



FOR IMMEDIATE RELEASE

September 15, 2010

SISTEMA ANNOUNCES UNAUDITED FINANCIAL RESULTS FOR THE SECOND QUARTER ENDED JUNE 30, 2010

Moscow, Russia – September 15, 2010 – Sistema (the “Group”) (LSE: SSA), the largest diversified public financial corporation in Russia and the CIS, which invests in, and is a major shareholder of, companies operating in different industries, today announced its unaudited consolidated US GAAP financial results for the second quarter ended June 30, 2010.

SECOND QUARTER HIGHLIGHTS

- **Consolidated revenues up 11.5% quarter-on-quarter to US\$ 6.9 billion**
- **Consolidated OIBDA up 14.3% quarter-on-quarter to US\$ 1.9 billion, with an OIBDA margin of 27.0%**
- **Operating income up 21.9% quarter-on-quarter to US\$ 1.1 billion, with an operating margin of 16.4%**
- **Consolidated net income attributable to the Group of US\$ 144.0 million**
- **The Oil & Energy business unit contributed US\$ 3.3 billion and US\$ 0.7 billion to the Group’s consolidated revenues and OIBDA, respectively**

Leonid Melamed, President and Chief Executive Officer of Sistema, commented: “We are pleased with the results for the second quarter of 2010 as group revenues and OIBDA displayed double digit growth versus our strong performance in the first quarter. Solid results were posted across our entire portfolio: healthy improvement to profitability in our Telecoms business unit, continued significant growth in the Oil and Energy business unit, strengthening of margins in the Consumer business unit and sales and profitability in our High Technology business that now exceeds pre-crisis levels. This strong operating performance has provided excellent cash yield, net cash provided by operations more than tripling quarter on quarter, allowing us to deleverage at the holding company level. We will maintain our focus on optimizing our portfolio in the second half of the year, while remaining alert to opportunistic new investments. Sistema continues to adhere to its stated goal of “5*5>25” through our investment strategy “2i plus.” This means investment emphasis on infrastructure providing value-added services to meet the basic needs of the Russian population, and investment in internet and communications, plus partnerships with the state where we view that as advantageous.”

FINANCIAL SUMMARY

(US\$ millions, except per share amounts)	2Q 2010	2Q 2009 ¹	Year on Year Change	1Q 2010	Quarter on Quarter Change
Revenues	6,918.2	4,242.3	63.1%	6,202.8	11.5%
OIBDA ²	1,871.3	1,196.6	56.4%	1,637.6	14.3%
Operating income	1,137.0	655.4	73.5%	932.6	21.9%
Net income attributable to Sistema	144.0	246.2	(41.5%)	144.8	(0.5%)
Basic and diluted earnings per share (US cents)	1.55	2.65	(41.5%)	1.56	(0.5%)

GROUP OPERATING REVIEW

Sistema's consolidated revenues increased by 63.1% year-on-year and by 11.5% quarter-on-quarter, partially as a result of the significant growth in the contribution from the Oil and Energy business unit. Non-telecommunications businesses, including the Oil and Energy business unit, accounted for 59.1% of the total Group consolidated revenues in the second quarter, compared to 43.8% and 57.5% in the second quarter of 2009 and the first quarter of 2010, respectively.

Selling, general and administrative expenses increased by 13.2% year-on-year and by 1.6% quarter-on-quarter to US\$ 867.1 million following the changes in consolidated revenues.

The Group's OIBDA was up 56.4% year-on-year and 14.3% quarter-on-quarter. The quarter-on-quarter growth was due to improvement of the profitability of BashTek (contributed US\$119.0 mln. to consolidated OIBDA growth, or approximately 50.9% of OIBDA growth) and Telecommunications (contributed US\$94.6 mln., or approximately 40.5% of consolidated OIBDA growth). The Group's OIBDA margin was 27.0% in the reporting quarter, compared to 28.2% in the second quarter of 2009 and 26.4% in the first quarter of 2010.

Depreciation, depleting and amortization expense increased by 35.7% year-on-year and by 4.2% quarter-on-quarter to US\$ 734.3 million due to the completion of acquisition accounting for Bashkir companies with corresponding rise in value of property, plant and equipment.

The Group's operating income nearly doubled year-on-year and increased by 21.9% quarter-on-quarter. Operating margin was 16.4% in the reporting quarter compared to 15.4% in the second quarter of 2009 and 15.0% the first quarter of 2010.

¹ Here and further, comparative financial results for the second quarter of 2009 are presented as reported historically except for MTS results which are presented including consolidated results of Comstar and TS Retail. The difference between comparative financial results for the second quarter of 2009, as presented in the Financial Summary and Operating Review, and corresponding income statement figures on page 17, is due to the allocation of the results of Bashkir Oil & Energy business acquisition accounting, including \$2,783 million gain on acquisition, initially recognized in the third and fourth quarters of 2009, to the second quarter of 2009, as required by authoritative guidance on business combination.

² See Attachment A for definitions and reconciliation of OIBDA to GAAP financial measures.

The Group's interest expense was US\$ 397.6 million in the second quarter of 2010, compared to US\$ 260.8 million in the second quarter of 2009 and US\$ 430.9 million in the first quarter of 2010, following changes in both the amount of total outstanding debt and average interest rates.

The consolidated net income attributable to Sistema was US\$ 144.0 million in the second quarter of 2010, compared to net income of US\$ 246.2 million in the corresponding period of 2009 and net income of US\$ 144.8 million in the first quarter of 2010. The decrease in net income is mostly due to the foreign exchange loss in the second quarter of 2010 compared to foreign exchange gains recognized in the second quarter of 2009 and in the first quarter of 2010.

OPERATING REVIEW BY BUSINESS UNIT³

TELECOMMUNICATIONS BUSINESS UNIT

<i>(US\$ millions)</i>	2Q 2010	2Q 2009	Year on Year Change	1Q 2010	Quarter on Quarter Change
Revenues	2,827.1	2,385.7	18.5%	2,636.7	7.2%
OIBDA	1,166.3	1,032.8	12.9%	1,071.7	8.8%
Operating income	666.4	588.0	13.3 %	586.5	13.6%
Net income attributable to Sistema	27.1	264.9	(89.8%)	131.6	(79.4%)
Indebtedness	7,899.1	5,833.6	35.4%	8,434.3	(6.4%)
MTS					
Revenues	2,771.9	2,378.6	16.6%	2,614.4	6.0%
OIBDA	1,234.8	1,105.0	11.7%	1,153.7	7.0%
Operating income	754.5	650.4	16.0%	676.2	11.6%
Net income attributable to Sistema	193.0	321.7	(40.0%)	208.9	(7.6%)
SSTL					
Revenues	23.1	7.2	219.6%	17.1	34.9%
OIBDA	(85.0)	(41.1)	-	(76.7)	-

³ 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.

