JOINT-STOCK FINANCIAL CORPORATION
SISTEMA

FOR IMMEDIATE RELEASE 17 September, 2008

SISTEMA ANNOUNCES UNAUDITED FINANCIAL RESULTS FOR THE SECOND QUARTER ENDED JUNE 30, 2008

Moscow, Russia – 17 September, 2008 – Sistema (the "Group") (LSE: SSA), the largest diversified public corporation in Russia and the CIS, which manages fast growing companies operating in the consumer services sector, today announced its unaudited consolidated US GAAP financial results for the second quarter ended June 30, 2008.

SECOND QUARTER HIGHLIGHTS

- **Consolidated revenues up by 40.2% year on year to US$ 4.3 billion**
- **OIBDA up 39.9% year on year to US$ 1.5 billion and OIBDA margin of 35.2%**
- **Operating income up 32.4% year on year to US$ 919.5 million and operating margin of 21.5%**
- **Income from continuing operations more than doubled year on year to US$ 289.5 million**
- **Total assets up by 45.6% year on year to US$ 32.7 billion**

Leonid Melamed, President and Chief Executive Officer, commented:

"The Group has delivered another quarter of healthy top line and OIBDA growth, with an OIBDA margin of over 35%. Sistema also generated a 40% year on year increase in operating cash flows. Income from continues operations more than doubled year on year.

We remain focused on the unlocking of the substantial potential of the Group's assets, executing on our strategic objectives branded '5X5>25', and achieving a return on invested capital of over 25% within five years and beyond.

Our priorities are clear – firstly, we are optimizing the existing portfolio structure. We have introduced key operating and financial targets for each of our subsidiaries, with the management teams tasked with generating high levels of revenue growth and customer acquisition, as well as creating and exploiting sales and cost synergies, and enhancing profitability levels. We also engage with best in class strategic partners as and when appropriate, both to benefit from their expertise and accelerate the development of our businesses.

Secondly, our policy is only to invest in those projects with short to medium term return on capital horizons, and to invest in the telecommunications and fast growing consumer industries where we already have a proven track record. Maintaining financial discipline is key to our success and is reflected in the recent raising of the S&P credit ratings on Sistema and its largest subsidiaries.

Finally, we are streamlining and simplifying the Group's management structures. We have adopted a matrix model and formed three new industrial operating units – 'Telecommunications Assets', 'High Technologies and Industry', and 'Consumer Assets' – and we seek to attract, develop and motivate the most talented and hard-working managers in each segment. We are confident that these measures will enable us to deliver and sustain greater returns for shareholders moving forward."

FINANCIAL SUMMARY[1]

(US$ millions)	**2Q 2008**	**2Q 2007**	**Year on Year Change**	**1Q 2008**	**Quarter on Quarter Change**
Revenues	**4,280.4**	3,053.5	40.2%	3,780.4	13.2%
OIBDA[2]	**1,506.0**	1,076.7	39.9%	1,431.8	5.2%
Operating income	**919.5**	694.3	32.4%	869.1	5.8%
Income from continuing operations	**289.5**	124.7	132.2%	388.6	(25.5%)
Basic and diluted earnings per share (US cent)	**3.1**	1.4	122.4%	4.2	(26.2%)

Sistema's consolidated revenues increased by 40.2% year on year and 13.2% quarter on quarter. Sistema's results in the second quarter reflected high levels of revenue growth in the Group's Technology, Retail, Tourism and Banking segments combined with a strong performance in the Telecommunications segment. Non-telecommunications segments accounted for 29% of the Group consolidated revenues in the second quarter, compared to 24% for the corresponding period of 2007 and 27% in the first quarter of 2008. The organic year on year growth for the second quarter of 2008 (excluding businesses acquired or divested since the end of the second quarter of 2007) was 35.8% and amounted to US$ 1.1 billion.

Group OIBDA increased by 39.9% year on year in the second quarter of 2008, as a result of the growth in the Telecommunications, Banking, Tourism and Mass Media segments. The Group's OIBDA margin remained flat year on year at 35.2% in the second quarter of 2008. OIBDA rose by 5.2% quarter on quarter. MTS demonstrated strong growth in OIBDA of 33.5% year on year in the second quarter of 2008 with an OIBDA margin of 51.4% as a result of the continued increase in usage and ARPU levels in its Russian operations. Comstar UTS OIBDA decreased by 6.1% year on year in the second quarter with an OIBDA margin of 38.2% due to the impact of the various regulatory changes introduced during the first half of the year.

Group operating income was up 32.4% year on year in the second quarter, and by 5.8% quarter on quarter. The Group's operating margin was 21.5% in the second quarter of 2008, compared to 23.0% in the first quarter of 2008 and 22.7% in the second quarter of 2007.

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

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

Depreciation and amortization expense was up 53.3% year on year and 4.2% quarter on quarter to US$ 586.5 million in the second quarter, following the growth in depreciable and amortizable assets of the Group.

Selling, general and administrative expenses increased by 84.7% year on year and 11.9% quarter on quarter to US$ 893.8 million in the second quarter as a result of the corresponding growth of the business and the impact of inflation.

