20.5% quarter on quarter as a result of the ongoing restructuring of the business, including scaling down the low margin business of drugs distribution and the closing of a production facility near Moscow for reconstruction. During the period, Binnofarm applied for the registration of Hepatitis B vaccine in five African countries in addition to Russia and Tadzhikistan. The segment received an internationally recognised quality standard ISO 9001 Certification. Mapichem AG, the segment's Swiss-based subsidiary, increased the portfolio of its registered generic drugs to 20.

In September 2008, Sitronics established a joint venture with ZTE Corp. to develop and produce telecommunications equipment, CDMA terminals and specialized electronic products. Sitronics holds a 51% stake in the joint venture.

CORPORATE & OTHER

(US$ millions)	**3Q 2008**	**3Q 2007**	**Year on Year Change**	**2Q 2008**	**Quarter on Quarter Change**
OIBDA[4]	**(27.9)**	(28.2)	-	(30.4)	-
Net income	**5.4**	(2.7)	301.6%	18.6	(71.0%)

The Corporate & Other segment comprises the companies that control and manage the Group's interests in its subsidiaries. The segment reported an OIBDA loss of US$ 27.9 million in the quarter. The segment also incorporates Sistema's equity participations in other companies, including the Bashkir Energy Group's assets. The results of these equity participations are included in the net income line but not in the income before tax line of the statement of operations. Segment net income of US$ 5.4 million for the period therefore included the US$ 65.4 million proportional share of the Bashkir assets' net income.

[4] Adjusted for non-recurring items

FINANCIAL REVIEW

Net cash provided by operations decreased by 9.1% year on year and by 3.4% quarter on quarter to US$ 1,110.4 million in the third quarter of 2008 mainly due to changes in the working capital.

Net cash used in investing activities totaled US$ 1,456.8 million in the quarter. Capital expenditure totaled US$ 999.9 million in the quarter, compared to US$ 1,101.1 million in the second quarter and US$ 659.7 million for the third quarter of 2007. The Group spent US$ 680.8 million on the acquisition of shares in the quarter, which primarily comprised the investment of US$ 636.2 million in the purchase of MTS treasury shares.

Net cash used in financing activities amounted to US$ 163.5 million in the third quarter of 2008, compared to US$ 561.9 million received for the corresponding period of 2007 and US$ 1,577.3 million received in the second quarter. This reflected the US$ 125.9 million loan repayment to Deutsche Bank, the US$ 216.1 million syndicated loan facility secured by Sitronics, the US$ 140.0 million loan received from Sberbank, the US$ 50.0 million loan received from the EBRD, the US$ 194.2 million reduction in deposits by Banking customers, US$ 96.8 million of dividend payments paid to Sistema shareholders, and US$ 34.1 million of dividends paid to the shareholders in Group subsidiaries.

The Group's cash balances stood at US$ 1,196.2 million as at September 30, 2008, compared to US$ 1,855.4 million as at June 30, 2008 and US$ 1,073.7 million as at September 30, 2007. The Group's net debt (short-term and long-term debt minus cash and cash equivalents) amounted to US$ 8,226.4 million as at September 30, 2008, compared to US$ 7,684.4 million as at June 30, 2008 and US$ 6,391.4 million as at September 30, 2007.

SIGNIFICANT EVENTS FOLLOWING THE END OF THE REPORTING PERIOD

Telecommunications Business Unit

In November 2008, Comstar UTS completed the transfer of rights in relation to exercising the put option held by Access Telecommunications Coöperatief U.A. Comstar subsidiary MGTS Finance S.A. thereby acquired 46,232,000 Comstar UTS shares at US$ 10.03 per share for a total cash consideration of US$ 463.6 million.

In November 2008, Comstar UTS exercised its share options allocated under its 2006-2008 incentive programme. The programme was discontinued in April 2008 due to the launch of a new long-term incentive programme. Comstar UTS paid US$ 1.8 million for the repurchase of the shares from the programme participants.

In November 2008, Shyam Telelink connected the one hundred thousandth subscriber to its CDMA 800 MHz mobile network in the state of Rajasthan since its launch on September 30, 2008.