Operating loss	(106.7)	(46.3)	-	(95.3)	-
Net loss attributable to Sistema	(106.6)	(22.9)	-	(65.5)	-
Sistema Mass Media					
Revenues	35.7	9.3	283.7%	12.2	192.8%
OIBDA	21.5	(11.4)	-	(1.1)	-
Operating income/ (loss)	7.3	(17.8)	-	(4.9)	-
Net income/ (loss) attributable to Sistema	0.3	(17.6)	-	(7.1)	-

The Telecommunications business unit comprises MTS, Sistema Shyam TeleServices Ltd. (SSTL) and Sistema Mass Media. The results of Comstar-UTS are included in MTS' results for all periods presented, following Sistema's sale of its 50.91% stake in Comstar-UTS to MTS in the fourth quarter of 2009⁴. The unit's revenues increased by 18.5% year-on-year and by 7.2% quarter-on-quarter due to positive seasonality effects at MTS. The Telecommunications business unit accounted for 40.9% of the Group's consolidated revenues in the reporting quarter, compared to 56.2% and 42.5% in the second quarter of 2009 and the first quarter of 2010, respectively.

The Telecommunications business unit's OIBDA increased by 12.9% year-on-year and by 8.8% quarter-on-quarter. The OIBDA margin was 41.3% in the second quarter of 2010, compared to 43.3% and 40.6% in the second quarter of 2009 and the first quarter of 2010, respectively.

The net income attributable to Sistema declined by 89.8% year-on-year and 79.4% quarter-on-quarter mainly due to the foreign exchange loss in the second quarter of 2010 compared to foreign exchange gains recognized in the second quarter of 2009 and in the first quarter of 2010.

MTS' total subscriber base exceeded 103 million customers as of June 30, 2010. MTS' revenues were up by 16.6% year-on-year and 6.0% quarter-on-quarter primarily due to a positive seasonal increase in usage. The average monthly service revenue per subscriber (ARPU) in Russia increased to RUR 253.9 in the second quarter of 2010, compared to RUR 245.4 in the corresponding period of 2009. Russian subscribers' monthly Minutes of Use (MOU) increased year-on-year to 230 in the second quarter of 2010, compared to 216 in the second quarter of 2009. MTS' broadband subscriber base increased by 21.6% year-on-year and by 5.7% quarter-on-quarter to 1.4 million customers and Pay-TV customer base was up 4.3% year-on-year and 2.5% quarter-on-quarter to 2.2 million subscribers.

MTS' OIBDA increased by 11.7% year-on-year and by 7.0% quarter-on-quarter in line with overall growth in revenues. The OIBDA margin was 44.5% in the second quarter of 2010, compared to 46.5% in the same period of 2009 and 44.1% in the previous quarter.

⁴ As a result of Comstar-UTS acquisition by MTS from Sistema, the majority owner of both MTS and Comstar-UTS, the acquisition was accounted for as a transaction between entities under common control. Similar to a pooling of interests, whereby the assets and liabilities of Comstar-UTS were recorded at carrying value on Sistema's balance sheet, MTS' historical financial information was recast to include the acquired entity for all periods presented.

SSTL's revenues more than tripled year-on-year and were up by 34.9% quarter-on-quarter as a result of the increase in the subscriber base. SSTL's mobile subscriber base increased by 33.5% quarter-on-quarter and reached almost 5.2 mln. customers as of June 30, 2010. Mobile ARPU in the second quarter of 2010 stayed stable even in light of declining ARPU of most of Indian operators. Mobile subscribers' MOU decreased by 6.4% quarter-on-quarter to 307 from 328 in the first quarter of 2010. The total fixed line subscriber base decreased to 111,000 users from 134,000 subscribers in the first quarter of 2010 as a result of continued migration to the mobile network.

SSTL launched its services in Andhra Pradesh, the twelfth telecom circle which SSTL has entered. The company announced the launch of its Level 3 Green Data Centre in Chennai. With its presence in Andhra Pradesh, SSTL completed the roll out of its services in all of the four South Indian states. The number of mobile broadband subscribers increased by 204.5% quarter-on-quarter and totaled 120.1 thousand as of June 30, 2010.

Sistema Mass Media's revenues nearly quadrupled year-on-year and nearly tripled quarter-on-quarter, mainly due to significant growth in revenues from the film distribution division.

Sistema Mass Media reported significant growth in OIBDA in the second quarter, compared to an OIBDA loss in both the prior year and the previous quarter, following strong growth in revenues.

In June 2010, MTS' Annual General Meeting of shareholders approved the recommended dividend payment of RUR 30.7 billion (approximately US\$ 999.3 million) or RUR 15.4 per ordinary share (US\$ 1.0 per ADR⁵) for the full year of 2009.

In May 2010, Comstar-UTS, MGTS Finance S.A. and Rostelecom signed agreements involving the sale of the 25% plus 1 share of Svyazinvest to Rostelecom for RUR 26 billion.

In May 2010, Comstar-UTS acquired the remaining 25% minus 1 share stake in CallNet Enterprises Ltd., which owns 100% of the Armenian operator Cornet.

In May 2010, Comstar-UTS and MTS announced the launch of rebranding for Comstar-UTS products and services. By the end of 2011, MTS expects to have two brands in Russia: MTS and MGTS for the whole range of communication services.

In April 2010, MTS announced a change in its ratio of ADRs to ordinary shares from 1:5 to 1:2 effective May 3, 2010.

In April 2010, the Group's stake in Sky Link increased from 50.0% to 100.0% following number of transactions.

⁵ According to the Russian Central Bank exchange rate of 30.7193 RUR/USD as of May 11, 2010. The dividend amount is set in Russian rubles by the Board of Directors; U.S. dollar amounts provided for reference using the foreign exchange rates as of May 11, 2010.