The effective tax rate was 29.4% for the second quarter of 2008, compared to 39.0% in the second quarter of 2007 and 25.8% in the first quarter of 2008. High effective tax rate in the second quarter of 2007 resulted from the stock bonus compensation paid by Sistema Hals.

Income from continuing operations more than doubled year on year to US$ 289.5 million in the second quarter as a result of the Group's strong operating performance while declining 25.5% quarter on quarter impacted by weak results in the Real Estate and Technology segments.

Net income more than doubled year on year from US$ 131.2 million to US$ 289.5 million in the second quarter of 2008.

The Group's basic and diluted earnings per share more than doubled year on year from US cent 1.4 in the second quarter of 2007 to US cent 3.1 in the second quarter of 2008.

OPERATING REVIEW[3]

TELECOMMUNICATIONS

(US$ millions)	**2Q 2008**	**2Q 2007**	**Year on Year Change**	**1Q 2008**	**Quarter on Quarter Change**
Revenues	**3,032.6**	2,318.6	30.8%	2,770.6	9.5%
OIBDA	**1,515.0**	1,193.9	26.9%	1,372.5	10.4%
Operating Income	**989.9**	840.9	17.7%	860.7	15.0%
Net Income[4]	**410.2**	353.4	16.1%	364.6	12.5%

The Telecommunications segment comprises MTS, the largest mobile phone operator in Russia and the CIS, Comstar UTS, the leading fixed line telecommunications operator in Russia and the CIS, and Shyam Telelink Ltd. ("Shyam Telelink"), a fixed and mobile services provider in India. The segment reported 30.8% year on year revenue growth in the second quarter of 2008 and 9.5% quarter on quarter increase. The segment accounted for 70.8% of the Group's consolidated revenues in the second quarter of 2008. MTS continued to be the main

[3] Here and further, in the comparison of period to period results of operations, in order to analyze changes, developments and trends in revenues by reference to individual segment revenues, revenues are presented on an aggregated basis, which is revenues after the elimination of intra-segment (between entities in the same segment) transactions, but before inter-segment (between entities in different segments) eliminations, unless accompanied by the word "consolidated". Amounts attributable to individual companies, where appropriate, are shown prior to both intra-segment and inter-segment eliminations and may differ from respective standalone values due to certain reclassifications and adjustments.

[4] Here and further net income / (loss) for the segments are presented after the Group's minority interests attributable to the segments.

contributor to the segment revenues and accounted for 86.9% of the Telecommunications segment revenues in the second quarter of 2008.

MTS added around 2 million subscribers during the second quarter of 2008 resulting in the total consolidated base of approximately 86.9 million customers as at June 30, 2008. MTS generated 33.9% year on year revenue growth in the second quarter from US$ 1,968.7 million to US$ 2,635.5 million. This growth reflected an increase in average monthly service revenue per subscriber ("ARPU") in Russia from US$ 9.3 in the second quarter of 2007 to US$ 11.0 in the second quarter of 2008. Russian subscribers' monthly Minutes of Use (MOU) increased to 207 in the second quarter of 2008 from 151 in the second quarter of 2007. In the second quarter of 2008 MTS' revenues increased by 10.8% quarter on quarter to US$ 2,635.5 million from US$ 2,379.2 million.

MTS' OIBDA as a result of the robust ARPU development combined with the organic growth of its subscriber base rose by 32.5% year on year and 14.8% quarter on quarter to US$ 1,349.5 million in the second quarter. The OIBDA margin in the second quarter remained stable year on year at 51.2% and increased from 49.4% in the first quarter of 2008 as a result of continued improvements in management of overhead costs.

Comstar UTS generated 10.1% year on year revenue growth in the second quarter, from US$ 379.2 million to US$ 417.3 million. This increase reflected the mixed effect of the ongoing growth of fixed-to-mobile voice traffic; the increased scale of the regional business and consolidation of recently acquired businesses (DTN, RTC and Interlink); the continued appreciation of the Russian Ruble; the regulatory reduction in the price charged by MGTS for its unlimited monthly tariff plan for residential voice services from US$ 16.1 (RUB 380) to US$ 14.6 (RUB 345) with effect from February 1, 2008; and the cancellation by the Regulator of the US$ 25.4 (RUB 600) monthly interconnect service charge applicable to 260,000 MGTS interconnect points with effect from March 1, 2008. Comstar UTS' revenues remained stable quarter on quarter at US$ 417.3 million. Comstar UTS' Moscow broadband subscriber base grew by 74% year on year in the second quarter to 834,000 customers, including 783,000 residential subscribers. This growth was driven primarily by the successful implementation of the first stage of the revised broadband development strategy launched in September 2007. The number of double-play (Internet & pay-TV) subscribers grew by 44% year on year and 9% quarter on quarter to 146,000 and generated US$ 21.4 of ARPU.

Comstar UTS' OIBDA decreased by 6.1% year on year and 6.4% quarter on quarter to US$ 159.3 million in the second quarter impacted by various regulatory changes introduced during the first half of the year. As a result, the OIBDA margin decreased to 38.2% in the second quarter compared to 44.7% in the corresponding period of 2007 and 40.8% in the first quarter of 2008.

Segment OIBDA was up 26.9% year on year and 10.4% quarter on quarter.