In October 2008, MTS and Vodafone signed a strategic, non-equity partnership to provide customers with high quality communications services and to collaborate jointly on future technological developments.

In October 2008, MTS placed a RUB 10 billion bond with maturity in 2013 and a RUB 10 billion bond with maturity in 2015. The coupons are to be paid semi-annually.

In October 2008, Sistema Mass Media launched the movie and TV production at Russian World Studios (RWS) in St Petersburg.

Consumer Business Unit

In December 2008, Sistema Hals received a RUB 7 billion credit facility from Bank VTB repayable in 2 years.

In December 2008, Sistema Hals obtained changes to the terms of its credit agreements with Bank VTB. Under the new terms, the five-year credit facilities for the amounts of US$ 500 million and US$ 200 million granted by Bank VTB in 2007 were converted into rubles at the rate of the Russian Central Bank as of December 2, 2008. The requirement for covenants for 2008 was cancelled and will take effect in 2009.

Technology & Industry Business Unit

In December 2008, Sitronics signed a US$ 230 million credit facility agreement with Vnesheconombank. The new funds will be used to refinance loan facilities of US$ 125 million and US$ 75 million, which mature in November 2008 and March 2009, respectively. As at December 18, 2008 the loan facility of US$ 125 million was fully paid off.

Corporate & Other

In November 2008, Sistema Invest, a subsidiary of Sistema, signed agreements with the majority shareholders of Bashkir Oil and Energy Group to act as a management company in respect of companies which own a majority stake in the Group.

Conference call information

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

The dial-in numbers for the conference call are:
UK/International: + 44 20 8515 2302
US: + 1 480 248 5085

A replay will then be available for 7 days after the conference call. To access the replay, please dial:
UK/International: + 44 20 7154 2833
US: + 1 303 590 3030

PIN number: 3953002#

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Sistema is the largest public diversified corporation in Russia and the CIS, which manages fast growing companies operating in the telecommunications, consumer services and technology sectors and has over 100 million customers. Sistema develops and manages market-leading businesses in selected industries, including telecommunications, technology, banking, real estate, retail, media, tourism and healthcare. Founded in 1993, the company reported revenues of US$ 12.6 billion for the first nine months of 2008, and total assets of US$ 32.0 billion as at September 30, 2008. Sistema's shares are listed under the symbol "SSA" on the London Stock Exchange, under the symbol "AFKS" on the Russian Trading System (RTS), under the symbol "AFKC" on 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
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THIRD QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(Amounts in thousands of U.S. dollars)

	Three months ended		Nine months ended	
	September 30, 2008	**September 30, 2007**	**September 30, 2008**	**September 30, 2007**
Sales	$ 4,412,224	$ 3,397,574	$ 12,145,438	$ 8,991,905
Revenues from financial services	180,371	94,137	507,948	259,293
TOTAL REVENUES	4,592,595	3,491,711	12,653,386	9,251,198
Cost of sales, exclusive of depreciation and amortization shown separately below	(1,809,204)	(1,542,609)	(5,025,221)	(4,109,398)
Financial services related costs, exclusive of depreciation and amortization shown separately below	(104,453)	(44,104)	(250,351)	(112,745)
TOTAL COST OF SALES	(1,913,657)	(1,586,713)	(5,275,572)	(4,222,143)
Selling, general and administrative expenses	(868,759)	(487,934)	(2,561,230)	(1,419,492)
Depreciation and amortization	(613,077)	(431,158)	(1,762,330)	(1,180,602)
Provision for doubtful accounts	(41,648)	(62,757)	(107,579)	(116,999)
Other operating (expenses)/income, net	(83,249)	(37,486)	(151,905)	(125,927)
Equity in net (loss)/incomeof investees	(9,840)	13,451	37,411	71,241
Gain on disposal of interests in subsidiaries and affiliates	3,123	6,649	21,882	71,219
OPERATING INCOME	1,065,488	905,763	2,854,063	2,328,495
Interest income	21,113	24,713	59,608	68,494
Change in fair value of derivative instruments	(60,552)	(200,382)	(46,034)	(226,882)
Interest expense, net of amounts capitalized	(140,928)	(96,138)	(363,433)	(307,979)
Currency exchange and translation (loss)/gain/	(335,449)	85,963	(99,769)	149,424
Income from continuing operations before income tax, equity in net income of energy companies in the Republic of Bashkortostan and minority interests	549,672	719,919	2,404,435	2,011,552
Income tax expense	(264,262)	(274,283)	(817,289)	(752,306)
Minority interests	(250,969)	(221,687)	(995,547)	(758,031)
Equity in net income of energy companies in the Republic of Bashkortostan, net of minority interests of US $23,009, US $768, US $56,768 and US $33,759, respectively	65,422	17,039	186,400	87,469
Income from continuing operations	99,863	240,988	777,999	588,684
Loss from discontinued operations, net of income tax benefit/(expense) of US$ 3,256, US$ (5,391) and US$ (5,571), respectively	-	(12,832)	(4,194)	(5,389)
Gain from disposal of discontinued operations, net of income tax effect of US$ 280 and US$ 148,809, respectively	-	-	2,053	521,963
NET INCOME	$ 99,863	$ 228,156	$ 775,858	$ 1,105,258
Earnings per share, basic and diluted (US cent per share):	1.1	2.5	8.36	7.3