OIL & ENERGY BUSINESS UNIT⁶

<i>(US\$ millions)</i>	2Q 2010	2Q 2009	Year on Year Change	1Q 2010	Quarter on Quarter Change
Revenues	3,327.2	1,167.4	185.0%	2,899.1	14.8%
OIBDA	720.4	198.0	263.9%	601.4	19.8%
Operating income	539.4	128.9	318.6%	425.0	26.9%
Net income attributable to Sistema	290.9	92.0	216.0%	171.9	69.2%
Indebtedness	2,199.8	2,702.8	(18.6%)	2,392.8	(8.1%)
Oil production					
Revenues	2,957.0	574.6	414.6%	2,372.7	24.6%
OIBDA	462.5	124.2	272.5%	411.8	12.3%
Operating income	415.8	101.4	309.9%	371.4	11.9%
Net income attributable to Sistema	229.3	51.3	347.0%	190.2	20.6%
Refinery					
Revenues	401.5	289.2	38.8%	342.3	17.3%
OIBDA	181.5	9.6	1799.9%	92.8	95.6%
Operating income/ (loss)	81.4	(13.4)	-	(9.5)	-
Net income/ (loss) attributable to Sistema	41.4	(8.8)	-	(4.7)	-
Energy					
Revenues	418.2	336.0	24.5%	608.1	(31.2%)
OIBDA	46.4	57.4	(19.3%)	99.8	(53.5%)
Operating income	16.9	39.5	(57.1%)	70.3	(75.9%)
Net income attributable to Sistema	2.9	12.0	(75.4%)	18.7	(84.3%)
Marketing					
Revenues	211.1	132.6	59.2%	186.9	13.0%
OIBDA	12.9	14.3	(9.8%)	19.2	(32.7%)
Operating income	8.2	12.8	(35.9%)	15.0	(45.0%)
Net income attributable to Sistema	5.7	8.1	(29.7%)	8.1	(29.7%)

The Oil and Energy business unit comprises oil and energy companies of the Bashkir Oil and Energy Group. The unit's revenues nearly tripled year-on-year and increased by 14.8% quarter-on-quarter as a result of the increased sales volumes of oil and oil products in the second quarter, the increase of oil prices and the cancellation of the tolling scheme as of December 2009. The

⁶ OIBDA, Operating income and Net income attributable to Sistema's Oil and Energy business unit in the second quarter of 2009 are shown without an effect of the gain on the acquisition of Bashkir Oil & Energy assets.

unit contributed 48.1% of the Group's consolidated revenues in the second quarter of 2010, compared to 27.5% and 46.7% in the second quarter of 2009 and the first quarter of 2010, respectively.

The business unit's OIBDA more than tripled year-on-year and increased by 19.8% quarter-on-quarter primarily due to the growth of sales. The OIBDA margin was 21.7% in the second quarter of 2010, compared to 17.0% in the prior year and 20.7% in the previous quarter.

The net income attributable to Sistema more than tripled year-on-year and increased by 69.2% quarter-on-quarter following the increase in operating activities of the business unit.

Bashneft company's revenue increased more than five times year-on-year and by 24.6% quarter-on-quarter as the oil production reached approximately 3.5 million tonnes of oil, a 13.5% increase quarter-on-quarter, and sold 4.9 million tonnes of oil products. The company drilled 33 thousand metres and set into operation 26 new producing wells during the second quarter of 2010. Bashneft company exported 0.75 million tonnes of crude oil and 2.1 million tonnes of oil products in the second quarter.

Bashneft company's OIBDA increased almost four times year-on-year and was up by 12.1% quarter-on-quarter as a result of the increase in sales volumes of oil and oil products, oil prices and the cancellation of the tolling scheme as of December 2009.

The Group's refineries, which consist of four oil refinery companies, Ufaneftekhim, Ufimsky NPZ, Novoil and Ufaorgsintez, processed 5.6 million tonnes of crude oil in the second quarter of 2010, compared to 4.8 million tonnes in the second quarter 2009. The Group's refineries revenue increased by 38.8% year-on-year and by 17.3% quarter-on-quarter primarily driven by the increase of processing fees and the volumes of processed oil. In the reporting quarter, the capacity utilisation increased to 86.0%, refining depth was 87.4% and light-product yield amounted to 63.8%.

The Refinery business OIBDA increased nearly 19 times year-on-year and nearly doubled quarter-on-quarter primarily due to the increase in sales.

Bashkirenergo's revenues increased by 24.5% year-on-year mainly as a result of the increase of tariffs and volumes of generated electricity. The company's revenues were down by 31.2% quarter-on-quarter due to seasonality factors. Bashkirenergo generated 4,699 million kW/h of electricity and supplied 4,137 thousand Gcal of heat in the second quarter of 2010, compared to 6,306 million kW/h of electricity and 9,827 thousand Gcal of heat supplied in the previous quarter.

The energy business' OIBDA declined by 19.3% year-on-year and by 53.5% quarter-on-quarter mainly due to seasonality effects and the faster rise in fuel prices, compared to electricity tariff increases in 2010.

Bashkirnefteproduct's revenues increased by 59.2% year-on-year and by 13.0% quarter-on-quarter mainly due to increase in wholesale activity and the seasonal increase in sales volumes respectively. As of June 30, 2010 the total number of petrol stations was 540 (including 221 jobbers).

Bashkirnefteproduct's OIBDA was down by 9.8% year-on-year and by 32.7% quarter-on-quarter. Quarter-on-quarter decrease is due to seasonality factors.

In May 2010, ANK Bashneft launched its e-commerce operations via trading platform B2B-Bashneft in order to procure goods and services for the management company ANK Bashneft and its enterprises.

In April 2010, ANK Bashneft completed an international audit of its 34 major oil fields, which account for 70% of ABC1 category recoverable reserves and 80% of the daily production of the company. The audit, carried out by Miller & Lents, showed that ANK Bashneft's 3P reserves (proven, probable and possible) totalled 2,132 million barrels.

In April 2010, the Group acquired a 49% stake in OJSC Oil and Gas Company RussNeft ("RussNeft").

In April 2010, ANK Bashneft acquired a 25% stake in Sistema-Invest for US\$ 202 million.

