



FOR IMMEDIATE RELEASE

April 28, 2011

UNAUDITED FINANCIAL RESULTS FOR THE FOURTH QUARTER AND AUDITED FINANCIAL RESULTS FOR THE FULL YEAR ENDED DECEMBER 31, 2010

Moscow, Russia – April 28, 2011 – JSFC Sistema (“Sistema” or the “Group”) (LSE: SSA), the largest diversified public financial corporation in Russia and the CIS, today announced its unaudited consolidated US GAAP financial results for the fourth quarter and audited financial results for the full year ended December 31, 2010.

FOURTH QUARTER HIGHLIGHTS

- Revenues up 19.5% YoY to US\$ 7.7 billion
- OIBDA increased by 22.2% YoY to US\$ 1.9 billion, with an OIBDA margin of 25.0%
- Net income attributable to the Group more than doubled YoY to US\$ 447.3 million
- Net debt at the Corporate Holding level declined QoQ to US\$ 684.5 million from US\$ 1.9 billion
- The Oil & Energy business unit contributed US\$ 3.6 billion (47.4%) and US\$ 1.02 billion (53.3%) to the Group’s consolidated revenues and OIBDA, respectively

FULL YEAR HIGHLIGHTS

- Revenues up 49.9% YoY to US\$ 28.1 billion
- OIBDA increased by 8.6% YoY to US\$ 7.3 billion, with an OIBDA margin of 26.0%
- Net income attributable to the Group decreased by 44.1% YoY to US\$ 918.7 million

KEY CORPORATE HIGHLIGHTS FOR 2010

- Signed a Framework Agreement with the Indian national oil and energy holding company ONGC Videsh to consider opportunities for a potential transaction involving Sistema’s and ONGC’s oil & gas assets
- Sold remaining 27.6% stake in Sistema-Hals for a total cash consideration of US\$ 70 million
- Sold a 25%+1 share stake in OJSC Detsky Mir-Center to Sberbank through an additional share issue for a total consideration of RUB 3.4 billion (approximately US\$ 113 million).

- Agreed to establish a joint venture between Intourist and Thomas Cook and sell 51% stake in the new entity to Thomas Cook for a total consideration of US\$ 45 million.
- Signed an agreement with the Russian Federation regarding an investment in Shyam TeleServices for a total consideration of US\$ 600 million – completed in March 2011
- Completed reorganisation of telecom assets in accordance with the agreements between the Group and Svyazinvest, including a share swap in Skylink and MGTS.
- Acquired a 49% stake in OJSC RussNeft.

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

“2010 was a strong year for Sistema which regained its pre-crisis financial strength and completed a number of milestone transactions.

Our Core businesses, MTS and Bashneft have delivered strong financial results substantially increasing Sistema’s revenues and improving our OIBDA. Our Developing assets have also staged a strong recovery, particularly the Consumer Business Unit which despite a difficult start to 2010 delivered a complete turnaround in profitability.

Last year was the most active in Sistema’s history in managing its investments and transforming its portfolio. We have completed a record number of deals, adding further scale and synergies to mature businesses while attracting partners or making exits in other sectors.

With the reorganization of our assets now mostly complete, subsequent to year end Sistema too took a step to align its internal structures as the final stage in its transformation to an investment company. Over the last several years we have shown we can deliver transformational deals to shareholders and our increased focus on active investment management signifies our confidence in this management team and growth opportunities in our market.”

Conference call information

Sistema management will host an analyst conference call today at 9 am (New York time) / 2 pm (London time) / 3 pm (CET) / 5 pm (Moscow Time) to present and discuss the fourth quarter and full year 2010 results.

The dial-in numbers for the conference call are:

UK/ International: +44 20 7190 1595

US: +1 480 629 9835

A replay of the conference call will be available on the Company’s website www.sistema.com for 7 days after the event.

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

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FINANCIAL SUMMARY

(US\$ millions, except per share amounts)	4Q 2010	4Q 2009	Year on Year Change	2010	2009	Year on Year Change
Revenues	7 675.1	6 425.1	19.5%	28 098.5	18 749.8	49.9%
OIBDA	1 921.9	1 572.2	22.2%	7 308.6	6 727.3	8.64%
Operating income	1 164.8	840.1	38.7%	4 362.2	4 236.8	3.0%
Net income attributable to Sistema	447.2	176.8	152.7%	918.7	1 643.4	(44.1%)
Basic and diluted earnings per share (US cents)	4.8	1.9	152.7%	9.9	17.71	(44.1%)

GROUP OPERATING REVIEW

In 2010, Sistema's consolidated revenues increased by 49.9%, compared to 2009, largely as a result of the contribution from the Oil and Energy business unit. Non-telecommunications businesses, including the Oil and Energy business unit, accounted for 59.2% of total Group consolidated revenues in 2010, compared to 46.9% in 2009.

Selling, general and administrative expenses increased by 25.1% year-on-year to US\$ 3,838.5 million in 2010, mainly due to the growth in marketing expenses in MTS as well as consolidation of the full 2010 year Bashneft expenses compared to only nine months consolidation of Bashneft depreciation expenses in 2009.

The Group OIBDA for the full year increased by 8.6% year-on-year following double digit revenue growth with OIBDA margin of 26.0%.

Depreciation, depletion and amortisation expense increased by 18.3% year-on-year to US\$ 2,946.4 million in 2010, mainly due to the consolidation of the full 2010 year Bashneft expense compared to only nine months consolidation of Bashneft expense in 2009.

The Group operating income in 2010 was 3.0% higher than in the previous year, notwithstanding the US\$ 2.8 billion gain on acquisition of Bashkir Oil and Energy assets recognized by the Group in 2009. Such outstanding operating results are due to the strong operational growth in Bashneft. The operating margin in 2010 was 15.5% compared to 22.6% in 2009. The decline in the operating margin result from the growing share of the lower-margin Bashneft operations in the consolidated operations.

The Group's interest expense was US\$ 1,597.2 million for the full year 2010, compared to US\$ 1,246.4 million in the previous year, mainly due to the active policy of short-term borrowings within 2010 and foreign exchange effects resulting from the decrease in average US\$/Ruble exchange rates.

The effective tax rate was 37.3% for full year 2010, compared to 24.4% for 2009. The increase in the effective tax rate resulted from the decrease in non-taxable income, including US\$ 2.8 billion gain on the acquisition of Bashkir Oil and Energy assets in 2009.

The consolidated net income attributable to Sistema decreased by 44.1% from US\$1 643.4 million to US\$ 918.7 million. The decrease resulted mostly from the gain on acquisition of Bashkir Oil and Energy assets recognized in 2009.