Segment net income increased by 16.1% year on year in the second quarter of 2008 and by 12.5% quarter on quarter.

In June 2008, Sistema increased its stake in Shyam Telelink from 72.0% to 73.7% as a result of its participation in the charter capital increase of Shyam Telelink in the total amount of US$ 470.0 million with Sistema's contribution being US$ 348.0 million.

In June 2008, Comstar UTS completed the acquisition of 100% of the share capital of Interlink Group for a total cash consideration of RUB 200 million (approximately US$ 8.5 million). The Group comprises Intersvyaz Service, the alternative fixed-line telecommunications operator, and Inter-TV Media, the cable TV operator, which operate under the unified brand "Interlink" in Ryazan and the Ryazan region.

In May 2008, MTS announced the commercial launch of its 3G network in St Petersburg and followed by Sochi, Yekaterinburg, Kazan and Nizhny Novgorod. The operator plans to launch 3G networks in over 10 cities during 2008 and in up to 40 Russian cities through 2009. MTS also holds 3G licenses in Uzbekistan and Armenia, where the network will be launched as early as 2009.

In May 2008, Comstar UTS signed a strategic agreement with FON Wireless Ltd. ("FON"), a developer of a shared wireless internet access network based on Wi-Fi technology. Under the terms of the agreement, Comstar UTS and FON will develop a Wi-Fi internet access network. It will be created on the basis of the Comstar UTS subscriber base in Moscow and will, therefore, enable the local customers to join the worldwide FON network. Within the framework of the project, Comstar UTS plans to establish 30,000 Wi-Fi access points in Moscow in 2008-2009.

TECHNOLOGY

(US$ millions)	**2Q 2008**	**2Q 2007**	**Year on Year Change**	**1Q 2008**	**Quarter on Quarter Change**
Revenues	**481.0**	327.5	46.9%	445.8	7.9%
OIBDA	**25.9**	(27.0)	-	20.6	25.4%
Operating Income/(Loss)	**7.5**	(40.8)	-	5.3	41.5%
Net Loss	**(11.3)**	(38.5)	-	(5.8)	-

The Technology segment comprises SITRONICS, a leading provider of telecommunications, IT and microelectronic solutions in Russia and the CIS, with a growing presence in other EEMEA emerging markets. SITRONICS' revenues were up 46.9% year on year and 7.9% quarter on quarter. The Information Technology Solutions and Microelectronics Solutions divisions continued to perform strongly during the reporting period, with the Telecommunications Solutions division showing continued operating performance improvement in the second quarter.

Segment OIBDA increased by 25.4% quarter on quarter. The OIBDA results for 2008 included US$ 3.3 million of costs arising from the Group's stock option programme in the first quarter and US$ 3.4 million in the second quarter of the year. The OIBDA margin increased to 5.4% in the second quarter compared to 4.6% in the first quarter of 2008 as a result of the growth in revenues and improvement in management of operating costs.

REAL ESTATE

(US$ millions)	**2Q 2008**	**2Q 2007**	**Year on Year Change**	**1Q 2008**	**Quarter on Quarter Change**
Revenues	**85.5**	95.3	(10.2%)	141.6	(39.6%)
OIBDA	**(4.5)**	(98.0)	-	29.7	-

Operating (Loss)/ Income	**(10.5)**	(101.2)	-	24.5	-
Net (Loss) / Income	**(13.9)**	(84.1)	-	21.0	-

Revenues in Sistema Hals, a leading Moscow-based real estate development, management and investment company, decreased by 10.2% year on year and 39.6% quarter on quarter, primarily as a result of the decrease in sales activity.

Segment OIBDA loss decreased year on year in the second quarter largely as a result of the US$ 99.8 million in stock bonus and stock option awards allocated to the management and members of the Board of Directors in June 2007 under the existing share option program.

BANKING

(US$ millions)	**2Q 2008**	**2Q 2007**	**Year on Year Change**	**1Q 2008**	**Quarter on Quarter Change**
Revenues	**190.9**	94.1	102.9%	151.1	26.3%
OIBDA	**24.1**	6.7	260.8%	36.2	(33.5%)
Operating Income	**17.6**	5.2	236.9%	30.1	(41.6%)
Net Income	**11.8**	5.5	113.9%	20.3	(41.8%)

The Banking segment comprises the Moscow Bank for Reconstruction and Development (MBRD), the East-West United Bank (EWUB) and Dalcombank. The segment provides corporate and retail banking services in Russia and Luxembourg. The segment revenues more than doubled year on year and increased by 26.3% quarter on quarter, following the acquisition of Dalcombank and the robust growth of the loan portfolio. The loan portfolio nearly doubled year on year and increased by 25% quarter on quarter to US$ 4.6 billion as at June 30, 2008. Interest income received from retail and corporate lending increased by 76% year on year and more than doubled quarter on quarter to US$ 292.8 million in the second quarter. Revenues from leasing activities were up 77% year on year and 56% quarter on quarter to US$ 20.7 million in the second quarter.

Segment OIBDA more than tripled year on year with OIBDA margin of 12.6% compared to 7.1% in the corresponding period of 2007, as a result of the strong operating performance of the segment and the consolidation of Dalcombank.