Bashneft's AGM approves dividends of RUR 109.65 per share (or approximately US\$ 3.5 per share⁷)

CONSUMER BUSINESS UNIT

<i>(US\$ millions)</i>	2Q 2010	2Q 2009	Year on Year Change	1Q 2010	Quarter on Quarter Change
Revenues	462.8	427.0	8.4%	439.2	5.4%
OIBDA	12.2	(10.2)	-	12.0	2.0%
Operating loss	(3.5)	(20.9)	-	(2.1)	-
Net loss attributable to Sistema	(11.1)	(52.7)	-	(22.7)	-
Indebtedness	437.9	427.5	2.4%	431.1	1.6%
Banking					
Revenues	154.3	174.9	(11.8%)	174.7	(11.7%)
OIBDA	4.5	15.2	(70.7%)	12.3	(63.7%)
Operating (loss)/ income	(0.1)	11.3	-	8.1	-
Net (loss) / income attributable to Sistema	(0.3)	4.8	-	2.4	-
Retail					
Revenues	134.1	124.6	7.6%	127.3	5.3%
OIBDA	(4.2)	(30.1)	-	(10.1)	-
Operating loss	(7.8)	(33.7)	-	(14.9)	-
Net loss attributable to Sistema	(16.3)	(27.3)	-	(21.1)	-
Tourism					
Revenues	143.9	96.4	49.3%	77.3	86.3%

⁷ U.S. dollar amount provided for reference according to the Russian Central Bank exchange rate of 30.9833 RUR/USD as of June 29, 2010.

OIBDA	10.1	7.0	44.2%	(6.7)	-
Operating income/ (loss)	7.6	5.1	49.9%	(9.5)	-
Net income/ (loss) attributable to Sistema	1.0	4.2	(76.3%)	(6.7)	-
Healthcare					
Revenues	40.7	30.3	34.3%	37.6	8.1%
OIBDA	6.7	1.2	456.3%	4.7	42.5%
Operating income	4.5	0.04	12,657.1%	3.0	51.5%
Net (loss)/ income attributable to Sistema	(0.5)	(0.03)	-	1.4	-

The Consumer business unit comprises the Banking, Retail, Tourism and Healthcare businesses. The Consumer business unit's revenues increased by 8.4% year-on-year largely due to growth in the Tourism business and by 5.4% quarter-on-quarter as a result of the seasonality of the businesses. The unit accounted for 6.8% of consolidated revenues in the second quarter of 2010, compared to 10.0% and 6.9% in the second quarter of 2009 and the first quarter of 2010, respectively.

The Consumer business unit reported significant growth to achieve a positive OIBDA year-on-year, compared to an OIBDA loss in the second quarter of 2009, following operational improvements in the Retail, Tourism and Healthcare businesses. The OIBDA margin was 2.6% in the second quarter of 2010, compared to OIBDA loss in the prior year and 2.7% in the previous quarter.

The Consumer business unit's net loss was reduced to US\$ 11.1 million in the reporting quarter, compared to net loss of US\$ 52.7 million for the second quarter of 2009 and US\$ 22.7 million for the first quarter of 2010. Year-n-year decrease of net loss is due to FOREX effect and interest payments.

The Banking business' revenues decreased by 11.8% year-on-year and by 11.7% quarter-on-quarter due to the reduction of debt securities' portfolio as well as a significant decrease in average interest rates charged on loans to corporate customers.

The Banking business' loan portfolio, excluding leases, decreased by 1.8% year-on-year to US\$ 5,000.6 million in the second quarter of 2010. The retail deposits-to-loans ratio stood at 218.0% in the second quarter of 2010. Interest income received from retail and corporate lending operations decreased by 14.8% year-on-year to US\$ 135.6 million in the second quarter of 2010. The retail banking business at the end of the second quarter of 2010 included 166 points of sales, including 24 points located in Moscow and 141 points in 37 Russian regions, as well as 1 in Luxembourg.

The Banking business' OIBDA decreased by 70.7% year-on-year and by 63.7% quarter-on-quarter mainly as a result of the increase in loan provisions made in the second quarter of 2010.

Revenues from the Retail business increased by 7.6% year-on-year due to overall consumer market recovery and were up 5.3% quarter-on-quarter mainly due to positive seasonality factors. The network of retail outlets included 130 stores located in 68 Russian cities, whilst the aggregate retail space was about 214 thousand square metres at the end of the second quarter 2010. During the quarter the business opened a new store in Moscow.

The Retail business' OIBDA loss significantly narrowed in the second quarter of 2010, compared to the second quarter of 2009 and the first quarter of 2010, following the adjustment of its product range, introduction of new mark-up policies and reduction in SG&A expenses.

The Tourism business' revenues increased by 49.3% year-on-year due to improved market conditions and growth in the consumer demand, and were up 86.3% quarter-on-quarter as a result of positive seasonality factors. The business serviced 229,200 customers in the second quarter of 2010, compared to 168,000 clients in the second quarter of 2009. At the end of the second quarter of 2010 the hotel group's total number of rooms owned, managed and rented was 3,026, compared to 3,236 rooms in the second quarter of 2009. The Tourism business' sales turnover comprises the total proceeds from all service agreements, including agency agreements, increased by 35.2 % year-on-year to US\$ 176.0 million in the second quarter of 2010. During the quarter, the business took under management a five-star 310 room hotel in Turkey, Maxim Resort Hotel, as part of the strategy to develop its hotel network in popular tourist destinations, such as Turkey and Egypt.

The Tourism business' OIBDA increased by 44.2% year-on-year due to improved market conditions and rose markedly quarter-on-quarter, compared to the OIBDA loss in the first quarter, due to seasonality factors and additional cost optimization measures.

The Healthcare Services business' revenues increased by 34.3% year-on-year and by 8.1% quarter-on-quarter following robust growth in the number of visits to medical clinics, which totaled almost 853,500 in the second quarter of 2010 and significant growth in average check amount. At the end of the second quarter of 2010, the network consisted of 28 medical clinics and hospitals, including 17 based in Moscow and 11 in the regions, 49 medical first-aid stations and 4 fitness centres. The business provided more than 1.5 million medical services in the second quarter of 2010, which is 14.7% higher compared to the second quarter of 2009.

The Healthcare Services business' OIBDA increased more than 5.5 times year-on-year and was up by 42.9% quarter-on-quarter, following revenue growth from visits to medical clinics and the average check amount increase and sound control over cost of services and SG&A. The optimization of expenses has contributed to OIBDA margin growth from 4.0% in the second quarter of 2009 to 16.5% in the reporting quarter.