OPERATING REVIEW BY BUSINESS UNIT¹

TELECOMMUNICATIONS BUSINESS UNIT

<i>(US\$ millions)</i>	4Q 2010	4Q 2009	Year on Year Change	2010	2009	Year on Year Change
Revenues	3 055.6	2 778.8	10.0%	11 476.2	9 956.0	15.3%
OIBDA	868.6	794.7	9.3%	4 344.8	3 880.4	12.0%
Operating income	320.4	267.6	19.7%	2 282.4	2 016.3	13.2%
Net income attributable to Sistema	257.5	3.3	7 816.2%	579.0	374.9	54.5%
Indebtedness	8 422.8	8 910.7	(5.5%)	8 422.8	8 910.7	(5.5%)
MTS						
Revenues	2 995.1	2 723.5	10.0%	11 293.2	9 867.3	14.5%
OIBDA	1 021.3	1 115.4	(8.4%)	4 735.1	4 400.1	7.6%
Operating income	493.0	617.2	(20.1%)	2 734.6	2 555.9	7.0%
Net income attributable to Sistema	85.6	(12.5)	-	756.5	555.7	36.1%
SSTL						
Revenues	42.9	14.0	206.9%	114.6	36.4	215.1%
OIBDA	(81.6)	(79.8)	-	(329.0)	(222.7)	-
Operating loss	(103.6)	(88.8)	-	(410.8)	(250.8)	-
Net loss attributable to Sistema	(99.4)	(60.0)	-	(349.7)	(191.3)	-
Sistema Mass Media						
Revenues	25.8	43.0	(40.0%)	94.5	87.2	8.3%

¹ Here and further, the comparison of period to period revenues is presented on an aggregated basis, excluding revenues from intra-segment (between entities in the same segment) transactions, but before inter-segment (between entities in different segments) eliminations, unless accompanied by the word "consolidated". Amounts attributable to individual companies, where appropriate, are shown prior to both intra-segment and inter-segment eliminations and may differ from respective standalone results due to certain reclassifications and adjustments.

OIBDA	16.3	(8.3)	297.2%	40.5	(14.3)	384.4%
Operating income / (loss)	0.035	(43.8)	-	2.2	(72.1)	-
Net loss attributable to Sistema	(0.8)	(32.5)	-	(11.5)	(51.7)	-

The Telecommunications Assets business unit comprises MTS, Sistema Shyam TeleServices Ltd. (SSTL), and Sistema Mass Media. In 2010, Sistema completed the consolidation of its telecommunications assets in a series of transactions, involving the sale of Comstar's 25%+1 share stake in Svyazinvest to Rostelecom, the transfer of a 28% stake in MGTS by Svyazinvest to Sistema's subsidiary Sistema-Inventure and the sale of Sistema's holding in Sky Link to subsidiaries of Svyazinvest. In a secondary share issue by SSTL which was completed in March 2011, the Russian government acquired a 17.14% stake in the Indian telecom operator for approximately US\$ 600 million with funds representing Indian government debt to the Russian Federation. SSTL plans to use the proceeds to finance the accelerated development of the business, in particular to strengthen its leading position in wireless broadband, to expand its mono-brand retail network in existing telecommunications circles and to launch in new circles.

The unit's revenues increased by 15.3% year-on-year in 2010. The Telecommunications Assets business unit accounted for 40.8% of the Group's consolidated revenues for the full year 2010, compared to 53.1% in the previous year.

The Telecommunications Assets business unit's OIBDA increased by 12.0% year-on-year for the full year 2010. The OIBDA margin was 37.9% in 2010, compared to 39.0% in the previous year, following the write-downs in the fourth quarter of 2010.

The Telecommunications Assets business unit's net income attributable to Sistema increased by 54.5% year-on-year in 2010 mainly due to the gain from disposal of Sky Link amounting to US\$ 324.7 million.

MTS' total mobile subscriber base exceeded 108.1 million customers at the end of 2010, resulting in a 5.7 million subscriber growth year-on-year. MTS' revenues increased by 14.5% year-on-year in 2010 as a result of the growth of its subscriber base and VAS services, as well as local currencies' appreciation against US dollar. The average monthly service revenue per subscriber ("ARPU") in Russia increased from RUB 248.4 in the fourth quarter of 2009 to RUB 261.9 in the fourth quarter of 2010. Russian subscribers' monthly Minutes of Use (MOU) were up by 18.3% year-on-year and amounted to 259 in the fourth quarter of 2010, compared to 219 in the fourth quarter of 2009.

MTS' broadband subscriber base increased by 31.8% year-on-year to 9.9 million customers in 2010, and its Pay-TV customer base grew to 2.8 million, compared to 2.1 million customers in 2009.

MTS' OIBDA increased by 7.6% year-on-year in 2010. The OIBDA margin decreased year-on-year from 44.6% to 41.9% for 2010, primarily as a result of strong subscriber growth and growth in dealer costs.

SSTL's revenues more than tripled year-on-year in 2010 as a result of strong growth of the mobile subscriber base, the rollout of new networks in four telecom circles and the launch of EV-DO based high speed data services in 99 India's largest cities. SSTL's mobile subscriber

base increased by 27.3% in the fourth quarter and reached 8.4 million customers at the end of 2010. The number of mobile broadband subscribers totalled 430 thousand at the end of 2010.

SSTL's OIBDA loss increased year-on-year due to the growth in expenses associated with the rollout of new mobile networks.

Sistema Mass Media's revenues increased by 8.3% year-on-year in 2010 as a result of the increased film sales, including sales of serials in CIS countries, as well as an increase of content distribution and aggregation as a result of growth of TC Stream.

Sistema Mass Media reported an OIBDA profit for the full year 2010, compared to OIBDA loss in the previous year as a result of a direct consequence of revenue growth and optimization of Selling, general and administrative expenses (SG&A). OIBDA margin has increased 59.3 percentage points and equaled to 42.9%.

In October 2010, Comstar completed a series of transactions with OJSC Rostelecom involving the sale of Comstar's 25%+1 share stake in Svyazinvest to Rostelecom for RUB 26 billion. The proceeds from the sale were used by Comstar to pay off its debt to Sberbank. A share swap in Skylink and MGTS was also a part of the transaction.

In October 2010, Comstar announced the reorganization of its wholly-owned subsidiary CJSC Comstar-Regions, through the integration of sixteen regional incorporated subsidiaries into the company.

OIL & ENERGY BUSINESS UNIT^{2,3}

<i>(US\$ millions)</i>	4Q 2010	4Q 2009	Year on Year Change	2010	2009	Year on Year Change
Revenues	3 593.5	2 638.8	36.2%	13 318.0	5 730.7	132.4%
OIBDA	1 023.9	488.0	109.8%	3 004.3	1 086.0	176.7%
Operating income	850.8	316.4	168.9%	2 295.3	587.8	290.5%
Net income attributable to Sistema	290.3	125.0	132.2%	927.0	391.4	136.9%
Indebtedness	3 932.6	2 500.4	57.3%	3 932.6	2500.4	57.3%
Bashneft						
Revenues	3 113.1	2 102.4	48.1%	11 578.7	4 134.4	180.1%
OIBDA	933.5	317.1	194.4%	2 344.4	680.8	244.4%

² Here and further, OIBDA, Operating income and Net income of the Bashkir Oil & Energy assets are shown without an effect of the gain on the acquisition of Bashkir Oil & Energy assets.