The segment's retail business included 206 points of sales, including 40 points of sales in Moscow and 166 points in 40 Russian regions as at June 30, 2008. MBRD is pursuing a dynamic regional expansion strategy to offer retail lending services through the opening of small format offices with minimal capital expenditure.

RETAIL

(US$ millions)	**2Q 2008**	**2Q 2007**	**Year on Year Change**	**1Q 2008**	**Quarter on Quarter Change**
Revenues	**184.6**	105.5	75.0%	147.6	25.1%
OIBDA	**(9.8)**	(7.3)	-	(16.1)	-

Operating Loss	**(15.9)**	(9.0)	-	(20.4)	-
Net Loss	**(10.7)**	(12.3)	-	(18.4)	-

The Retail segment comprises Detsky Mir, the largest children's goods chain of retail stores in Russia. Total revenues increased by 75.0% year on year and 25.1% quarter on quarter, whilst retail revenues accounted for 91.6% of total revenues in the period and amounted to US$ 169.1 million.

Detsky Mir reported a net loss in the second quarter, which was largely due to the continued significant expansion of the retail store network, and the fact that the second quarter is a seasonally weak period of the year.

The network of retail outlets grew by 30 stores year on year to 104 in total as at June 30, 2008, whilst the aggregate retail space increased by 43% year on year to 189,000 square metres.

As at September 17, 2008, Detsky Mir's retail network consisted of 113 retail outlets located in 57 Russian cities including one outlet based in Ukraine, with total retail space of over 193,000 square metres.

MASS MEDIA

(US$ millions)	**2Q 2008**	**2Q 2007**	**Year on Year Change**	**1Q 2008**	**Quarter on Quarter Change**
Revenues	**51.3**	27.2	88.3%	45.1	13.6%
OIBDA	**12.3**	2.9	326.6%	10.2	21.3%
Operating Loss	**(3.8)**	(0.2)	-	(2.3)	-
Net Loss	**(6.8)**	(0.5)	-	(1.3)	-

The Mass Media segment, which comprises the Group's Pay-TV business, operating under the brand name Stream-TV, as well as RWS, one of the leading Russian film and video production companies acquired in the end of 2007, and other advertising, print and media operations. The segment generated revenue growth of 88.3% year on year and 13.6% quarter on quarter. Revenues increased primarily as a result of the robust development in Pay-TV and Internet subscriber bases, which achieved 20% and 76% year on year growth, respectively, as well as the acquisition of RWS. Stream-TV's revenues accounted for the majority of the segment's results and increased nearly 9% quarter on quarter to US$ 30.9 million. The Pay-TV operator covered 3.6 million households in the second quarter and was present in 42 cities and 22 regions. Stream-TV' subscriber base was up by 2% quarter on quarter to 1.8 million subscribers, whilst its Internet subscriber base has increased by 13% quarter on quarter to 163,000 subscribers and IP-telephony users were up to 10,400 during the period. Combined Stream-TV ARPU and Pay-TV ARPU both increased by 4% quarter on quarter to US$ 3.9 and US$ 5.1, respectively, in the second quarter. Internet ARPU decreased slightly to US$ 16.1 in the quarter.

Segment OIBDA more than quadrupled year on year and increased by 21.3% quarter on quarter, following the strong growth in Stream-TV' subscriber base and Stream-Content' services. The segment's OIBDA margin increased to 24.0% in the second quarter compared to 22.5% in the first quarter and 10.6% in the corresponding period of 2007.

Segment operating and net loss increased in the second quarter as a result of the increase in depreciation and amortisation expense, following the modernisation of the existing network.

CORPORATE AND OTHER

(US$ millions)	**2Q 2008**	**2Q 2007**	**Year on Year Change**	**1Q 2008**	**Quarter on Quarter Change**
Revenues					
Radars and Aerospace	**107.6**	56.7	89.9%	90.2	19.3%
Tourism	**164.2**	102.2	60.7%	72.7	125.8%
Pharmaceuticals	**11.2**	17.8	(36.8%)	14.1	(20.4%)
Healthcare Services	**31.4**	24.1	30.3%	26.8	16.8%
Other	**35.6**	13.8	158.0%	32.7	9%
Total	**350.0**	214.6	63.1%	236.5	148%
OIBDA					
Radars and Aerospace	**13.5**	9.1	49.1%	14.2	(4.8%)
Tourism	**13.3**	6.1	118.3%	1.8	625.5%
Pharmaceuticals	**(3.5)**	(0.8)	-	(1.8)	-
Healthcare Services	**1.7**	3.1	(45.8%)	2.7	(38.7%)
Other	**(22.9)**	(33.8)	-	13.5	-
Total	**2.1**	(16.3)	-	30.4	-

The Radars and Aerospace segment revenues increased by 89.9% year on year and by 19.3% quarter on quarter as a result of an increase in the volume of services performed under a number of government contracts. Segment OIBDA increased by 49.1% year on year while it decreased 4.8% quarter on quarter following the delay in completion of a number of projects.