TECHNOLOGY & INDUSTRY BUSINESS UNIT

<i>(US\$ millions)</i>	2Q 2010	2Q 2009	Year on Year Change	1Q 2010	Quarter on Quarter Change
Revenues	396.8	341.6	16.2%	291.6	36.1%
OIBDA	39.0	32.2	21.2%	20.1	94.7%
Operating income/ (loss)	3.4	17.5	(80.7%)	(7.3)	-
Net loss attributable to Sistema	(17.0)	(15.8)	-	(17.6)	-
Indebtedness	935.0	764.5	22.3%	978.8	(4.5%)

High Technology

Revenues	268.1	247.1	8.5%	190.8	40.5%
OIBDA	26.1	20.3	28.4%	7.5	246.3%
Operating (loss) / income	(4.9)	7.6	(164.4%)	(15.3)	-
Net loss attributable to Sistema	(20.3)	(20.3)	-	(16.5)	-
Radars and Aerospace					
Revenues	115.3	83.9	37.5%	92.1	25.3%
OIBDA	20.8	13.4	55.0%	12.4	67.8%
Operating income	17.5	12.0	46.5%	9.5	84.8%
Net income attributable to Sistema	10.9	7.6	43.3%	1.1	918.0%
Pharmaceuticals					
Revenues	9.8	8.2	18.8%	5.6	75.5%
OIBDA	(0.8)	(0.9)	-	(1.2)	-
Operating loss	(2.1)	(1.4)	-	(2.7)	-
Net loss attributable to Sistema	(2.6)	(2.3)	-	(0.8)	-

The Technology and Industry business unit comprises the High Technology, Radars and Aerospace, and Pharmaceuticals businesses. The unit's revenues increased by 16.2% year-on-year and by 36.1% quarter-on-quarter mainly as a result of robust growth in the High Technology, Radars and Aerospace business. The unit accounted for 5.7% of consolidated revenues in the second quarter of 2010, compared to 8.1% in the second quarter of 2009 and 4.7% in the first quarter of 2010.

The Technology and Industry business unit's OIBDA increased by 21.2% year-on-year and nearly doubled quarter-on-quarter in the second quarter of 2010 mainly due to the improved efficiency and expanding margins in both High Technology and Radars and Aerospace businesses. The OIBDA margin increased in the second quarter of 2010 to 9.8%, compared to 9.4% and 6.9% in the in the second quarter of 2009 and the first quarter of 2010, respectively.

The Technology and Industry business unit reported a net loss in the second quarter.

Revenues for the High Technology business increased by 8.5% year-on-year due to the healthy sales growth in the Information Technologies and Microelectronics business divisions and by 40.5% quarter-on-quarter mainly due to a seasonally stronger quarter.

The High Technology business' OIBDA increased by 28.4% year-on-year and more than tripled quarter-on-quarter following the growth in the operating activity and a reduction in operating expenses, which resulted in improved operating efficiency levels.

The Radars and Aerospace business' revenues increased by 37.5% year-on-year and by 25.3% quarter-on-quarter, as the business completed a number of new large contracts.

The Radars and Aerospace business' OIBDA increased by 55.0% year-on-year and by 67.8% quarter-on-quarter as a result of the higher profitability achieved on new completed projects in the reporting quarter.

The Pharmaceuticals business' revenues increased by 18.8% year-on-year and by 75.5% quarter-on-quarter.

The Pharmaceuticals business OIBDA loss declined year-on-year and quarter-on-quarter as a result of a reduction in operating expenses.

In April 2010, SITRONICS acquired the remaining 35% stake in SITRONICS Smart Technologies LLC (SST) from Giesecke & Devrient GmbH (G&D) in Germany, for a total consideration of RUR 101.9 million.

CORPORATE & OTHER

<i>(US\$ millions)</i>	2Q 2010	2Q 2009	Year on Year Change	1Q 2010	Quarter on Quarter Change
OIBDA	(48.2)	(22.8)	-	(33.2)	-
Net loss	(83.2)	(20.4)	-	(80.1)	-
Indebtedness	2,557.0	2,422.6	5.6%	2,629.3	(2.8)

The Corporate and Other segment comprises the companies that control and manage the Group's interests in its subsidiaries. The segment reported OIBDA loss of US\$ 48.2 million in the second quarter of 2010.

In June 2010, the Annual General Meeting ("AGM") of shareholders approved the payment of a dividend of RUR 0.055 per share (approximately US\$ 0.035⁸ per Global Depositary Receipt), which amounted to RUR 530,750,000 (approximately US\$ 17.0 million⁹) in total.

FINANCIAL REVIEW

Net cash provided by operations in the second quarter of 2010 increased by 60.7% year-on-year and more than tripled quarter-on-quarter to US\$ 1,293.5 million, as a result of growth in operating activities and changes in working capital.

Net cash used in investing activities totaled US\$ 836.9 million in the second quarter of 2010, compared to net cash used in investing activities of US\$ 3,170.2 million in the second quarter of 2009 and net cash provided by investing activities of US\$ 204.2 million in the first quarter of 2010. The Group spent US\$ 463.8 million on capital expenditure, compared to US\$ 829.2 million and US\$ 450.7 million spent in the second quarter of 2009 and the first quarter of 2010, respectively. The Group spent US\$ 187.9 million on the acquisition of businesses in the second quarter, largely on 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.

⁸ Based on the Russian Central Bank exchange rate as at June 30, 2010

⁹ Based on the Russian Central Bank exchange rate as at June 30, 2010

Net cash outflow from financing activities amounted to US\$ 1,891.4 million in the second quarter of 2010, compared to inflow of US\$ 3,372.3 million in the second quarter of 2009 and outflow of US\$ 635.5 million in the first quarter of 2010. Major changes in financing in the second quarter of 2010 included a repurchase by MTS of the series 01, 02 and 03 RUR-denominated bonds in the amount of RUR 7.1 billion, RUR 6.3 billion and RUR 179.5 million, respectively; a signing by MTS of RUR 22 billion (approximately US\$ 688.9 million) 3-year credit agreement with further reduction in the interest rate to 8.99% with the Bank of Moscow; a repayment by MTS of RUR 6 billion loan to Sberbank and EUR 413 million loan from EBRD, Nordic Investment Bank and European Investment Bank; an issuance by MTS of US\$ 750 million loan participation notes with an annual interest rate of 8.625%, maturing in June 2020; a placement of second series 3-year RUR 2 billion bond issue by Intourist with 14% annual coupon rate and a repayment upon maturity of first series 3-year RUR 1 billion bond issue by Intourist.

