



FOR IMMEDIATE RELEASE

July 13, 2006

FINANCIAL RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2006

Moscow, Russia – July 13, 2006 – Sistema (LSE: SSA), the largest private sector consumer services company in Russia and the CIS, today announced its consolidated US GAAP financial results for the first quarter and three months ended March 31, 2006.

HIGHLIGHTS

- Consolidated revenues up 30% year on year to US\$ 2.01 billion
- OIBDA¹ up 21% year on year to US\$ 774.8 million
- Operating income up 11% year on year to US\$ 470.0 million
- Net income up 17% year on year to US\$ 129.5 million

Alexander Goncharuk, President and CEO, commented: “The first quarter saw double digit revenue, OIBDA and operating income growth for the fifth straight quarter since Sistema became a publicly listed company. This continued strong performance reflected healthy growth in our telecommunications businesses as well as an increasing contribution from our non-telecommunications businesses including our Technology, Insurance and Banking divisions. Overall, non-telecommunications businesses contributed 15.1% of group operating income in the quarter, compared to less than 1% a year ago. This demonstrates both the strengthening market positions of our range of consumer-focused service businesses, as well as the success of our financial investments such as the acquisition of minority stakes in six energy companies in the Republic of Bashkortostan.”

FINANCIAL SUMMARY

US\$ millions	Q1 2006	Q1 2005
Consolidated Revenues	2,011.0	1,551.1
OIBDA	774.8	641.4
Operating Income	470.0	423.5
Net Income	129.5	110.5

¹OIBDA is a non-GAAP measure. It is defined as operating income before depreciation and amortization. OIBDA can be reconciled to the Group’s consolidated statements by adding back depreciation and amortization to operating income.

OPERATING REVIEW

Consolidated revenues for the first quarter of 2006 increased by 29.7% year on year to US\$ 2.01 billion from US\$ 1.55 billion for the same period of 2005. Sistema's revenue mix continued to reflect strong growth in the Group's non-telecommunications businesses, which accounted for 23.8% of consolidated revenues in the first quarter of 2006. The two largest non-telecommunications businesses – Technology and Insurance – contributed 8.5% and 6.4% of Group consolidated revenues, respectively.

Sistema's OIBDA for the first quarter of 2006 increased by 20.8% year on year to US\$ 774.8 million from US\$ 641.4 million for the first three months of 2005, with the OIBDA margin decreasing to 38.5% from 41.4% a year ago.

The Group's operating income for the first quarter grew by 11.0% year on year from US\$ 423.5 million to US\$ 470.0 million, and was positively impacted by the increased associated company income from equity participations, with the oil-producing and refining companies in Bashkortostan contributing a US\$ 57.2 million share of earnings for the period. Sistema's ownership stake in these assets increased in the fourth quarter of 2005 to over 20%², and Sistema therefore now reports its share of earnings in these companies but does not consolidate any sales in its consolidated financial statements.

Net income for the first quarter was up 17.2% year on year from US\$ 110.5 million in 2005 to US\$ 129.5 million in the current year.

Telecommunications

US\$ millions	Q1 2006	Q1 2005
Revenues	1,534.2	1,242.4
OIBDA	692.8	634.0
Operating Income	398.8	423.5
Net Income	128.6	156.3

Revenues for the Telecommunications segment were up 23.5% year on year, which primarily reflected the growth in MTS' revenues. MTS added 2.86 million subscribers during the first quarter of 2006, of which the majority were in the Russian and Ukrainian markets. The share of value added services as a percentage of MTS' total revenues increased quarter on quarter in the first quarter by two percentage points to 14%. Telecommunications segment revenues accounted for 71.4% of Group revenues for the first quarter of 2006³, compared to 75.8% for the first quarter of 2005.

Telecommunications segment OIBDA increased by 9.3% year on year, and the OIBDA margin for the first quarter of 2006 declined year on year from 51.0% to 45.2%.