The Tourism segment revenues increased by 60.7% year on year and more than doubled quarter on quarter, primarily as a result of the strong performance of its tour operating division. The segment's sales turnover[5] more than doubled year on year in the second quarter to US$ 379.4 million, as a result of continued growth in the tour operating division and an increase in sales of leased hotel accommodations in Turkey. Segment OIBDA more than doubled year on year and increased more than six times quarter on quarter following the continued dynamic growth of retail network and expansion in the highly competitive outbound travel market. The segment serviced 217,000 customers in the second quarter of 2008 compared to 186,000 in the corresponding period of 2007. The hotel group, which comprises 10 hotels, increased the total number of rooms by 35% year on year to nearly 3,247 rooms as at June 30, 2008.

The Pharmaceuticals segment revenues declined 36.8% year on year and 20.4% quarter on quarter as a result of lower sales volume of drugs at Binnofarm during the quarter. The segment reported an OIBDA loss in the quarter due to the temporary shutdown of the production facility, which remains under reconstruction.

The Healthcare Services segment revenues increased by 30.3% year on year and 16.8% quarter on quarter following strong growth in the number of patients and services provided. Segment OIBDA decreased by 45.8% year on year and 38.7% quarter on quarter as a result of increased overhead costs in relation to the opening of new medical clinics.

[5] Turnover comprises the total proceeds from all service agreements, including agency agreements.

FINANCIAL REVIEW

Net cash provided by operating activities increased by 24.4% year on year and by 22.1% quarter on quarter to US$ 1,073.5 million in the second quarter of 2008 mainly due to the positive changes in the working capital.

Net cash used in investing activities totalled US$ 1,840.8 million in the second quarter of 2008, with US$ 1,101.1 million spent on capital expenditure compared to US$ 1,130.2 million in the first quarter of 2008 and US$ 477.9 million for the second quarter of 2007. The Group spent US$ 243.8 million on the acquisition of businesses in the second quarter, including US$ 185.0 million spent on purchase of 22.7% stake in Shyam Telelink.

Net cash received from financing activities amounted to US$ 1,577.3 million in the second quarter of 2008, compared to US$ (56.8) million for the corresponding period of 2007 and US$ 732.4 million in the first quarter. Major changes in the sources of financing in the second quarter included US$ 1.0 billion increase in deposits received from the Banking segment's customers; RUB 10 billion bond (approximately US$ 426.3 million) issued by MTS; US$ 250.0 million in proceeds from short-term loans signed with Gazprombank and Standard bank; US$ 251.9 million received by JSFC Sistema out of US$ 613.3 million syndicated multi-tranche loan facility signed with ABN AMRO, US$ 130.0 million proceeds from additional share issue in Shyam Telelink, US$ 58.2 million proceeds from the notes issued by MBRD; and US$ 50.0 million loan received by Intourist from HSBC; repayments of US$ 310 million bond issued by Sistema Finance and a US$ 525.3 million loan obtained by Shyam Telelink.

The Group's cash balances stood at US$ 1,855.4 million as at June 30, 2008, compared to balances of US$ 829.2 million and US$ 1,061.9 million as at June 30, 2007 and March 31, 2008, respectively. The Group's net debt (short-term and long-term debt minus cash and cash equivalents) was US$ 7,684.4 million as at June 30, 2008 compared to US$ 6,007.4 million and US$ 7,963.7 million as at June 30, 2007 and March 31, 2008, respectively.

SIGNIFICANT EVENTS FOLLOWING THE END OF THE REPORTING PERIOD

Telecommunications

In August 2008, Standard & Poor's Rating Services raised MTS's long term credit rating from "BB-" to "BB" with a Positive outlook.

In August 2008, Standard & Poor's Rating Services raised the long-term corporate credit rating of Comstar UTS and its subsidiary, MGTS, from "BB-" to "BB" with a Stable outlook. The "ruAA" Russia national scale ratings for Comstar UTS and MGTS were also confirmed.

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 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 population of approximately 1.1 billion people.

In August 2008, Comstar UTS has received the access codes for provision of inter-city and international long distance telephony services from the Russian Ministry of Information Technologies and Communications.

In August 2008, Access Telecommunications Coöperatief U.A. (“Access”, previously known as 2711 Centerville Coöperatief U.A.) has initiated the process of exercising its put option to sell 46,232,000 Comstar UTS shares to MGTS Finance S.A. The Option Interest represents 11.06% of the total number of issued and outstanding Comstar UTS shares. The transaction is expected to be completed, by means of the transfer of rights and payment, within 60 business days from August 25, 2008.

In July 2008, Mikhail Shamolin, President and Chief Executive Officer of MTS, joined the Board of the GSM Association (GMSA), the global trade association for the mobile industry.

In July 2008, the Board of Directors of Shyam Telelink appointed Mr. Vsevolod Rozanov as President and CEO of the Company.

In July 2008, Comstar UTS has acquired 100% stake in LLC "Strategy", 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$ 43.4 million).

Real Estate

In August 2008, Sistema Hals added the Danilovsky Fort Business Centre, located on Novodanilovskaya Embankment in Moscow, to its asset management portfolio.