The Group's cash balances stood at US\$ 2,395.4 million as of June 30, 2010, compared to US\$ 3,823.7 million as of March 31, 2010. The Group's net debt (short-term and long-term debt less cash and cash equivalents) amounted to US\$ 11,633.5 million as of June 30, 2010, compared to US\$ 11,042.4 million as of March 31, 2010.

SIGNIFICANT EVENTS FOLLOWING THE END OF THE REPORTING PERIOD

Telecommunications Business Unit

In August 2010, MTS reached an agreement with Sberbank to lower interest rates on RUR 53 billion loan portfolio. The interest rate on the RUR 47 billion loan with maturity in September 2013 was reduced from an annual rate of 10.65% to 9.25%. The interest rate on the RUR 6 billion loan with maturity in August 2011 was reduced from an annual rate of 9.75% to 8.75%.

In August 2010, the Board of Directors of Comstar-UTS set the date for the Extraordinary General Meeting of shareholders ("EGM") for September 22, 2010. The Board proposed to the EGM to consider the amendments to the agreement with Rostelecom and a series of inter-related transactions, in order to reflect the inter-relation between the sale of Comstar's stake in Svyazinvest and the execution of the share swap between Svyazinvest and Sistema-Inventure to exchange Svyazinvest's 23.3% stake in MGTS for Sistema-Inventure's stake in SkyLink.

In August 2010, SSTL received US\$ 280 million (Rs 13 billion) loan from the State Bank of India to finance the company's expansion plans and introduce new products and services.

In July 2010, MTS acquired a 100% stake in CJSC Multiregion, one of the leading regional broadband and cable TV providers in Russia, from Cavolo Trading Limited (Cyprus) for US\$ 123.5 million and assumed a debt of approximately US\$ 94.4 million.

In July 2010, MTS secured an 8-year credit facility with a six-month EURIBOR+1.65% interest rate in the amount of up to EUR 300 million backed by Finland's export credit agency Finnvera plc for the purchase of equipment and services from Nokia Siemens Networks for its Russian and Ukrainian operations.

In July 2010, MTS increased its direct ownership in TS-Retail OJSC, a subsidiary of Sistema, from 25% to 40% as part of its retail development strategy. The effective control in the company has increased to 55% through Comstar-UTS' ownership in TS-Retail.

In July 2010, the Board of Directors of Comstar-UTS recommended that its shareholders accept the voluntary tender offer (“VTO”) by MTS and tender up to 37,614,678 ordinary shares representing up to 9.0% of Comstar’s issued share capital, as well as shares included in Comstar’s Global Depositary Receipts (“GDRs”) program for RUR 220.0 per share. The VTO documentation was filed with the Federal Service for Financial Markets, which has now completed its statutory review.

Oil & Energy Business Unit

After the reporting quarter, Bashneft acquired 49.99% of “ASPEK” holding company. By the end of 2010, following its retail marketing strategy, Bashneft is planning to acquire “ASPEK” oil products division which owns 44 retail stations in Udmurtiya and “ASPEK” sales and trading division.

Bashneft’s fundraising after the second quarter of 2010 totaled approximately 30 bln RUR and US\$ 450 mln.

Consumer Business Unit

In August 2010, Detsky Mir-Centre completed a secondary offering of shares amounting to RUR 1,617 billion. The shares were placed with Sistema.

In July 2010, Intourist opened luxury boutique hotel Principe in Forte dei Marmi, Italy.

Technology & Industry Business Unit

In July 2010, SITRONICS introduced changes to the Management Board’s shareholdings in SITRONICS and repurchased shares from the members of SITRONICS’ Management Board, in accordance with the existing share repurchase agreement.

Corporate & Other

In August 2010, the Extraordinary General Meeting of Sistema’s shareholders approved a related party transaction to guarantee the obligations of CJSC Sistema-Inventure to OJSC Svyazinvest in relation to the agreement signed between the two parties to exchange shares in OJSC MGTS for shares in CJSC SkyLink.

In July 2010, Sistema announced changes and new allocations to its Board of Directors’ shareholdings. In line with the remuneration structure for the members of Sistema Board of Directors, shareholdings in the Company of seven members have been increased by 89,139 shares, and three Directors have been awarded their first allocation of shares with two being granted 93,237 shares each and one receiving 89,139 shares. Each allocation represents approximately 0.0009% of 9,650,000,000 total shares outstanding.

In July 2010, Sistema acquired a 51% stake in OJSC M2M Telematics, the leader in the Russian market of transport monitoring, navigation and telematics based on GLONASS/GPS technologies. Sistema plans to acquire the remaining 49% stake in the next two to five years in accordance with the agreement between the companies.

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 7190 1595

US: +1 480 629 9772

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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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\$ 6.9 billion for the second quarter of 2010, and total assets of US\$ 40.2 billion as at June 30, 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
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS AND THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(Amounts in thousands of U.S. dollars)