³ Data for 2009 include period from April to December, this should be taken into account considering year on year change.

Operating income	891.6	278.6	220.1%	2 165.4	565.3	283.1%
Net income attributable to Sistema	481.7	155.5	209.8%	1 112.0	320.3	247.2%
Refinery						
Revenues	389.6	399.0	(2.4%)	1 490.5	1,083.2	37.6%
OIBDA	138.3	140.2	(1.4%)	555.9	291.5	90.7%
Operating income	40.9	44.6	(8.3%)	161.0	4.6	3 379.3%
Net income attributable to Sistema	20.7	22.2	(6.4%)	85.4	4.9	1633.0%
Bashkirenergo						
Revenues	593.1	488.5	21.4%	2 067.8	1 165.4	77.4%
OIBDA	63.3	33.5	89.0%	234.0	107.4	117.9%
Operating income	33.7	6.1	454.7%	116.5	25.2	362.7%
Net income / (loss) attributable to Sistema	5.6	(2.9)	-	23.7	3.5	583.6%
Bashkirnefteproduct						
Revenues	217.6	209.1	4.1%	857.0	531.1	61.4%
OIBDA	(17.5)	8.7	-	6.5	37.4	(82.7%)
Operating (loss) / income	(22.4)	4.1	-	(11.7)	23.9	-
Net (loss) / income attributable to Sistema	(11.0)	1.8	-	(3.5)	15.9	-

The Oil and Energy business unit comprises companies of the Bashkir Oil and Energy Group, as well as Sistema's 49% stake in RussNeft which is accounted for by the equity method. The unit's operating results are included in the Group's consolidated results for the full year 2010, compared to nine months in 2009.

The unit's revenues nearly tripled year-on-year in 2010 as a result of increased oil production, increased volumes of oil products sold following the cancellation of the tolling scheme, increased effectiveness of the companies in the business unit, and rising oil prices. The unit contributed 47.4% of the Group's consolidated revenues in 2010, compared to 30.6% for the nine months of the previous year.

The business unit's OIBDA increased year-on-year by US\$ 477 million gain resulted from the acquisition of significant control in OAO Belkamneft and growth in sales. OIBDA margin was 22.6% in 2010, compared to 19.0% in the previous year.

The business unit's net income attributable to Sistema more than doubled year-on-year in 2010.

Bashneft's revenues nearly tripled year-on-year as its oil production reached approximately 14.1 million tonnes of oil, compared to 9.4 million tonnes for the nine months of 2009. In 2010, Bashneft sold 18.8 million tonnes of oil products compared to 6.8 million tonnes in 2009 year.

Bashneft's OIBDA more than tripled year-on-year as a result of growth in oil and oil products sales volumes in 2010.

The Group's refineries, which consist of four oil refinery companies, Ufaneftekhim, Ufimsky NPZ, Novoil and Ufaorgsintez, processed 21.2 million tonnes of crude oil in 2010, compared to 20.7 million tonnes in the previous year. The Group's refineries revenue from processing services increased by 37.6% year-on-year to US\$ 1,490.5. This increase, net of effect of comparing full 2010 to 9-month period of 2009, was primarily driven by increased volumes of processing.

The Refinery business OIBDA nearly doubled year-on-year primarily due to higher rates for processing services.

Bashkirnefteproduct's revenues increased by 61.4% year-on-year mainly due to increased volumes of oil products sold. At the end of 2010 the total number of petrol stations owned and operated by Bashkirnefteproduct was 318 as the company continued to develop its own sales network.

Bashkirnefteproduct's OIBDA decreased by 82.6% year-on-year due to provisions for business litigations made in 2010.

Bashkirenergo's revenues increased by 77.4% year-on-year in 2010, as a result of the growth in retail electricity consumption and average retail electricity tariffs, as well as the increase in wholesale energy sales. Bashkirenergo generated 22,612 million kW/h of electricity and supplied 24,128 thousand Gcal of heat in 2010, compared to 19,834 million kW/h of electricity and 23,899 thousand Gcal of heat supplied in the previous year.

The energy business' OIBDA more than doubled year-on-year with OIBDA margin expanding to 11.3%, compared to 9.2% in the previous year.

In December 2010, Federal Agency for Subsoil Use recommended Bashneft as the preferred bidder for Trebs and Titov oil fields to the Russian Government.

In December 2010, the Bashneft EGM of shareholders elected a new Board of Directors and the Audit Commission.

In December 2010, the Bashneft EGM of shareholders approved the dividend payment for the first nine months of 2010.

In October 2010, each of Bashneft's five subsidiaries held Extraordinary General Meetings of shareholders. The EGMs approved a new edition of the Charter and the regulations for General Meetings of shareholders, as well as bylaws relating to the Board of Directors, the General Director and the Audit Commission.

In October 2010, the Board of Directors of Bashneft adopted a Code of Business Conduct and Ethics and approved a Regulation on the Corporate Secretary of Bashneft.

CONSUMER BUSINESS UNIT

<i>(US\$ millions)</i>	4Q 2010	4Q 2009	Year on Year Change	2010	2009	Year on Year Change
Revenues	545.6	566.2	(3.7%)	1 978.7	1 896.8	4.3%
OIBDA	154.3	(100.0)	-	205.7	(183.8)	-
Operating income / (loss)	137.8	(115.7)	-	144.6	(236.2)	-
Net income / (loss) attributable to Sistema	103.1	(132.9)	-	80.5	(326.4)	-
Indebtedness	362.0	403.0	(10.2%)	362.0	403.0	(10.2%)
Banking						
Revenues	147.9	197.7	(25.2%)	613.8	720.4	(14.8%)
OIBDA	26.1	(110.6)	-	39.9	(63.5)	-
Operating income / (loss)	20.6	(114.3)	-	21.3	(77.1)	-
Net income / (loss) attributable to Sistema	12.7	(110.9)	-	10.1	(91.4)	-
Retail						
Revenues	220.2	190.2	15.8%	659.9	583.1	13.2%
OIBDA	39.4	19.0	107.0%	40.9	(47.4)	-
Operating income / (loss)	35.4	13.6	159.6%	24.4	(65.1)	-
Net income / (loss) attributable to Sistema	21.7	(3.8)	-	(3.1)	(99.1)	-
Tourism						
Revenues	122.8	113.3	8.4%	518.2	399.7	29.7%
OIBDA	(1.7)	0.6	-	6.9	7.8	(11.7%)
Operating loss	(4.4)	(2.4)	-	(4.0)	(1.1)	-
Net (loss) attributable to Sistema	(7.9)	(4.3)	-	(15.5)	(8.8)	-
Healthcare						
Revenues	45.1	38.4	17.5%	156.5	125.9	24.3%
OIBDA	3.0	2.5	20.3%	17.1	6.2	174.7%
Operating income / (loss)	0.2	(0.5)	-	8.1	(0.4)	-
Net loss attributable to Sistema	(2.8)	(2.9)	5.0%	(2.5)	(7.3)	66.3%

The Consumer Assets business unit comprises the Banking, Retail, Tourism and Healthcare businesses. In 2010, Sistema continued its efforts to streamline the portfolio of its consumer businesses, creating a joint venture with Thomas Cook (JV will own tourism business of Intourist) and equity issue of 25%+1 share in Detskiy Mir-Centre, an operating company of its

retail business, to Sberbank. The unit's revenues increased by 4.3% year-on-year in 2010, following growth in the Retail, Tourism and Healthcare revenues. The unit accounted for 6.9% of consolidated revenues in 2010, compared to 10.0% in the previous year.