In July 2008, Sistema Hals announced the results of an independent valuation of its project portfolio carried out by Cushman & Wakefield Stiles & Riabokobylko (C&WS&R). As at July 1, 2008 Sistema Hals stake in properties and projects was valued at US$ 3.8 billion

In July 2008, Moody's Investors Service has confirmed Sistema Hals’ foreign currency credit rating of B1 with a Stable outlook.

In July 2008, Sistema Hals has completed the first phase of construction of the RWS - St Petersburg Film Studio. The new studio will be managed by Russian World Studios, one of the leading Russian film and video production companies.

In July 2008, the Board of Directors of Sistema Hals has approved two 5-year bond issues for a total of RUB 5 billion (approximately US$ 200 million). Raiffeisenbank and Renaissance Capital are acting as Arrangers of the issues.

Retail

In July 2008, JSC Detsky Mir - Center has signed a 5-year syndicated loan agreement with EBRD for US$ 50 million. The loan proceeds will finance the expansion of the retail network in 2008.

In July 2008, JSC Detsky Mir - Center has signed a US$ 20 million trade finance agreement with Deutsche Bank Russia.

Corporate

In August 2008, Standard & Poor's rating agency (S&P) has upgraded Sistema's corporate rating from “BB-” to “BB” level with a Stable outlook. The senior unsecured rating has also been upgraded to “BB”.

In July 2008, Sistema adopted a matrix model and formed three new operating units: Telecommunications Assets, headed by Vitaly Savelyev, First Vice President of Sistema; Consumer Assets, led by Felix Evtushenkov, Vice President of Sistema; High Technologies and Industry, headed by Sergey Boyev, Vice President of Sistema, in addition to functional divisions. These units will be responsible for the management of Sistema's subsidiaries.

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 second quarter results.

The dial-in numbers for the conference call are:
UK/International: +44 20 8515 2301
US: +1 480 629 1990

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: 391961#

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Sistema is the largest public diversified corporation in Russia and the CIS, which manages fast growing companies operating in the consumer services sector and has over 100 million customers. Sistema develops and manages market-leading businesses in selected service-based industries, including telecommunications, technology, banking, real estate, retail, media, tourism and healthcare. Founded in 1993, the company reported unaudited revenues of US$ 4.3 billion for the second quarter of 2008, and total assets of US$ 32.7 billion as at June 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 SECOND QUARTER AND SIX MONTHS ENDED JUNE 30, 2008 AND 2007
(Amounts in thousands of U.S. dollars)

	Three months ended		Six months ended	
	June 30, 2008	**June 30, 2007**	**June 30, 2008**	**June 30, 2007**
Sales	$ 4,095,881	$ 2,963,868	$ 7,733,214	$ 5,594,331
Revenues from financial services	184,478	89,663	327,577	165,156
TOTAL REVENUES	4,280,359	3,053,531	8,060,791	5,759,487
Cost of sales, exclusive of depreciation and amortization shown separately below	(1,722,346)	(1,361,887)	(3,216,017)	(2,566,789)
Financial services related costs, exclusive of depreciation and amortization shown separately below	(90,771)	(37,312)	(145,898)	(68,641)
TOTAL COST OF SALES	(1,813,117)	(1,399,199)	(3,361,915)	(2,635,430)
Selling, general and administrative expenses	(893,820)	(541,369)	(1,692,471)	(931,558)
Depreciation and amortization	(586,520)	(382,417)	(1,149,253)	(749,444)
Provision for doubtful accounts	(35,637)	(30,485)	(65,931)	(54,242)
Other operating expenses, net	(57,367)	(124,951)	(68,656)	(88,441)
Equity in net income of investees	25,578	54,574	47,251	57,790
Gain on disposal of interests in subsidiaries and affiliates	-	64,570	18,759	64,570
OPERATING INCOME	919,476	694,254	1,788,575	1,422,732
Interest income	17,126	23,029	38,495	43,781
Change in fair value of derivative instruments	149	(40,000)	14,518	(26,500)
Interest expense, net of amounts capitalized	(103,466)	(111,878)	(222,505)	(211,841)
Currency exchange and translation gain	38,888	31,638	235,680	63,461
Income from continuing operations before income tax, equity in net income of energy companies in the Republic of Bashkortostan and minority interests	872,173	597,043	1,854,763	1,291,633
Income tax expense	(286,592)	(256,092)	(553,027)	(478,023)
Minority interests	(374,662)	(265,155)	(744,578)	(536,344)
Equity in net income of energy companies in the Republic of Bashkortostan, net of minority interests of US $25,411, US $6,679, US $33,759 and US $11,025, respectively	78,595	48,909	120,978	70,430
Income from continuing operations	289,514	124,705	678,136	347,696
Income/(loss) from discontinued operations, net of income tax benefit/(expense) of US$ 6,630, US$ (5,391) and US$ (8,827), respectively	-	6,483	(4,194)	7,443
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	$ 289,514	$ 131,188	$ 675,995	$ 877,102
Earnings per share, basic and diluted (US cent per share):	3.1	1.4	7.3	9.4