² Equity investees include: Bashneft, UNPZ, Novoil, Ufaneftekhim, Ufaorgsintez

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 elimination of intra-segment (between entities in the same segment) transactions, but before inter-segment (between entities in different segments) eliminations. Amounts attributable to individual companies, where appropriate, are shown prior to both intra-segment and inter-segment eliminations.

Net income decreased by 17.8% year on year, which reflected the decline in MTS earnings. The net income margin for the first quarter consequently declined from 12.6% to 8.4% year on year.

MTS' consolidated revenues increased by 21.9% year on year from US\$ 1.06 billion to US\$ 1.29 billion⁴. MTS' OIBDA for the period was US\$ 581.0 million and the OIBDA margin decreased to 45.1%. MTS reported net income of US\$ 184.4 million, compared to US\$ 232.5 million for the first quarter of 2005.

Comstar UTS' consolidated revenues increased by 22.1 % year on year to US\$ 249.8 million in the first quarter of 2006 from US\$ 204.6 million for the same period of 2005. This growth was primarily organic, with businesses acquired after March 31, 2005 contributing only US\$ 8.4 million to Comstar UTS' total consolidated revenues in the first quarter of 2006.

The company's OIBDA increased by 19.5% year on year to US\$ 101.3 million from US \$ 84.8 million in 2005. Net income was up 38.7% year on year from US\$ 28.2 million to US\$ 39.2 million. Comstar UTS demonstrated robust growth across all subscriber segments in its traditional fixed-line communications business during the first quarter, with a 20.1% aggregate increase in revenues from these operations on a quarter-on-quarter basis. The positive trends in the alternative fixed-line business included a sharp rise in ADSL and pay-TV sales, with the cumulative share of these services as a proportion of Comstar UTS' total alternative fixed-line revenues more than doubling year on year from 8.0% to 17.5%.

Comstar UTS completed its Initial Public Offering in February 2006, which raised over US\$ 1.06 billion, with net proceeds to the company amounting to US\$ 0.98 billion.

Technology

US\$ millions	Q1 2006	Q1 2005
Revenues	282.4	194.3
OIBDA	60.6	17.4
Operating Income	59.4	14.6
Net Income	31.5	4.5

SITRONICS, the technology arm of Sistema, generated year on year revenue growth of 45.3% for the period, and, as a result, accounted for 13.1% of Group revenues, compared with 11.8% in the same period of 2005. The growth was primarily driven by the IT Services business, which accounted for 42.4% or US\$ 119.8 million of segment revenue. OIBDA for the IT Services business increased by more than four times year on year to US\$ 3.3 million, with net income increasing at a similar pace to US\$ 2.9 million in the first quarter of 2006. This reflected the strong growth in higher margin systems integration business and the expansion into higher growth CIS markets.

The Telecommunications Solutions business also showed significant year on year growth with revenues increasing by 78.4% to US\$ 102.1 million and OIBDA increasing by over three

⁴ Financial results of MTS and Comstar may vary from the earlier reported stand alone financial results due to differences in accounting principles and consolidation effects.

times to US\$ 53.7 million. Net income was up by more than three times to US\$ 42.1 million in the first quarter.

The Microelectronics Solutions business generated 52.2% year on year revenue growth to US\$ 22.4 million, with a sixfold increase in OIBDA to US\$ 6.7 million. Net income increased to US\$ 3.3 million, compared with a net loss of US\$ 1.2 million in the first quarter of 2005.

Consumer electronics segment revenues grew by 12.2% year on year to US\$ 33.2 million in the first quarter of 2006 from US\$ 29.6 million for the first quarter of 2005. However, a US\$ 3.0 million loss at the OIBDA level reflected a fall in demand for Liquid Crystal Display monitors in the first quarter of 2006, as well as the renewal of the range of Concern SITRONICS products, which led to a decrease in margins due to the discounted selling of legacy model electronic appliances.

Real Estate

US\$ millions	Q1 2006	Q1 2005
Revenues	15.7	5.5
Operating Income	(0.4)	1.7
Net Income	(5.8)	(0.5)

Revenues for Sistema Hals, the real estate division of Sistema, rose by 185.5% year on year in the first quarter to US\$ 15.7 million.