The Consumer Assets business unit delivered a turnaround in OIBDA with OIBDA margin expanding to 10.4% in 2010, compared to a loss in the previous year, mainly due to \$70.0 million of the gain from sale of 27.6% the stake Sistema Hals shares and as a result of the improved performance of all businesses.

The Consumer Assets business unit generated net income attributable to Sistema in 2010, compared to a significant net loss in the previous two years.

The Banking business' revenues declined by 14.8% year-on-year in 2010 due to a contraction in debt securities' and loans' portfolio, as well as a decrease in average interest rates charged on loans to corporate and retail customers.

The Banking business' loan portfolio, excluding leases, decreased by 16.64% year-on-year to US\$ 4 603 million as of December 31, 2010. The retail deposits-to-loans ratio stood at 236.7% in the end of 2010. Interest income received from retail and corporate lending operations decreased by 16.91% year-on-year to US\$ 529.7 million in 2010. The retail banking business included 162 points of sales, including 23 points located in Moscow and 138 points in 37 Russian regions, as well as 1 in Luxembourg at the end of 2010.

The Banking business reported an OIBDA profit in 2010, compared to an OIBDA loss in the previous year, as a result of provisions' growth rate decrease.

Revenues from the Retail business increased by 13.2% year-on-year in 2010 mainly due to organic growth (three stores were open during 2010). The network of retail outlets included 131 stores located in 67 Russian cities, whilst the aggregate retail space was 214.5 thousand square meters at the end of 2010.

The Retail business reported a significant OIBDA growth in 2010, compared to OIBDA loss in the previous year, following the introduction of a large-scale cost cutting programme.

The Tourism business' revenues increased by 29.7% year-on-year in 2010 as a result of better market conditions and following the launch of new travel routes. The business serviced 812.1 thousand customers in 2010, compared to 667.3 thousand clients in the previous year. The hotel group's total number of rooms owned, managed and rented was 3,059 at the year end.

OIBDA for the Tourism business decreased by 11.7% year-on-year in 2010, due to increase in competition of the competitors.

The Healthcare Services business' revenues increased by 24.3% year-on-year in 2010 as a result of the growth in volume of services by 13.1% year-on-year to 6.0 million, the increase in number of visits to medical clinics by 10.6% year-on-year to 3.4 million, and the rise in the average bill by 12.4% year-on-year to US\$ 45.5, despite unfavourable weather conditions in the third quarter of 2010. At the end of 2010, the network consisted of 80 medical clinics and hospitals, including 20 based in Moscow and Moscow region, as well as 4 fitness clubs. The business opened the second section of the medical centre in Moscow (near Belorusskya) and a clinic in Schelkovo

(near Moscow) extending the total health space to 46,914 square meters, an 18.3% increase year-on-year.

Healthcare Services business OIBDA nearly tripled year-on-year in 2010, following higher revenues, which outstripped the growth in costs, and the fall in the operating loss on investment projects.

In December 2010, Sistema completed the sale of its 27.6% stake in Sistema-Hals to Blairwood Limited and Stoneflower Limited (each acquired the stake of 13.8%) for a total cash consideration of US\$ 70 million.

In December 2010, OJSC Detskiy Mir-Center increased the company's share capital through an additional share issue offered to Sberbank in a private placement. Detskiy Mir-Center issued 743 shares with a par value of RUB 100, representing 25%+1 share of the company's share capital after the additional issue. Sberbank acquired the stake in Detskiy Mir-Center for a total consideration of approximately RUB 3.4 billion.

In November 2010, OJSC Intourist and Thomas Cook Group Plc have agreed to establish a joint venture for Intourist's tour operating and retail businesses and a sale of a 50.1% stake in the newly formed entity to Thomas Cook for a total stock and cash consideration of US\$ 45 million. The new joint venture will include Intourist's tour operating and retail businesses. Intourist will have a 49.9% stake in the joint venture while Thomas Cook will acquire a 50.1% stake in the joint venture for a total consideration of US\$ 45 million of which US\$ 10 million is to be payable in cash and US\$ 35 million due in Thomas Cook's shares. Intourist will retain its hotel business. In addition, Thomas Cook and Intourist entered into an option agreement exercisable over the next five years under which Thomas Cook may call, and Intourist may put, Intourist's remaining shares in the new company.

TECHNOLOGY & INDUSTRY BUSINESS UNIT

<i>(US\$ millions)</i>	4Q 2010	4Q 2009	Year on Year Change	2010	2009	Year on Year Change
Revenues	714.0	601.7	18.7%	1 781.6	1 508.5	18.1%
OIBDA	44.0	5.0	776.6%	143.8	61.6	133.4%
Operating income	25.6	(13.2)	-	37.6	(6.4)	-
Net loss attributable to Sistema	(25.1)	(5.5)	-	(63.5)	(64.6)	1.7%
Indebtedness	935.6	926.2	1.0%	935.6	926.2	1.0%
High Technology						
Revenues	484.5	398.8	21.5%	1 166.9	1 024.2	13.9%
OIBDA	64.1	(24.1)	-	114.9	0.9	13 403.3%
Operating income/ (loss)	43.9	(39.8)	-	24.1	(54.8)	-
Net income / (loss) attributable to Sistema	13.4	(20.9)	-	(31.9)	(83.0)	-

Radars and Aerospace

Revenues	169.3	159.3	6.2%	506.0	409.9	23.5%
OIBDA	13.5	16.5	(17.9%)	69.5	51.3	35.4%
Operating income	11.0	12.2	(9.8%)	57.5	39.2	46.7%
Net (loss) / income attributable to Sistema	(6.2)	6.1	-	15.2	13.8	10.2%

Pharmaceuticals

Revenues	7.8	33.6	(76.9%)	32.1	55.7	(42.3%)
OIBDA	(27.6)	10.6	-	(27.9)	10.8	-
Operating (loss) / income	(29.5)	9.7	-	(34.1)	8.2	-
Net (loss) / income attributable to Sistema	(30.4)	6.9	-	(33.9)	3.9	-

The High Technology and Industry business unit comprises the High Technology, Radars and Aerospace, and Pharmaceuticals businesses, as well as JSC NIS and M2M Telematics. The unit's revenues increased by 18.1% year-on-year in 2010, largely as a result of growth in the High Technology and Radars and Aerospace businesses. The unit accounted for 4.7% of consolidated revenues in 2010, compared to 6.3% in the previous year.