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

	June 30, 2008	December 31, 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,855,416	$ 1,061,733
Short-term investments	1,020,296	909,224
Loans to customers and banks, net	3,318,853	2,764,763
Accounts receivable, net	1,535,468	1,383,731
Prepaid expenses, other receivables and other current assets, net	1,368,360	932,425
VAT receivable	336,423	435,245
Inventories and spare parts	963,487	780,193
Deferred tax assets, current portion	286,692	213,633
Assets of the discontinued operations	-	545,863
Total current assets	10,684,995	9,026,810
NON-CURRENT ASSETS:		
Property, plant and equipment, net	11,794,538	10,412,636
Advance payments for non-current assets	331,717	284,396
Goodwill	1,162,896	860,019
Licenses, net	1,343,182	730,636
Other intangible assets, net	1,847,647	1,665,969
Investments in affiliates	1,560,435	1,336,522
Investments in shares of Svyazinvest	1,549,215	1,485,378
Loans to customers and banks, net of current portion	1,688,116	1,468,088
Debt issuance costs, net	90,987	65,038
Deferred tax assets, net of current portion	147,107	108,637
Other non-current assets	538,235	952,529
Total non-current assets	22,054,075	19,369,848
TOTAL ASSETS	$ 32,739,070	$ 28,396,658

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

	June 30, 2008	December 31, 2007
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 1,614,428	$ 1,273,487
Bank deposits and notes issued, current portion	2,547,230	1,966,539
Taxes payable	392,142	223,791
Deferred tax liabilities, current portion	80,773	77,893
Subscriber prepayments, current portion	603,112	598,014
Derivative financial instruments	74,000	140,563
Accrued expenses and other current liabilities	2,271,946	1,491,822
Short-term loans payable	1,507,724	724,905
Current portion of long-term debt	1,475,198	1,517,902
Liabilities of the discontinued operations	-	396,132
Total current liabilities	10,566,553	8,411,048
LONG-TERM LIABILITIES:		
Long-term debt, net of current portion	6,556,856	6,106,937
Subscriber prepayments, net of current portion	138,525	134,280
Bank deposits and notes issued, net of current portion	1,871,258	1,401,925
Deferred tax liabilities, net of current portion	540,504	428,030
Postretirement benefits obligation	45,826	42,370
Deferred revenue	149,466	139,984
Total long-term liabilities	9,302,435	8,253,526
TOTAL LIABILITIES	19,868,988	16,664,574
Minority interests in equity of subsidiaries	5,277,810	4,987,220
Commitments and contingencies	-	-
Puttable shares of SITRONICS	89,150	86,100
SHAREHOLDERS' EQUITY:		
Share capital (9,650,000,000 shares issued; 9,278,328,668 and 9,276,092,868 shares outstanding as of June 30, 2008 and December 31, 2007, respectively, with par value of 0.09 Russian Rubles)	30,057	30,057
Treasury stock (371,671,332 shares as of June 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	4,612,266	4,035,157
Accumulated other comprehensive income	888,075	623,846
TOTAL SHAREHOLDERS' EQUITY	7,503,122	6,658,764
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 32,739,070	$ 28,396,658

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

	Six months ended June 30, 2008	Six months ended June 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 675,995	$ 877,102
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	1,149,253	751,489
Gain/(loss) on disposals of property, plant and equipment	(11,077)	2,922
Loss/(gain) from disposal of discontinued operations	2,141	(521,963)
Income of discontinued operations	-	(6,483)
Currency exchange and translation gain from non-operating activities	(235,680)	(63,964)
Gain on disposal of long term investments	(30,091)	-
Gain on disposal of interests in subsidiaries and affiliates	(18,759)	(64,570)
Non-cash compensation to employees	16,738	97,966
Minority interests	744,578	547,369
Equity in net income of investees	(168,229)	(139,251)
Deferred income tax expense/(benefit)	(94,190)	2,883
Debt issuance cost amortization	11,724	18,027
Change in fair value of derivative financial instruments	(14,518)	26,500
Amortization of connection fees	(31,664)	(44,590)
Provision for doubtful accounts receivable	65,931	52,763
Recovery of allowance/(allowance) for loan losses	(9,372)	14,286
Inventory obsolescence expense	4,382	27,677
Changes in operating assets and liabilities, net of effects from purchase of businesses:		
Trading securities	(90,355)	(157,450)
Loans to banks	310,968	(136,610)
Accounts receivable	(171,826)	(69,897)
Insurance-related receivables		-
Prepaid expenses, other receivables and other current assets	(417,992)	(144,825)
VAT receivable	98,822	45,142
Inventories and spare parts	(173,968)	(99,447)
Accounts payable	59,320	(59,965)
Insurance-related liabilities		-
Taxes payable	168,030	(96,334)
Subscriber prepayments	41,007	(10,094)
Dividends received	8,132	
Accrued expenses and other current liabilities	43,997	248,871
Postretirement benefits obligation	3,456	(311)
Net cash provided by operations	$ 1,936,753	$ 1,097,243
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(1,580,043)	(733,916)
Purchases of intangible assets	(501,477)	(129,886)
Purchases of businesses, net of cash acquired	(947,055)	(386,387)
Proceeds from disposals of interests in subsidiaries and affiliates, net of cash disposed	224,784	636,683
Purchases of long-term investments	(32,788)	(26,318)
Proceeds from sale of long-term investments	30,091	20,000
Purchases of other non-current assets	(94,726)	(121,006)
Proceeds from sale of other non-current assets	120,817	5,548
Decrease in restricted cash	340,221	44,452
Purchases of short-term investments	(167,220)	(411,338)
Proceeds from sale of short-term investments	147,516	47,946
Proceeds from sale of property, plant and equipment	49,318	12,361
Net increase in loans to customers	(1,075,714)	(466,288)
Net cash used in investing activities	$ (3,486,276)	$ (1,508,149)