The net loss increased from US\$ 0.5 million in the first quarter of 2005 to US\$ 5.8 million in the first quarter of 2006 due to an increase in administrative expenses, primarily driven by a larger pipeline of construction projects, as well as a US\$ 3.7 million negative currency translation effect, which compared with a net gain of US\$ 0.5 million for the same period 2005.

Insurance

US\$ millions	Q1 2006	Q1 2005
Revenues	138.4	96.6
Gross Premiums Written	226.6	201.3
Net Premiums Earned	121.4	91.3
Net Income	6.4	2.8

Key Ratios

Loss ratio	48.5%	52.5%
Expense Ratio	38.8%	33.4%
Combined Ratio	87.3%	85.9%

Revenues for ROSNO, the insurance division of Sistema, increased by 43.3% year on year in the first quarter. Gross premiums written increased by 12.6% to US\$ 226.6 million in the first quarter, which primarily reflected the 51% year on year growth in Voluntary Medical Insurance premiums; a 53% increase in Motor Own Damage premiums; and a 24% increase in obligatory third-party motor liability insurance.

Allianz-Rosno Asset Management increased its third party assets under management to US\$ 160.2 million, and now has total assets under management of US\$ 594.1 million.

Driven by strong insurance and investment results, segment net income increased by 128.6% year on year to US\$ 6.4 million in the first quarter.

Banking

US\$ millions	Q1 2006	Q1 2005
Revenues	44.1	22.5
Operating Income	8.7	2.5
Net Income	5.9	1.0

MBRD, the banking division of Sistema, reported 96.0% year on year growth in revenues to US\$ 44.1 million in the quarter. The growth was driven by the doubling of the bank's loan portfolio and a healthy increase in commission income resulting from the continued strong development of the retail banking operations.

Net income for the first quarter consequently grew substantially from US\$ 1.0 million in 2005 to US\$ 5.9 million in the current year.

Retail

US\$ millions	Q1 2006	Q1 2005
Revenues	56.0	18.2
OIBDA	(2.9)	1.8
Operating Income	(3.1)	1.5
Net Income	(5.0)	0.6

Detsky Mir, the specialist children's goods retailer, more than tripled its revenues year on year to \$56.0 million. The business' OIBDA declined year on year in the first quarter from a profit of US\$ 1.8 million to a loss of US\$ 2.9 million, which was due to a significant increase in the number of rented outlets and a resulting increase in selling, general and administrative expenses. The development of the wholesale business through S-Toys and NeuKohn, which were acquired in 2005, has temporarily depressed gross margins on a blended basis. Gross margins in the wholesale business are typically lower than in retail and range between 1% and 5%. In addition, the gross margins achieved at the new retail stores are still relatively low compared to those achieved at the flagship store in the Moscow city centre.

Net income for the first quarter of 2006 therefore declined year on year from a profit of US\$ 0.6 million in the first quarter of 2005 to a net loss of US\$ 5.0 million in the current year.

Detsky Mir has acquired and opened thirty six new retail stores since the first quarter of 2005. These stores contributed US\$ 13.1 million in new sales, or 23.4% of segment revenues, while the wholesale business accounted for US\$ 20.4 million or 36.4% of the total revenue for the segment.

Media

US\$ millions	Q1 2006	Q1 2005
Revenues	19.8	32.4
OIBDA	3.7	0.2
Operating Income	0.1	(1.4)
Net Income	(1.7)	3.1

Sistema Mass Media, the media division of Sistema, reported a 38.9% year on year decline in revenues in the first quarter following the disposal of non-core loss-making subsidiaries in 2005. The segment's operating profitability consequently improved from a loss of US\$ 1.4 million in 2005 to a profit of US\$ 0.1 million in the current year.

Net income declined from a profit of US\$ 3.1 million in the first quarter of 2005 to a net loss of US\$ 1.7 million in the first quarter of 2006 resulting from the absence of significant disposal effects in 2006.