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2008 AND DECEMBER 31, 2007
(Amounts in thousands of U.S. dollars)

	September 30, 2008	December 31, 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,196,224	$ 1,061,733
Short-term investments	849,343	909,224
Loans to customers and banks, net	3,228,271	2,764,763
Accounts receivable, net	1,596,580	1,383,731
Prepaid expenses, other receivables and other current assets, net	1,453,839	932,425
VAT receivable	263,660	435,245
Inventories and spare parts	1,004,165	780,193
Deferred tax assets, current portion	302,639	213,633
Assets of the discontinued operations	-	545,863
Total current assets	9,894,721	9,026,810
NON-CURRENT ASSETS:		
Property, plant and equipment, net	11,511,967	10,412,636
Advance payments for non-current assets	334,806	284,396
Goodwill	1,367,346	860,019
Licenses, net	1,259,378	730,636
Other intangible assets, net	2,115,169	1,665,969
Investments in affiliates	1,597,106	1,336,522
Investments in shares of Svyazinvest	1,444,463	1,485,378
Loans to customers and banks, net of current portion	1,765,543	1,468,088
Debt issuance costs, net	78,941	65,038
Deferred tax assets, net of current portion	182,284	108,637
Other non-current assets	413,619	952,529
Total non-current assets	22,070,622	19,369,848
TOTAL ASSETS	$ 31,965,343	$ 28,396,658

JSFC SISTEMA AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (continued)
AS OF SEPTEMBER 30, 2008 (UNAUDITED) AND DECEMBER 31, 2007
(Amounts in thousands of U.S. dollars, except share amounts)

	September 30, 2008	December 31, 2007
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 1,596,934	$ 1,273,487
Bank deposits and notes issued, current portion	3,066,146	1,966,539
Taxes payable	317,302	223,791
Deferred tax liabilities, current portion	100,537	77,893
Subscriber prepayments, current portion	573,192	598,014
Derivative financial instruments	122,737	140,563
Accrued expenses and other current liabilities	2,131,815	1,491,822
Short-term loans payable	1,340,114	724,905
Current portion of long-term debt	1,917,467	1,517,902
Liabilities of the discontinued operations	-	396,132
Total current liabilities	11,166,244	8,411,048
LONG-TERM LIABILITIES:		
Long-term debt, net of current portion	6,165,007	6,106,937
Subscriber prepayments, net of current portion	131,196	134,280
Bank deposits and notes issued, net of current portion	1,429,357	1,401,925
Deferred tax liabilities, net of current portion	628,017	428,030
Postretirement benefits obligation	43,000	42,370
Deferred revenue	135,781	139,984
Total long-term liabilities	8,532,358	8,253,526
TOTAL LIABILITIES	19,698,602	16,664,574
Minority interests in equity of subsidiaries	4,944,721	4,987,220
Commitments and contingencies		-
Puttable shares of SITRONICS	90,675	86,100
SHAREHOLDERS' EQUITY:		
Share capital (9,650,000,000 shares issued; 9,278,981,940 and 9,276,092,868 shares outstanding as of September 30, 2008 and December 31, 2007, respectively, with par value of 0.09 Russian Rubles)	30,057	30,057
Treasury stock (371,018,060 shares as of September 30, 2008 and 373,907,132 shares as of December 31, 2007 with par value of 0.09 Russian Rubles)	(466,345)	(469,365)
Additional paid-in capital	2,439,069	2,439,069
Retained earnings	4,712,131	4,035,157
Accumulated other comprehensive income	516,433	623,846
TOTAL SHAREHOLDERS' EQUITY	7,231,345	6,658,764
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 31,965,343	$ 28,396,658