The High Technology and Industry business unit's OIBDA more than doubled year-on-year in 2010, following a significant expansion of OIBDA in the High Technology business, compared to a loss in the previous year.

The High Technology and Industry business unit reported a net loss attributable to Sistema in 2010 in line with the previous year, despite the reduction in net loss of the High Technology business and as a result of a large loss generated by the Pharmaceuticals business.

Revenues for the High Technology business increased by 13.9% year-on-year in 2010 due to growth in the Information Technologies and Microelectronics business segments.

The High Technology business' OIBDA expanded substantially in 2010, compared to the loss in the previous year, with OIBDA margin of 9.9%. Year-on-year increase resulted from large amount of provisions for accounts receivable and impairment of inventories, fixed assets and investments in OIBDA in 2009 while OIBDA in 2010 has a smaller volume of these provisions.

The Radars and Aerospace business' revenues increased by 23.5% year-on-year in 2010 as a result of completion of several large contracts and increased government spending on defense.

OIBDA of the Radars and Aerospace business increased by 35.4% year-on-year in 2010 with OIBDA margin of 13.7%, compared to 12.5% in the previous year, due to revenue growth and higher profitability of completed projects.

The Pharmaceuticals business' revenues declined by 42.3% year-on-year in 2010, following a reduction in supply volumes of the federal vaccine project and a delay in the production of new drugs.

The Pharmaceuticals business reported an OIBDA loss in 2010, compared to OIBDA profit in the previous year, following decrease in profitability on the produced and distributed drugs and revaluation of some of the assets.

In November 2010, Sistema has completed the acquisition of 51% of JSC NIS, including 25.5% from the Concern RTI Systems and 25.5% from JSC SITRONICS.

In November 2010, the Extraordinary General Meeting of SITRONICS' shareholders approved a number of related party transactions with regard to guarantying obligations of Mikron JSC and SITRONICS-Nano, LLC.

In October 2010, RTI Systems signed an investment agreement with the Russian Corporation of Nanotechnologies (RUSNANO), the Joint Institute for Nuclear Research, IT Co. Ltd. and JSC Special Economic Zones, to establish International Innovative Nanotechnology Center in Dubna, Russia.

CORPORATE & OTHER

<i>(US\$ millions)</i>	4Q 2010	4Q 2009	Year on Year Change	2010	2009	Year on Year Change
OIBDA ³	(108.8)	801.8	-	(281.3)	328.6	-
Net loss	(161.5)	700.1	-	(538.6)	(12.1)	-
Indebtedness	1 749.5	2 704.9	(35.3%)	1 749.5	2 704.9	(35.3%)

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

In December 2010, Sistema signed a framework agreement with the Indian national oil and energy holding company ONGC Videsh. Within the agreement, the parties agreed to consider opportunities for a potential transaction involving Sistema's majority stake in JSC Bashneft and 49% stake in RussNeft, each of which owns and operates numerous fields and refining assets, and ONGC Videsh's 100% stake in Imperial Energy Corp., which owns and operates fields in Russia, along with any other oil and gas assets which the aforesaid companies may acquire before definitive agreements are signed, plus possible cash investments. The parties further agree to consider joint investments in each other's existing and future exploratory assets in key countries.

In October 2010, Sistema completed the transactions described in the Memorandum of Understanding signed between OJSC Comstar-UTS, JSFC Sistema and OJSC Svyazinvest on November 23, 2009. Svyazinvest transferred its 28% ordinary share stake in MGTS (23.3% of the share capital of MGTS) to the Group in exchange for Group's 50% ordinary share stake in CJSC Sky Link to Svyazinvest. In addition, Sistema sold Sky Link's shareholders debt to subsidiaries of Svyazinvest. Comstar-UTS and its subsidiary MGTS Finance S.A. transferred a 25% + 1 share in Svyazinvest to OJSC Rostelecom in return for a cash payment of RUB 26 billion, with OJSC Comstar-UTS using these funds to pay off its debt obligations to Sberbank.

³ Here and further, OIBDA and net income (loss) of the Corporate & Other segment are shown without an effect of one-off write-offs.

FINANCIAL REVIEW

Net cash provided by operations in 2010 increased by 10.1% year-on-year to US\$ 4,056.0 million and decreased by 19.28% quarter-to-quarter due to changes in working capital.

Net cash used in investing activities totaled US\$ 4,589.6 million in 2010, compared to US\$ 6,070.8 million in 2009, and totaled US\$3,710.8 million in the fourth quarter 2010 compared to US\$1,858.3 million in the fourth quarter 2009. The Group spent US\$ 4,179.6 million on capital expenditure, compared to US\$ 3,434.4 million spent in 2009. The Group paid US\$ 364.5 million for the acquisition of businesses, net of cash received, in 2010 including the purchase by MTS of 100% stake in JSC Multiregion for US\$ 123.5 million, the purchase of the remaining stake in SkyLink, a Group's affiliate, which increased Sistema's effective ownership to 100.0% for US\$ 168.5 million, as well as other acquisitions by the Group during the year.

Net cash outflow from financing activities amounted to US\$ 6.9 million in 2010, compared to an inflow of US\$ 5,207.9 million in 2009. In the fourth quarter of 2010 cash inflow from financing activities amounted to \$ 1,824.6 million compared to cash outflow \$ 1,212.7 million in the fourth quarter of 2009. The Group spent US\$ 787.4 million for the acquisition of additional stakes in its subsidiaries in 2010, and \$ 171.9 million in the fourth quarter 2010 (mainly due to the purchase by the Group of a 10% stake in Sistema-Invest for a cash consideration of \$120 million).

Other major changes in financing in the fourth quarter of 2010 included:

- a voluntary repayment by MTS of the second tranche of the syndicated loan (ING Bank N.V., The Bank of Tokyo-Mitsubishi, Bayerische Landesbank, HSBC, Raiffeisen, Sumitomo) in the amount of \$161.5 million; the loan was originally signed in April 2006 and carried a 5-year maturity;
- redemption by MTS of the \$ 400.0 million 2010 eurobonds;
- placement of the series 07 and series 08 ruble-denominated bonds totaling RUB 25 billion (approximately \$820.3 million);
- signing of an agreement with Sberbank to open two non-revolving lines of credit for a total amount of RUB 100.0 billion (approximately \$ 3,281.2 million);
- a voluntary repayment by Sistema of the \$ 341.7 million loan from Sberbank; the loan was originally signed in July 2008 and carried a 5-year maturity;
- placement by Sitronics of the RUB 3 billion (approximately \$ 98.8 million) bonds maturing 2013;
- a voluntary repayment by Bashneft of the \$ 250.0 million loan from VTB-Capital; the loan was originally signed in August 2010 and carried a 7-year maturity;
- the redemption by the Group the Sistema Capital notes amount of \$ 89.1 million;

In addition, cash outflow from financial activities in the fourth quarter resulted from dividends payments by Bashneft and MTS in the amount of \$823.6 million and the net increase in liabilities of the Banking business's operations totaling \$1,167.7 million.