Approximately US\$ 13.8 million of the total segment revenues of US\$ 19.8 million in the first quarter of 2006 were generated from companies acquired in 2005 and 2006, while US\$ 29.8 million of the first quarter 2005 revenues of US\$ 32.4 million were accounted for by companies subsequently disposed of, or transferred to other reporting segments. For example, MTU-Intel and Golden Line, which were subsequently included in the Telecommunications division, contributed approximately US\$ 22.2 million of segment revenues in the first quarter of 2005.

FINANCIAL HIGHLIGHTS

Cash Flow

Sistema generated cash flow from operations of US\$ 256.5 million in the first quarter of 2006, which compared with US\$ 515.4 million for the first quarter of 2005. The decrease is primarily related to the growth in loans outstanding to banks issued by MBRD, whereas the corresponding increase in debt financing secured by the bank is included in cash inflow from financing activities.

Net cash used in investing activities was US\$ 864.6 million in the first quarter of 2006 and primarily reflected capital expenditure in the Telecommunications division, as well as the purchase of businesses for a total combined consideration of US\$ 320.7 million. These purchases included the acquisitions of 100% of United Cable Networks, 8.03% of MGTS, and 20% of Cosmos Hotel.

Capital expenditure, excluding acquisitions, totaled US\$ 393.8 million for the first quarter of 2006, compared to US\$ 455.0 million for the first quarter of 2005, whereas the proportion of capital expenditure accounted for by the telecommunications division decreased year on year from 95.0% to 90.1%.

Cash flow from financing activities amounted to US\$ 1.23 billion in the quarter and primarily reflected the proceeds from the Comstar UTS Initial Public Offering, which took place in February 2006.

Net debt was US\$ 3.5 billion at the end of the first quarter of 2006, compared with US\$ 1.92 billion as at 31 March 2005.

ACQUISITIONS AND DIVESTITURES

In the Telecommunications segment, Comstar UTS made an unconditional purchase offer to the holders of common shares of MGTS in December 2005. The offer price was set at RUR 490 (equivalent to US\$ 17.6 as at March 31, 2006) per one common share of MGTS. Shareholders of MGTS could accept this offer within 30 days of receipt of official notification. In February 2006, Comstar UTS announced the results of its public share purchase offer to MGTS common stock shareholders. During the first two months of 2006, Comstar UTS acquired 3,363,332 MGTS ordinary shares, representing 4.21% of the outstanding ordinary shares, for a total cash consideration of RUR 1,600 million (equivalent to US\$ 57.6 million as at March 31, 2006). In March 2006, Comstar UTS purchased an additional 3.82% of MGTS common stock from minority shareholders for US\$ 71.5 million. As a result, Comstar UTS' voting power and ownership interest in MGTS have increased to 63.7% and 53.0% respectively.

In the Insurance segment, ROSNO acquired a 51% stake in Medexpress, which is a provider of voluntary medical insurance in the North-western region of the Russian Federation, for a cash consideration of US\$ 6.6 million. The Group plans to further develop Medexpress' operations and use its distribution as an additional sales channel for ROSNO products.

In the Mass Media segment, Sistema Mass Media and ECU GEST acquired 90% and 10% respectively of JIR Broadcast and JIR Inc., which are the owners of 100% of United Cable Networks ("UCN"), for a total cash consideration of US\$ 145.9 million. This included the refinancing of the debt previously obtained by JIR Broadcast and JIR Inc. UCN is a pay-TV and broadband service provider in Russia, which operates in 17 metropolitan areas throughout the Russian Federation and has 724,000 subscribers.

In January 2006, Sistema Mass Media acquired GK Sendi, which is an internet provider in Nizhny Novgorod, and Informservis, which is a cable television operator in the same region, for a combined total cash consideration of US\$ 6.3 million. The Group intends to use these acquisitions to further develop its digital TV and broadband networks in the regions.

In the Retail segment, Detsky Mir completed the acquisition of 99% of Tireks Development, which owns a 30% stake in Group subsidiary Dom Igrushki, for a cash consideration of US\$ 2.4 million in March 2006.