	Three month ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Sales	\$ 6,765,680	\$ 4,076,455	\$ 12,796,517	\$ 6,665,569
Revenues from financial services	152,504	171,901	324,491	324,363
TOTAL REVENUES	6,918,184	4,248,356	13,121,008	6,989,932
Cost of sales, exclusive of depreciation and amortization shown separately below	(2,825,694)	(1,692,485)	(5,294,867)	(2,705,776)
Financial services related costs, exclusive of depreciation and amortization shown separately below	(95,861)	(73,600)	(208,402)	(178,724)
Selling, general and administrative expenses	(871,388)	(766,179)	(1,720,582)	(1,369,353)
Depreciation and amortization	(734,270)	(641,556)	(1,439,219)	(1,081,476)
Transportation costs	(159,605)	(33,144)	(281,795)	(33,144)
Provision for doubtful accounts	(23,139)	(22,934)	(73,098)	(69,706)
Loss from impairment of other long-lived assets	(22,582)	(32,441)	(22,745)	(43,065)
Taxes other than income tax	(980,957)	(305,952)	(1,924,693)	(354,017)
Other operating expenses, net	(94,369)	(107,175)	(121,564)	(139,222)
Equity in net income of investees	26,712	16,330	35,627	(6,534)
Gain on BashTEK acquisition	-	2,782,835	-	2,782,835
Loss on disposal of interests in subsidiaries and affiliates	-	(33,140)	-	(51,523)
OPERATING INCOME	1,137,031	3,338,915	2,069,670	3,740,227
Interest income	32,353	37,623	82,774	62,742
Change in fair value of derivative instruments	(509)	(2,418)	(1,006)	(8,444)
Interest expense, net of amounts capitalized	(397,629)	(292,755)	(828,003)	(499,462)
Currency exchange and translation (loss)/gain	(37,355)	401,539	66,942	(294,934)
Income from continuing operations before income tax, equity in net income of energy companies in the Republic of Bashkortostan	733,891	3,482,904	1,390,377	3,000,129
Income tax expense	(302,434)	(188,974)	(516,570)	(174,127)
Equity in net income of energy companies in the Republic of Bashkortostan	-	-	-	4,400
Income from continuing operations	\$ 431,457	\$ 3,293,930	\$ 873,807	\$ 2,830,402
(Loss)/income from discontinued operations, net of income tax expense of US\$ nil, US\$ nil and US\$ nil, respectively	(30,014)	-	(30,014)	1,473
Loss from disposal of discontinued operations, net of income tax effect of US\$ nil and US\$ nil, respectively	-	(27,627)	-	(27,627)
NET INCOME	\$ 401,443	\$ 3,266,303	\$ 843,793	\$ 2,804,248
Non-controlling interest	(257,451)	(531,411)	(555,044)	(464,827)
NET INCOME attributable to JSFC Sistema	143,992	2,734,891	288,749	2,339,420
Earnings per share, basic and diluted (US cent per share):	1.55	29.47	3.11	25.21

JSFC SISTEMA AND SUBSIDIARIES

**UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2010 AND DECEMBER 31, 2009
(AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT SHARE AMOUNTS)**

	June 30, 2010	December 31, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,395,263	\$ 3,845,427
Short-term investments	594,290	575,966
Loans to customers and banks, net	4,195,741	4,775,518
Accounts receivable, net	1,686,616	1,334,169
Prepaid expenses, other receivables and other current assets, net	2,016,721	1,358,226
VAT receivable	385,145	302,703
Inventories and spare parts	1,348,079	1,137,294
Deferred tax assets, current portion	357,780	348,965
Assets of discontinued operations	606,437	-
Total current assets	<u>13,586,072</u>	<u>13,678,268</u>
NON-CURRENT ASSETS:		
Property, plant and equipment, net	18,417,421	19,266,950
Advance payments for non-current assets	233,317	502,481
Goodwill	1,623,680	1,647,102
Licenses, net	971,381	1,025,462
Other intangible assets, net	1,706,401	1,772,540
Investments in affiliates	546,626	631,822
Investments in shares of Svyazinvest	833,456	859,668
Loans to customers and banks, net of current portion	1,333,101	1,614,968
Debt issuance costs, net	109,252	162,525
Deferred tax assets, net of current portion	288,142	243,569
Long-term investments	322,575	342,168
Other non-current assets	189,032	263,517
Total non-current assets	<u>26,574,384</u>	<u>28,332,772</u>
TOTAL ASSETS	<u>\$ 40,160,456</u>	<u>\$ 42,011,040</u>

JSFC SISTEMA AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF JUNE 30, 2010 AND DECEMBER 31, 2009

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

	June 30, 2010	December 31, 2009
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,378,511	\$ 1,416,118
Bank deposits and notes issued, current portion	3,462,017	3,789,248
Taxes payable	838,877	736,834
Deferred tax liabilities, current portion	108,028	87,415
Subscriber prepayments, current portion	487,808	554,409
Accrued expenses and other current liabilities	3,024,363	2,359,643
Short-term loans payable	459,634	504,458
Current portion of long-term debt	2,440,865	3,736,708
Liabilities of discontinued operations	327,702	-
Total current liabilities	<u>12,527,805</u>	<u>13,184,833</u>
LONG-TERM LIABILITIES:		
Long-term debt, net of current portion	11,128,229	11,204,055
Subscriber prepayments, net of current portion	133,478	130,153
Bank deposits and notes issued, net of current portion	918,442	1,455,402
Deferred tax liabilities, net of current portion	1,637,768	1,610,726
Asset retirement obligation	196,110	189,490
Postretirement benefits obligation	32,730	31,870
Property, plant and equipment contributions	108,669	112,255
Total long-term liabilities	<u>14,155,426</u>	<u>14,733,951</u>
TOTAL LIABILITIES	<u>26,683,231</u>	<u>27,918,784</u>
Commitments and contingencies	-	-
Redeemable non-controlling interests	108,095	82,261
SHAREHOLDERS' EQUITY:		
Share capital (9,650,000,000 shares issued; and 9,278,981,940 shares outstanding with par value of 0.09 Russian Rubles)	30,057	30,057
Treasury stock (371,018,060 shares with par value of 0.09 Russian Rubles)	(466,345)	(466,345)
Additional paid-in capital	1,750,152	1,745,386
Retained earnings	5,863,798	5,577,759
Accumulated other comprehensive loss	(206,196)	(93,647)
Total JSFC Sistema shareholders' equity	<u>6,971,466</u>	<u>6,793,210</u>
Non-controlling interests in equity of subsidiaries	6,397,664	7,216,785
TOTAL EQUITY	13,369,130	14,009,995
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 40,160,456</u>	<u>\$ 42,011,040</u>

JSFC SISTEMA AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(Amounts in thousands of U.S. dollars)

	June 30, 2010	June 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 843,793	\$ 2,804,248
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation, depletion and amortization	1,439,219	1,081,476
Loss from disposal of discontinued operations	-	27,627
Loss / (income) from discontinued operations	30,014	(1,473)
Equity in net income of investees	(35,627)	2,134
Deferred income tax benefit	(36,452)	(131,244)
Change in fair value of derivative financial instruments	1,006	8,444
Foreign currency transactions losses/(gains)	(66,942)	269,615
Debt issuance cost amortization	50,824	10,374
Non-cash compensation to employees of subsidiaries	6,304	6,554
Non-cash expenses associated with asset retirement obligation	4,507	2,838
Loss from impairment of goodwill and other assets	22,745	43,065
Loss/(gain) on disposal of interests in subsidiaries and affiliates	-	51,523
Loss/(gain) on disposal of property, plant and equipment	-	2,141
Gain on BashTEK acquisition	-	(2,782,835)
Amortization of connection fees	(18,529)	(28,707)
Provision for doubtful accounts receivable	73,098	69,706
Allowance for loan losses	23,588	14,883
Movement in uncertain tax positions	-	417
Changes in operating assets and liabilities, net of effects from purchase of businesses:		
Trading securities	86,132	(78,590)
Accounts receivable	(432,283)	(136,165)
VAT receivable	(84,253)	(11,736)
Prepaid expenses, other receivables and other current assets	(366,604)	441,416
Inventories	(228,092)	(43,546)
Accounts payable	213,815	(649,497)
Subscriber prepayments	(35,382)	(22,400)
Taxes payable	102,648	187,255
Accrued expenses, subscriber prepayments and other liabilities	92,775	404,225
Dividends received from affiliates	15,383	82,380
Postretirement benefit obligation	860	(1,489)
Net cash provided by operations	\$ <u>1,702,547</u>	\$ <u>1,622,639</u>