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(Amounts in thousands of U.S. dollars)

	Nine months ended September 30, 2008	Nine months ended September 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 775,858	$ 1,105,258
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	1,762,330	1,205,403
Gain/(loss) on disposals of property, plant and equipment	(10,208)	3,939
Gain from disposal of discontinued operations	(2,141)	(521,963)
Loss/(income) of discontinued operations	4,282	(960)
Currency exchange and translation gain from non-operating activities	99,769	(151,932)
Gain on disposal of long term investments	(30,091)	-
Gain on disposal of interests in subsidiaries and affiliates	(21,882)	(71,219)
Non-cash compensation to employees	11,309	144,106
Non-cash expenses associated with asset retirement obligation	4,576	-
Minority interests	995,547	800,691
Equity in net income of investees	(223,811)	(170,504)
Deferred income tax expense/(benefit)	(143,851)	(9,809)
Debt issuance cost amortization	18,121	20,750
Change in fair value of derivative financial instruments	46,034	226,882
Amortization of connection fees	(45,380)	(68,783)
Provision for doubtful accounts receivable	107,579	117,601
Provision or VAT	21,471	-
Provision for post-retirement benefits	2,312	-
Allowance) for loan losses	12,403	26,895
Inventory obsolescence expense	9,256	36,019
Changes in operating assets and liabilities, net of effects from purchase of businesses:		
Trading securities	(67,924)	(107,045)
Loans to banks	353,614	(13,307)
Accounts receivable	(272,428)	(198,822)
Prepaid expenses, other receivables and other current assets	(353,072)	35,686
VAT receivable	150,114	18,850
Inventories and spare parts	(218,535)	(209,219)
Accounts payable	168,131	(74,119)
Taxes payable	92,633	(93,536)
Subscriber prepayments	16,843	33,940
Dividends received	8,132	
Accrued expenses and other current liabilities	(223,227)	226,840
Postretirement benefits obligation	(562)	7,746
Net cash provided by operations	$ 3,047,202	$ 2,319,388
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(2,376,605)	(1,314,738)
Purchases of intangible assets	(704,851)	(218,221)
Purchases of businesses, net of cash acquired	(1,627,857)	(962,507)
Proceeds from disposals of interests in subsidiaries and affiliates, net of cash disposed	224,784	636,683
Purchases of long-term investments	(3,884)	(103,055)
Proceeds from sale of long-term investments	30,091	20,000
Purchases of other non-current assets	(103,775)	(208,933)
Proceeds from sale of other non-current assets	196,201	85,890
Decrease in restricted cash	341,720	44,452
Purchases of short-term investments	(178,838)	(461,175)
Proceeds from sale of short-term investments	307,656	272,616
Proceeds from sale of property, plant and equipment	79,312	14,912
Net increase in loans to customers	(1,126,980)	(861,261)
Net cash used in investing activities	$ (4,943,026)	$ (3,055,337)

SFC SISTEMA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(Amounts in thousands of U.S. dollars)