In the Corporate and Other segment, Intourist purchased a 20% equity interest in Cosmos Hotel for approximately US\$ 20.0 million in March 2006. Upon completion of this transaction, Intourist became the controlling shareholder in Cosmos Hotel with a 61.8% shareholding.

Additionally, in the Corporate and Other segment, Concern RTI acquired a 50% plus one share interest in UralElektro, and a 100% stake in UralElektro-K, for a combined cash consideration of US\$ 5.4 million in March 2006. Both companies manufacture electronic equipment.

RECENT EVENTS FOLLOWING THE END OF THE REPORTING PERIOD

On June 30, 2006, SITRONICS, the technology division of the Group, announced the acquisition of a 51% stake in Intracom Telecom for EUR 120 million. The acquisition is aimed at strengthening SITRONICS' positions in the Telecommunications Solutions business, giving the company access to Intracom Telecom's highly complementary product range and customer base.

OTHER INFORMATION

Conference call information

The company will host a conference call today at 18.00 (Moscow local time), 15.00 (London local time), 10.00 (New York local time). To participate in the conference call, please dial the following numbers:

UK: +44 (0)20 7138 0828

US: +1 718 354 1152

A replay facility will also be made available and may be accessed by dialing the following numbers and entering the replay access code – 4239229#

UK: +44 (0)20 7806 1970

US: +1 718 354 1112

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Sistema is the largest private sector consumer services company in Russia and the CIS, with over 60 million customers. Sistema develops and manages market-leading businesses in selected service-based industries, including telecommunications, technology, insurance, banking, real estate, retail and media. Founded in 1993, the company reported revenues of US\$ 7.6 billion for the full year 2005 and US\$ 2.0 billion for the first quarter of 2006, and total assets of US\$ 13.1 billion as at December 31, 2005 and US\$ 14.9 billion as at March 31, 2006. Sistema's shares are listed under the symbol "SSA" on the London Stock Exchange, under the symbol "AFKS" on the Russian Trading System (RTS), and 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. 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.

JSFC SISTEMA AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
March 31, 2006 (unaudited) and December 31, 2005
(Amounts in thousands of U.S. dollars, except share amounts)

	March 31, 2006 (unaudited)	December 31, 2005
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,101,682	\$ 482,647
Short-term investments	704,959	594,196
Loans to customers and banks, net	912,138	568,502
Insurance-related receivables	207,962	149,589
Accounts receivable, net	596,656	442,643
Prepaid expenses, other receivables and other current assets, net	559,343	578,152
VAT receivables	458,648	495,191
Inventories and spare parts, net	543,596	482,909
Deferred tax assets, current portion	142,085	123,681
Total current assets	<u>5,227,069</u>	<u>3,917,510</u>
Property, plant and equipment, net	6,100,079	5,876,124
Advance payments for non-current assets	281,100	233,761
Investments in affiliated companies	948,235	914,203
Other investments	150,000	150,000
Intangible assets, net	2,017,169	1,832,246
Debt issuance costs, net	76,690	82,662
Deferred tax assets	48,531	33,472
Other non-current assets	45,004	50,872
TOTAL ASSETS	<u>14,893,877</u>	<u>13,090,850</u>
CURRENT LIABILITIES:		
Accounts payable	535,926	594,816
Bank deposits and notes issued	548,228	496,829
Insurance-related liabilities	545,317	412,328
Taxes payable	161,897	125,474
Deferred tax liabilities, current portion	31,172	28,149
Accrued expenses and other current liabilities	1,187,328	993,344
Short-term notes payable	524,515	637,769
Current portion of long-term debt	676,846	520,310
Total current liabilities	<u>4,211,229</u>	<u>3,809,019</u>
LONG-TERM LIABILITIES:		
Capital lease obligations	5,178	6,682
Long-term debt	3,399,435	3,202,629
Subscriber prepayments, net of current portion	158,161	163,897
Deferred tax liabilities	235,010	237,916
Postretirement benefits	16,482	16,217
Total long-term liabilities	<u>3,814,266</u>	<u>3,627,341</u>
Deferred revenue	130,219	125,700
TOTAL LIABILITIES	<u>8,155,714</u>	<u>7,562,060</u>
Minority interests in equity of subsidiaries	2,965,503	2,295,147
Commitments and contingencies	-	-
SHAREHOLDERS' EQUITY:		
Share capital (68,325,000 shares authorized, 9,650,000 shares issued, par value 90 RUR)	30,057	30,057
Treasury stock (44,564 shares)	(50,892)	-
Additional paid-in capital	1,932,019	1,479,743
Retained earnings	1,825,754	1,696,276
Accumulated other comprehensive income	35,722	27,567
TOTAL SHAREHOLDERS' EQUITY	<u>3,772,660</u>	<u>3,233,643</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 14,893,877</u>	<u>\$ 13,090,850</u>