The Group's cash balances stood at US\$ 5,050.7 million as of December 31, 2010, compared to US\$ 5,600.5 million as of December 31, 2009 (including amount of US\$ 2,785.6, comprised of the banking activity). The Group's net debt (short-term and long-term debt less cash and cash equivalents) amounted to US\$ 13,137.4 million as of December 31, 2010, compared to US\$ 12,008.5 million as of December 31, 2009.

SIGNIFICANT EVENTS FOLLOWING THE END OF THE REPORTING PERIOD

Telecommunications Business Unit

In March 2011, Sistema announced an increase in the share capital of Sistema Shyam TeleServices Ltd., by means of an additional share issue. Following the placement, SSTL increased its share capital by INR 28,894.5 million (approximately US\$ 647 million). The Russian government, represented by Rosimushchestvo (the Federal Agency for State Property Management), acquired a 17.14% stake in SSTL for INR 26,988 million (approximately US\$ 600 million). The Russian Federation's portion of the transaction was financed with funds held in Indian rupees, which represented Indian government debt to the Russian Federation. Following the completion of the secondary share issue, Sistema's stake in SSTL amounts to 56.68%, while Indian investors own 26.05%.

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

In February 2011, CJSC Sistema-Inventure, a wholly-owned subsidiary of Sistema, acquired more than 1% of MGTS ordinary shares at RUB 436.2 per share, for a total cash consideration of RUB 370 million (approximately US\$ 12.3 million). The purchase was made in accordance with the mandatory tender offer announced by Sistema on November 13, 2010.

In March 2011, appointment of Andrey Dubovskov as Chief Executive Officer of MTS.

Oil & Energy Business Unit

In April 2011, Sistema announced that the Board of Directors of ANK Bashneft JSC has approved changes to the organizational structure of Bashneft and appointed Alexander Korsik as President of the company. Prior to his appointment, Mr. Korsik has held the position of Senior Vice-President of Sistema and Head of its Oil and Energy Business Unit.

In February 2011, Sistema received an official notice from the Government of the Russian Federation that the Prime Minister of the Russian Federation signed Decree No 152-r granting the licence for the development of the Trebs and Titov oil fields to ANK Bashneft, Sistema's oil subsidiary. According to the decree, Bashneft should receive the licence for subsoil deposits, which includes oil fields named after Roman Trebs and Anatoly Titov located in the Nenets autonomous district of Russia. Bashneft was granted the licence to explore and produce crude oil following a tender, held in accordance with government decree No 1232-r dated July 20, 2010. In accordance with the tender, Bashneft will pay approx. RUB 18.5 billion for the license. According to the tender documents, total recoverable oil reserves (C1+C2) of both fields amount to 140.1 million tonnes.

Consumer Business Unit

In January 2011, Medsi appointed Galyna Talanova as new President of the company.

Technology & Industry Business Unit

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

In March 2011, Sistema approved the sale of its stake in OJSC SITRONICS to OJSC RTI. Sergey Boyev, previously Vice President of Sistema and the Head of “High Technologies and Industry” business unit, was earlier appointed as General Director of OJSC RTI.

In March 2011, the EGM of Sistema approved the creation of OJSC RTI, the company founded with the participation of the Bank of Moscow. The EGM was held by proxy with 78.87% of shareholders’ votes received in favour of the transaction. The deal was closed on February 24, 2011, following the receipt of the Federal Antimonopoly Services permission and issuance of 84.6% of the share capital in the newly established company to Sistema and 15.4% to the Bank of Moscow. As previously announced, Sistema established OJSC RTI with the Bank of Moscow, which invested RUB 3 billion (approximately US\$ 100 million) of cash into the new entity. Sistema contributed its 97% stake in OJSC Concern RTI Systems and RUB 2.88 billion (approximately US\$ 97 million) in cash to the new entity’s charter capital.

Corporate & Other

In March 2011, Sistema appointed Mikhail Shamolin, the former President and CEO of Mobile TeleSystems (MTS), as President of Sistema.

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

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

In February 2011, Sistema’s Board of Directors has convened an EGM of shareholders to approve a related party transaction involving the acquisition of shares in OJSC RTI, a new company established with the participation of the Bank of Moscow. The EGM will be called by proxy with the final date for the receipt of ballots set for March 18, 2011.

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Sistema is the largest diversified public financial corporation in Russia and the CIS, which invests in and is a major shareholder of companies serving over 100 million customers in the sectors of telecommunications, high technology, oil and energy, radars and aerospace,

banking, retail, mass-media, tourism and healthcare services. Founded in 1993, the company reported revenues of US\$ 28.1 billion for the full year of 2010, and total assets of US\$ 44.1 billion as at December 31, 2010. Sistema's global depository receipts are listed under the symbol "SSA" on the London Stock Exchange. Sistema's ordinary shares are listed under the symbol "AFKS" on the RTS Stock Exchange, under the symbol "AFKC" on the MICEX Stock Exchange, and under the symbol "SIST" on the Moscow Stock Exchange (MSE).

Some of the information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of Sistema. You can identify forward looking statements by terms such as "expect," "believe," "anticipate," "estimate," "intend," "will," "could," "may" or "might" the negative of such terms or other similar expressions. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. In addition, there is no assurance that the new contracts entered into by our subsidiaries referenced above will be completed on the terms contained therein or at all. We do not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, general economic conditions, our competitive environment, risks associated with operating in Russia, rapid technological and market change in our industries, as well as many other risks specifically related to Sistema and its operations.

SISTEMA JSFC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS AND THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Amounts in thousands of U.S. dollars except per share amounts)