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

	Six months ended June 30, 2008	Six months ended June 30, 2007
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on short-term borrowings, net	712,266	(546,549)
Net increase in deposits from customers	986,261	380,000
Net increase in bank debt securities issued	74,063	43,782
Debt issuance costs	(807)	(3,860)
Proceeds from long-term borrowings, net of debt issuance costs	2,207,320	878,457
Principal payments on long-term borrowings	(1,800,541)	(321,350)
Principal payments on capital lease obligations	(2,852)	(8,021)
Purchases of treasury stock	-	(136,235)
Proceeds from sale of treasure stock	3,020	-
Proceeds from capital transactions of subsidiaries	131,000	356,463
Net cash provided by financing activities	$ 2,309,730	$ 642,687
Effects of foreign currency translation on cash and cash equivalents	$ 33,476	$ 2,227
INCREASE IN CASH AND CASH EQUIVALENTS	$ 793,683	$ 234,008
CASH AND CASH EQUIVALENTS, beginning of the period	1,061,733	598,381
CASH AND CASH EQUIVALENTS, end of the period	$ 1,855,416	$ 832,389
CASH PAID DURING THE PERIOD FOR:		
Interest, net of amounts capitalized	$ (152,216)	$ (230,332)
Income taxes	(606,100)	(664,977)

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

For the six months ended June 30, 2008	**Telecommu-nications**	**Tech-nology**	**Banking**	**Mass Media**	**Real Estate**	**Retail**	**Corporate and Other**	**Total**
Net sales to external customers [a]	5,798,737	783,682	327,577	83,073	160,899	331,732	575,091	8,060,791
Intersegment sales	4,452	143,144	14,424	13,356	66,527	17	11,503[d]	253,423
Depreciation and amortization	(1,036,941)	(33,771)	(12,626)	(28,569)	(11,131)	(10,431)	(15,784)	(1,149,253)
Interest income	32,392	2,254	-	87	5,851	189	38,504	79,277
Interest expense	(112,999)	(16,767)	-	(4,598)	(21,433)	(9,190)	(81,278)	(246,265)
Net interest revenue[b]	-	-	56,248	-	-	-	-	56,248
Operating income/(loss)	1,850,554	12,751	47,738	(6,096)	14,041	(36,350)	16,711	1,899,349
Income tax (expense)/benefit	(470,296)	(15,081)	(13,062)	(1,285)	(17,073)	13,212	(49,442)	(553,027)
Segment assets	18,895,254	2,179,687	6,962,684	587,797	2,225,215	588,505	5,489,245	36,928,387
Indebtedness[c]	(4,378,459)	(704,190)	(680,948)	(89,394)	(1,041,737)	(211,339)	(2,433,711)	(9,539,778)
Capital expenditures	1,444,073	140,858	4,094	36,618	295,748	17,630	142,503	2,081,524

[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$ 535.2 million.

For the six months ended June 30, 2007	**Telecommu-nications**	**Tech-nology**	**Banking**	**Mass Media**	**Real Estate**	**Retail**	**Corporate and Other**	**Total**
Net sales to external customers [a]	4,380,876	551,525	165,156	42,980	71,349	192,368	355,233	5,759,487
Intersegment sales	4,511	86,794	8,763	11,198	58,422	15	26,631[d]	196,334
Interest income	23,701	10,744	-	610	12,524	24	35,862	83,465
Interest expense	(101,929)	(28,484)	-	(1,532)	(3,200)	(6,144)	(81,534)	(222,823)
Net interest revenue[b]	-	-	17,152	-	-	-	-	17,152
Depreciation and amortization	(691,223)	(27,147)	(2,632)	(6,758)	(6,054)	(3,763)	(11,867)	(749,444)
Operating income/(loss)	1,584,013	(65,716)	14,520	1,158	(97,057)	(16,076)	32,623	1,453,465
Income tax (expense)/benefit	(437,359)	(2,070)	(5,539)	(387)	(10,241)	334	(22,761)	(478,023)
Segment assets	14,224,350	1,709,113	3,289,492	382,345	1,013,538	343,746	4,885,751	25,848,335
Indebtedness[c]	(3,808,409)	(424,120)	(396,892)	(32,396)	(363,849)	(176,160)	(1,634,734)	(6,836,560)
Capital expenditures	564,406	55,657	59,308	17,963	99,278	43,925	32,763	873,300

[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:

	April-June 2008	**April-June 2007**	**Jan-June 2008**	Jan-June 2007
Operating Income	**919,476**	694,254	**1,788,575**	1,422,732
Depreciation and Amortization	**586,520**	382,417	**1,149,253**	749,444
OIBDA	**1,505,996**	**1,076,671**	**2,937,828**	**2,172,176**