JSFC SISTEMA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
For the three months ended March 31, 2006 and 2005 (unaudited)
(Amounts in thousands of U.S. dollars)

	Three months ended March 31,	
	2006	2005
	(unaudited)	(unaudited)
Sales	\$ 1,845,084	\$ 1,445,447
Revenues from financial services	165,884	105,610
TOTAL REVENUES	2,010,968	1,551,057
Cost of sales exclusive of depreciation and amortization shown separately below	(803,622)	(573,158)
Financial services related costs	(109,129)	(76,160)
TOTAL COST OF SALES	(912,751)	(649,318)
GROSS PROFIT	1,098,217	901,739
Selling, general and administrative expenses	(356,893)	(269,013)
Depreciation and amortization	(304,805)	(217,834)
Other operating expenses, net	(40,336)	(7,065)
Equity in net income of investees	73,798	15,268
Net gain on disposal of subsidiaries	-	454
OPERATING INCOME	469,981	423,549
Interest income	17,902	10,436
Interest expense	(74,643)	(62,882)
Currency exchange and translation gain/(loss)	23,085	(2,854)
Income before income tax and minority interests	436,325	368,249
Income tax expense	(152,169)	(113,546)
Income before minority interests	284,156	254,703
Minority interests	(154,678)	(144,221)
NET INCOME	129,478	110,482

JSFC SISTEMA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2006 and 2005 (unaudited)
(Amounts in thousands of U.S. dollars)

	Three months ended March 31,	
	2006	2005
	(unaudited)	(unaudited)
OPERATING ACTIVITIES:		
Net income	\$ 129,478	\$ 110,482
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	304,805	217,834
Gain on disposal of property, plant and equipment	(600)	(1,492)
Minority interests	154,678	144,221
Equity in net income of investees	(73,798)	(15,268)
Deferred income tax benefit	(37,129)	(18,980)
Provision for doubtful accounts receivable	37,610	21,414
Inventory obsolescence charge	4,643	953
Changes in operating assets and liabilities, net of effects from purchase of businesses:		
Trading securities	(93,577)	(212,675)
Loans to banks	(139,775)	114,031
Insurance-related receivables	(49,651)	(71,325)
Accounts receivable	(188,304)	(28,184)
VAT receivable	36,543	(7,353)
Prepaid expenses, other receivables and other current assets	29,062	(43,833)
Inventories and spare parts	(57,854)	(1,301)
Accounts payable	(63,539)	52,483
Insurance-related liabilities	119,643	169,692
Taxes payable	35,122	28,456
Accrued expenses, subscriber prepayments and other liabilities	108,920	55,444
Postretirement benefit obligation	265	801
Net cash provided by operations	<u>256,542</u>	<u>515,400</u>
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(320,034)	(379,824)
Purchase of intangible assets	(73,812)	(75,186)
Purchase of businesses, net of cash acquired	(320,698)	(12,743)
Purchase of long-term investments	-	(31,148)
Purchase of short-term investments	(124,965)	(685,016)
Proceeds from sale of short-term investments	109,705	4,003
Proceeds from sale of property, plant and equipment	662	1,582
Net increase in loans to customers	(135,507)	(39,014)
Net cash used in investing activities	<u>(864,649)</u>	<u>(1,217,346)</u>
FINANCING ACTIVITIES:		
(Principal payments on)/proceeds from short-term borrowings, net	(113,725)	3,327
Net (decrease)/increase in deposits from customers	(14,427)	32,020
Net increase in bank promissory notes issued	22,732	22,318
Proceeds from capital transactions of subsidiaries	1,032,917	-
Purchase of treasury stock	(50,892)	-
Proceeds from long-term borrowings, net of debt issuance costs	436,613	568,792
Principal payments on long-term borrowings	(84,572)	(129,000)
Principal payments on capital lease obligations	(1,504)	(3,385)
Proceeds from issuance of common stock	-	1,284,649
Net cash provided by financing activities	<u>\$ 1,227,142</u>	<u>\$ 1,778,721</u>
INCREASE IN CASH AND CASH EQUIVALENTS	\$ 619,035	\$ 1,076,775
CASH AND CASH EQUIVALENTS, beginning of the period	<u>482,647</u>	<u>503,747</u>
CASH AND CASH EQUIVALENTS, end of the period	<u>\$ 1,101,682</u>	<u>\$ 1,580,522</u>