	Three months ended December 31,		Twelve months ended December 31,	
	2010	2009	2010	2009
Sales	\$ 7,543,739	\$ 6,232,937	\$ 27,509,526	\$ 18,052,589
Revenues from financial services	131,330	192,170	588,947	697,227
TOTAL REVENUES	7,675,069	6,425,107	28,098,473	18,749,816
Cost of sales, exclusive of depreciation and amortization shown separately below	(3,529,085)	(2,876,801)	(11,784,763)	(7,598,159)
Financial services related costs, exclusive of depreciation and amortization shown separately below	(78,236)	(217,115)	(374,037)	(540,263)
Selling, general and administrative expenses	(1,124,072)	(894,876)	(3,838,496)	(3,068,593)
Depreciation, depletion and amortization	(757,149)	(732,133)	(2,946,382)	(2,490,514)
Transportation costs	(111,151)	(87,983)	(535,390)	(159,001)
Provision for doubtful accounts	(46,752)	(91,373)	(146,617)	(261,182)
Loss from impairment of other long-lived assets	(259,083)	(613,597)	(293,919)	(711,585)
Taxes other than income tax	(1,104,234)	(685,176)	(4,118,603)	(1,617,547)
Other operating expenses, net	(19,614)	(115,494)	(267,711)	(452,313)
Equity in net income (loss) of investees	41,683	5,734	92,236	(12,758)
Gain on acquisitions	477,400	723,797	477,400	2,782,835
Loss on disposal of interests in subsidiaries and affiliates	-	-	-	(383,978)
OPERATING INCOME	1,164,776	840,090	4,362,191	4,236,758
Interest income	32,295	89,483	131,428	192,176
Change in fair value of derivative instruments	(524)	(12,830)	(2,062)	(35,200)
Interest expense, net of amounts capitalized	(359,320)	(442,804)	(1,597,238)	(1,246,361)
Currency exchange and translation (loss)/gain	(180)	33,621	26,456	(92,825)
Income from continuing operations before income tax, equity in net income of energy companies in the Republic of Bashkortostan	837,047	507,560	2,920,775	3,054,548
Income tax expense	(395,443)	(376,946)	(1,088,963)	(746,668)
Equity in net income of energy companies in the Republic of Bashkortostan	-	-	-	4,400
Income from continuing operations	\$ 441,604	\$ 130,614	\$ 1,831,812	\$ 2,312,280
Loss from discontinued operations, net of income tax expense of US\$ nil	-	-	(39,269)	-
Loss from disposal of discontinued operations, net of income tax effect of US\$ nil	324,656	-	324,656	(26,194)
NET INCOME	\$ 766,260	\$ 130,614	\$ 2,117,199	\$ 2,286,086
Non-controlling interest	(319,015)	46,181	(1,198,502)	(642,645)
NET INCOME attributable to JSFC Sistema	\$ 447,245	\$ 176,795	\$ 918,697	\$ 1,643,441
Earnings/(loss) per share, basic and diluted (US cent per share):	4.82	1.91	9.90	17.71

JSFC SISTEMA AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2010 AND 2009***(Amounts in thousands of U.S. dollars, except share amounts)*

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,265,068	\$ 3,436,680
Short-term investments	5,489,606	5,184,265
Assets from banking activity, current portion	879,680	575,966
Accounts receivable, net	1,726,674	1,334,169
Prepaid expenses, other receivables and other current assets, net	1,705,955	1,358,226
VAT receivable	649,690	302,703
Inventories and spare parts	1,501,012	1,137,294
Deferred tax assets, current portion	357,821	348,965
Total current assets	<u>14,575,506</u>	<u>13,678,268</u>
NON-CURRENT ASSETS:		
Property, plant and equipment, net	19,039,699	19,266,950
Advance payments for non-current assets	1,426,607	502,481
Goodwill	1,872,520	1,696,993
Other intangible assets, net	3,022,973	2,798,002
Investments in and loans to affiliates	1,147,694	631,822
Investments in shares of Svyazinvest (Note 15)	-	859,668
Assets from banking activity, net of current portion	1,812,743	1,614,968
Debt issuance costs, net	159,803	162,525
Deferred tax assets, net of current portion	317,195	243,569
Long-term investments	469,742	292,277
Other non-current assets	264,629	263,517
Total non-current assets	<u>29,533,605</u>	<u>28,332,772</u>
TOTAL ASSETS	<u>\$ 44,109,111</u>	<u>\$ 42,011,040</u>

JSFC SISTEMA AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF DECEMBER 31, 2010 AND 2009

(Amounts in thousands of U.S. dollars, except share amounts)

	<u>2010</u>	<u>2009</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,775,698	\$ 1,416,118
Liabilities from banking activity, current portion	4,191,836	3,789,248
Taxes payable	674,269	736,834
Deferred tax liabilities, current portion	168,982	87,415
Subscriber prepayments, current portion	579,952	554,409
Accrued expenses and other current liabilities	3,341,647	2,352,489
Short-term loans payable	1,092,599	504,458
Current portion of long-term debt	2,103,405	3,736,708
	<u>13,928,388</u>	<u>13,177,679</u>
LONG-TERM LIABILITIES:		
Long-term debt, net of current portion	12,206,515	11,204,055
Subscriber prepayments, net of current portion	142,316	130,153
Liabilities from banking activity, net of current portion	1,444,783	1,455,402
Deferred tax liabilities, net of current portion	1,636,583	1,610,725
Asset retirement obligation	258,382	189,490
Postretirement benefits obligation	87,201	60,869
Property, plant and equipment contributions	89,067	90,411
	<u>15,864,847</u>	<u>14,741,105</u>
TOTAL LIABILITIES	<u>29,793,235</u>	<u>27,918,784</u>
Commitments and contingencies		
Redeemable non-controlling interests	<u>107,343</u>	<u>82,261</u>
SHAREHOLDERS' EQUITY:		
Share capital (9,650,000,000 shares issued; and 9,281,827,594 shares outstanding with par value of 0.09 Russian Rubles)	30,057	30,057
Treasury stock (368,172,406 shares with par value of 0.09 Russian Rubles; 2009: 371,018,060 shares)	(463,733)	(466,345)
Additional paid-in capital	2,100,323	1,745,386
Retained earnings	6,471,327	5,577,759
Accumulated other comprehensive loss	(171,149)	(93,647)
	<u>7,966,825</u>	<u>6,793,210</u>
Total JSFC Sistema shareholders' equity	<u>7,966,825</u>	<u>6,793,210</u>
Non-redeemable non-controlling interests in equity of subsidiaries	6,241,708	7,216,785
TOTAL EQUITY	<u>14,208,533</u>	<u>14,009,995</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 44,109,111</u>	<u>\$ 42,011,040</u>

JSFC SISTEMA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Amounts in thousands of U.S. dollars)

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 2,117,199	\$ 2,286,086
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation, depletion and amortization	2,946,382	2,490,514
(Gain)/loss from disposal of discontinued operations	(324,656)	26,194
Loss from discontinued operations	39,269	-
Gain on acquisition (see Note 3)	(477,400)	(2,782,835)
Equity in results of affiliates	(92,236)	8,358
Dividends received from affiliates	34,937	107,735
Deferred income tax benefit	(27,932)	(29,954)
Change in fair value of derivative financial instruments	2,062	35,200
Foreign currency transactions (gain)/loss	(26,456)	92,825
Debt issuance cost amortization	89,244	51,707
Non-cash compensation to employees	70,978	10,946
Non-cash expenses associated with asset retirement obligation	8,925	5,916
Loss/(gain) on disposal of interests in subsidiaries and affiliates	-	383,978
Loss from impairment and provisions of other assets	293,919	362,215
Loss from impairment of investment in Svyazinvest	-	349,370
Loss/(gain) on disposal of property, plant and equipment	32,124	8,624
Amortization of connection fees	(95,706)	(36,449)
Provision for doubtful accounts receivable	146,617	261,182
Allowance for loan losses	29,052	34,606
Other	-	18,957
Changes in operating assets and liabilities, net of effects from purchase of businesses:		
Trading securities	120,236	(99,224)
Accounts receivable	(538,393)	(234,463)
VAT receivable	(345,974)	(133,088)
Prepaid expenses, other receivables and other current assets	(348,522)	256,753
Inventories	(406,494)	(120,194)
Accounts payable	230,712	(484,882)
Subscriber prepayments	132,105	77,871
Taxes payable	(64,502)	297,738
Accrued expenses and other liabilities	455,931	442,544
Postretirement benefit obligation	55,331	(3,661)
Net cash provided by operations	<u>\$ 4,056,752</u>	<u>\$ 3,684,569</u>