	Nine months ended	
	September 30, 2008	**September 30, 2007**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on short-term borrowings, net	805,233	(733,267)
Net increase in deposits from customers	792,015	610,499
Net increase in bank debt securities issued	345,327	137,024
Debt issuance costs	(907)	(12,391)
Proceeds from long-term borrowings, net of debt issuance costs	2,524,457	1,640,694
Principal payments on long-term borrowings	(2,318,729)	(367,954)
Principal payments on capital lease obligations	(4,278)	(8,091)
Purchases of treasury stock	-	(160,473)
Payments to shareholders of subsidiaries	(34,121)	(240,000)
Dividends paid	(96,824)	(17,942)
Proceeds from sale of treasure stock	3,020	-
Proceeds from capital transactions of subsidiaries	131,000	356,463
Net cash provided by financing activities	$ 2,146,193	$ 1,204,562
Effects of foreign currency translation on cash and cash equivalents	$ (115,878)	$ 6,685
INCREASE IN CASH AND CASH EQUIVALENTS	$ 134,491	$ 475,298
CASH AND CASH EQUIVALENTS, beginning of the period	1,061,733	598,381
CASH AND CASH EQUIVALENTS, end of the period	$ 1,196,224	$ 1,002,460
CASH PAID DURING THE PERIOD FOR:		
Interest, net of amounts capitalized	$ (323,523)	$ (321,122)
Income taxes	(958,122)	(853,226)

SISTEMA JSFC AND SUBSIDIARIES
UNAUDITED SEGMENTAL BREAKDOWN
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(Amounts in thousands of U.S. dollars)

For the nine months ended September 30, 2008	Telecommu-nications	Tech-nology & Industry	Consumer	Corporate and Other	Total
Net sales to external customers [a]	9,208,606	1,515,232	1,907,709	21,839	12,653,386
Intersegment sales	5,898	248,607	88,858	3,550	346,913
Depreciation and amortization	1,638,757	56,181	60,327	7,065	1,762,330
Interest income	51,485	6,952	8,126	51,528	118,091
Interest expense	223,108	45,372	40,007	119,362	427,849
Net interest revenue[b]	-	-	59,984	-	59,984
Operating income/(loss)	2,873,635	52,236	42,793	(41,138)	2,927,526
Income tax expense	(663,606)	(31,368)	(32,246)	(90,069)	(817,289)
Segment assets	18,669,267	2,890,675	9,947,868	3,175,917	34,683,727
Indebtedness[c]	(4,292,678)	(916,788)	(2,091,471)	(2,121,651)	(9,422,588)
Capital expenditures	2,394,011	215,141	385,898	86,406	3,081,456

[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
[d] - Excluding dividends received by the Corporate segment from the Group’s subsidiaries in amount of US$ 592.8 million.

For the nine months ended September 30, 2007	Telecommu-nications	Tech-nology & Industry	Consumer	Corporate and Other	Total
Net sales to external customers [a]	7,015,313	1,166,742	1,056,764	12,379	9,251,198
Intersegment sales	8,289	121,766	19,922	12,039	162,016
Depreciation and amortization	1,098,937	44,716	31,205	5,744	1,180,602
Interest income	39,535	18,089	11,639	47,108	116,371
Interest expense	370,474	39,257	19,422	123,050	552,203
Net interest revenue[b]	-	-	34,332	-	34,332
Operating income/(loss)	2,528,665	(122,595)	(51,557)	(69,795)	2,284,718
Income tax expense	(673,777)	(18,405)	(26,677)	(33,447)	(752,306)
Segment assets	15,165,814	2,244,747	5,486,647	3,530,189	26,427,397
Indebtedness[c]	3,964,481	592,185	1,264,109	1,644,289	7,465,064
Capital expenditures	983,721	189,242	355,392	16,546	1,544,901

[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
[d] - Excluding dividends received by the Corporate segment from the Group’s subsidiaries in amount of US$ 351.5 million.

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:

	July-September 2008	**July-September 2007**	**Jan-September 2008**	**Jan-September** 2007
Operating Income	**1,065,488**	905,763	**2,854,063**	2,328,495
Depreciation and Amortization	**(613,077)**	(431,158)	**(1,762,330)**	(1,180,602)
OIBDA	**1,678,565**	1,336,921	**4,616,393**	3,509,097