JSFC SISTEMA AND SUBSIDIARIES

**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009 (CONTINUED)
(Amounts in thousands of U.S. dollars)**

	June 30, 2010	June 30, 2009
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchases of property, plant and equipment	(773,641)	(1,489,657)
Payments for purchases of intangible assets	(140,828)	(212,232)
Payments for purchases of businesses, net of cash acquired	(194,099)	(1,613,809)
Proceeds from sale of subsidiaries, net of cash disposed	-	5,090
Payments for purchases of long-term investments	(78,005)	(32,632)
Payments for purchases of short-term investments	(641,106)	(178,225)
Payments for purchases of other non-current assets	-	(654,852)
Proceeds from sale of other non-current assets	91,330	74,039
Decrease / (increase) in restricted cash	(16,743)	8,100
Proceeds from sale of property, plant and equipment	728	2,575
Proceeds from sale of long-term investments	44,320	-
Proceeds from sale of short-term investments	289,991	164,695
Net (decrease) /increase in loans to customers of the banking division	785,316	(327,792)
Net cash used in investing activities	\$ (632,737)	\$ (4,254,700)
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Principal payments on) / proceeds from short-term borrowings, net	(44,824)	274,565
Net (decrease)/increase in deposits from customers of the banking division	(540,638)	123,383
Net decrease in promissory notes issued by the banking division	(244,794)	(112,283)
Proceeds from long-term borrowings, net of debt issuance costs	1,857,954	4,423,621
Debt issuance costs	2,451	(50,933)
Principal payments on long-term borrowings	(3,189,337)	(1,393,164)
Principal payments on capital lease obligations	(10,420)	(4,378)
Acquisition of noncontrolling interests in existing subsidiaries	(353,988)	(66,532)
Payments to shareholders of subsidiaries	(3,283)	-
Net cash provided by financing activities	\$ (2,526,879)	\$ 3,194,279
Effects of foreign currency translation on cash and cash equivalents	\$ 6,905	\$ 44,447
INCREASE IN CASH AND CASH EQUIVALENTS	\$ (1,450,164)	\$ 606,665
CASH AND CASH EQUIVALENTS, beginning of the period	3,845,427	1,936,414
CASH AND CASH EQUIVALENTS, end of the period	\$ 2,395,263	\$ 2,543,079
SUPPLEMENTAL INFORMATION:		
Interest paid	\$ (906,276)	\$ (397,409)
Income taxes paid	(490,288)	(156,310)

JSFC SISTEMA AND SUBSIDIARIES
UNAUDITED SEGMENTAL BREAKDOWN FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(Amounts in thousands of U.S. dollars)

For the six months ended June 30, 2010	Tele- commu- nications	Techno- logy and Industry	Consumer Assets	Oil and Energy	Corporate and Other	Total
Net sales to external customers ^(a)	5,459,398	530,560	897,087	6,225,258	8,705	13,121,008
Intersegment sales	4,400	157,901	4,823	1,056	20,824	189,004
Equity in net income of investees	16,544	-	261	18,822	-	35,627
Interest income	39,245	5,171	1,400	25,699	50,620	122,135
Interest expense	469,931	46,424	23,312	138,075	169,174	846,916
Net interest revenue ^(b)	-	-	19,340	-	-	19,340
Depreciation, depletion and amortization	985,067	63,034	29,668	357,366	4,084	1,439,219
Operating income/(loss)	1,252,868	(3,951)	(5,535)	964,337	(85,394)	2,122,325
Income tax expense	270,841	9,368	8,226	192,908	35,227	516,570
Investments in affiliates	220,620	178,089	2,568	87,392	57,957	546,626
Segment assets	18,564,762	2,796,922	8,210,577	12,580,675	4,145,224	46,298,160
Indebtedness ^(c)	7,899,125	934,953	437,878	2,199,767	2,557,005	14,028,728
Capital expenditures	658,489	49,055	46,234	160,551	140	914,469

For the six months ended June 30, 2009	Tele- commu- nications	Techno- logy and Industry	Consumer Assets	Oil and Energy	Corporate and Other	Total
Net sales to external customers (a)	4,553,250	457,644	795,141	1,167,418	16,479	6,989,932
Intersegment sales	2,479	111,425	20,943	-	5,959	140,806
Equity in net income of investees	2,459	-	224	-	4,400	7,083
Interest income	41,346	9,065	3,905	8,922	50,172	113,410
Interest expense	231,244	36,471	35,170	85,554	123,552	511,991
Net interest revenue (b)	-	-	23,166	-	-	23,166
Depreciation, depletion and amortization	853,510	30,001	24,850	166,064	7,051	1,081,476
Operating income/(loss)	1,081,059	5,799	-14,900	2,814,730	-43,732	3,842,956
Income tax expense/(benefit)	167,669	1,245	(7,169)	21,710	(9,328)	174,127
Investments in affiliates	316,408	8,661	2,570	-	6,259	333,898
Segment assets	17,451,519	2,492,426	9,635,716	11,026,271	3,611,774	44,217,706
Indebtedness (c)	5,833,555	764,468	427,452	2,702,805	2,422,593	12,150,873
Capital expenditures	1,402,633	37,258	25,781	151,184	61,299	1,678,155

(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:

	2Q 2010	2Q 2009	1Q 2010
Operating Income	1,137.0	655.4	932.6
Depreciation, depletion and amortization	734.3	541.2	705.0
OIBDA	1,871.3	1,196.6	1,637.6