JSFC SISTEMA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Amounts in thousands of U.S. dollars)

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchases of property, plant and equipment	(3,486,468)	(3,000,930)
Payments for purchases of intangible assets	(693,106)	(433,486)
Payments for purchases of businesses, net of cash acquired	(364,532)	(1,729,063)
Proceeds from sale of subsidiaries, net of cash disposed	307,358	123,165
Payments for purchases of long-term investments	(478,530)	(758,591)
Payments for purchases of short-term investments	(851,325)	(936,122)
Payments for purchases of other non-current assets	(78,286)	(145,914)
Proceeds from sale of other non-current assets	92,430	35,649
Increase/(decrease) in restricted cash	(16,445)	11,778
Proceeds from sale of property, plant and equipment	18,782	5,196
Proceeds from sale of long-term investments	140,979	111,105
Proceeds from sale of short-term investments	461,882	336,127
Net increase in loans to customers and banks of the banking division	357,629	310,209
Net cash used in investing activities	\$ <u>(4,589,632)</u>	\$ <u>(6,070,877)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from/(principal payments on) short-term borrowings, net	460,617	(864,416)
Net increase/(decrease) in deposits from customers of the banking division	597,888	(1,201,192)
Net (increase)/decrease in debt securities issued and other liabilities by the banking division	(225,504)	1,008,365
Advance received for shares of SSTL	602,276	-
Proceeds from long-term borrowings, net of debt issuance costs	5,459,359	11,638,990
Proceeds from capital transactions of subsidiaries	109,112	-
Debt issuance costs	(86,522)	(174,844)
Principal payments on long-term borrowings	(5,302,634)	(4,390,547)
Principal payments on capital lease obligations	(10,420)	(8,755)
Acquisition of noncontrolling interests in existing subsidiaries	(787,434)	(194,233)
Dividends declared by subsidiaries	(823,616)	(605,477)
Proceeds from sale of treasury stock	-	-
Net cash (used in)/provided by financing activities	\$ <u>(6,878)</u>	\$ <u>5,207,891</u>
Effects of foreign currency translation on cash and cash equivalents	\$ (10,110)	\$ 56,436
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	\$ (549,868)	\$ 2,878,019
CASH AND CASH EQUIVALENTS, beginning of the period	5,600,532	2,722,513
CASH AND CASH EQUIVALENTS, end of the period *	\$ <u><u>5,050,664</u></u>	\$ <u><u>5,600,532</u></u>
CASH PAID DURING THE PERIOD FOR:		
Interest, net of amounts capitalized	\$ (1,643,973)	\$ (1,246,503)
Income taxes	(987,696)	(599,907)
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Property, plant and equipment contributed free of charge	\$ 2,814	\$ 3,213
Equipment acquired through vendor financing	-	27,983
Equipment acquired under capital leases	2,567	179,086
Amounts owed for capital expenditures	220,790	285,975
Payable related to business acquisitions	23,281	37,985
* Cash and cash equivalents at the end of the period comprised of the following:		
Non-banking activities	\$ 2,265,068	\$ 3,436,680
Banking activity	2,785,596	2,163,852
	\$ <u>5,050,664</u>	\$ <u>5,600,532</u>

JSFC SISTEMA AND SUBSIDIARIES
UNAUDITED SEGMENTAL BREAKDOWN FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Amounts in thousands of U.S. dollars)

For the year ended December 31, 2010	Telecom- munications	Technology and Industry	Consumer Assets	Oil and Energy	Corporate and Other	Total
Net sales to external customers ^(a)	11,476,224	1,317,291	1,949,670	13,316,711	38,577	28,098,473
Intersegment sales	-	464,339	28,994	1,331	24,736	519,400
Equity in net income of investees	54,544	1,389	228	36,074	17,883	110,118
Interest income	89,757	7,614	3,511	44,104	90,494	235,480
Interest expense	883,042	90,696	52,457	353,110	329,106	1,708,411
Net interest revenue ^(b)	-	-	24,443	-	-	24,443
Depreciation, depletion and amortization	2,062,456	106,181	61,166	709,033	7,546	2,946,382
Operating income	2,282,378	37,638	144,577	2,295,295	(288,791)	4,471,097
Income tax expense/(benefit)	563,067	28,133	15,554	483,495	(1,286)	1,088,963
Investments in affiliates	236,532	220,755	5,132	666,969	29,967	1,159,355
Segment assets	17,886,600	3,003,917	9,028,243	14,588,850	3,466,480	47,974,090
Indebtedness ^(c)	8,422,811	935,586	362,001	3,932,594	1,749,527	15,402,519
Capital expenditures	2,870,697	96,055	65,096	1,088,772	58,954	4,179,574

For the year ended December 31, 2009	Telecom- munications	Technology and Industry	Consumer Assets	Oil and Energy	Corporate and Other	Total
Net sales to external customers ^(a)	9,948,871	1,186,046	1,866,814	5,729,349	18,736	18,749,816
Intersegment sales	7,085	322,410	29,965	1,298	14,131	374,889
Equity in net income of investees	20,413	-	(33,171)	-	4,400	(8,358)
Interest income	113,145	17,876	7,116	33,350	142,500	313,987
Interest expense	632,603	78,022	68,791	218,745	343,170	1,341,331
Net interest revenue ^(b)	-	-	51,887	-	-	51,887
Depreciation, depletion and amortization	1,864,168	68,027	52,414	498,191	7,714	2,490,514
Operating income	2,016,267	(6,408)	(236,193)	3,370,611	670,911	5,815,188
Income tax expense/(benefit)	551,403	(4,943)	5,310	114,667	80,231	746,668
Investments in affiliates	355,749	182,414	-	69,832	26,660	634,655
Segment assets	18,794,885	2,806,649	10,205,498	12,808,809	3,648,072	48,263,913
Indebtedness ^(c)	8,910,702	926,239	403,040	2,500,349	2,704,891	15,445,221
Capital expenditures	2,617,655	333,523	78,220	403,529	1,489	3,434,416

(a) – Interest income and expenses of the banking division are presented as revenues from financial services in the Group’s consolidated financial statements. (b) – The banking division 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 division. 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 businesses and other investments and our ability to incur and service debt. While depreciation and amortization are considered operating costs under generally accepted accounting principles, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. Our OIBDA calculation is commonly used as one of the bases for investors, analysts and credit rating agencies to evaluate and compare the periodic and future operating performance and value of companies. OIBDA can be reconciled to our consolidated statements of operations as follows:

	4Q 2010	4Q 2009	2010	2009
Operating Income	1,164.8	840.1	4,362.2	4,236.8
Depreciation,depletion and amortisation	757.1	732.1	2,946.4	2,490.5
OIBDA	1,921.9	1,572.2	7,308.6	6,727.3