**JSFC SISTEMA AND SUBSIDIARIES – CONSOLIDATED HIGHLIGHTS – BUSINESS SEGMENTS
AND OTHER CONSOLIDATED FINANCIAL INFORMATION**
(Amounts in thousands of U.S. dollars)

Three months ended March 31, 2006	Tele- commu- nications	Tech- nology	Insurance	Banking	Mass Media	Real Estate	Retail	Corporate and Other	Total
Net sales to external customers ^(a)	1,531,486	171,015	128,962	36,922	16,288	13,384	56,003	56,908	2,010,968
Intersegment sales	2,695	111,383	9,412	7,201	3,480	2,365	5	2,615	139,156
Income/(loss) from equity affiliates	19,890	7	(45)	-	-	-	-	53,946	73,798
Interest income	11,347	836	-	-	67	995	459	6,392	20,096
Interest expense	(48,430)	(3,850)	-	-	(560)	(1,458)	(1,422)	(22,742)	(78,462)
Net interest revenue ^(b)	-	-	-	9,032	-	-	-	-	9,032
Depreciation and amortization	(293,982)	(1,275)	(476)	(326)	(3,519)	(612)	(230)	(4,385)	(304,805)
Operating income/(loss)	398,848	59,360	24,441	8,706	132	(351)	(3,100)	55,487	543,523
Income tax expense	(109,219)	(14,191)	(7,423)	(2,411)	(836)	(1,554)	(339)	(16,196)	(152,169)
Income/(loss) before minority interests	266,849	42,656	12,438	6,295	(1,765)	(6,023)	(4,588)	30,583	346,445
Investments in affiliated companies	222,215	-	-	17,749	487	960	-	706,824	948,235
Segment assets	10,894,817	884,099	724,048	1,552,524	257,456	418,063	154,541	2,169,744	17,055,292
Cash and cash equivalents	1,024,979	155,804	81,969	107,983	4,268	20,088	3,127	131,527	1,529,745
Indebtedness ^(c)	(3,121,238)	(240,763)	(194)	(210,000)	(219,490)	(214,857)	(73,043)	(1,596,912)	(5,676,497)
Capital expenditures	355,031	12,879	1,666	6,000	8,356	6,054	127	3,733	393,846

Tree months ended March 31, 2005	Tele- commu- nications	Tech- nology	Insurance	Banking	Mass Media	Real Estate	Retail	Corporate and Other	Total
Net sales to external customers ^(a)	1,228,307	137,185	89,160	16,452	30,369	5,468	18,207	25,909	1,551,057
Intersegment sales	14,046	57,147	7,276	6,025	2,036	-	-	1,880	88,410
Income from equity affiliates	13,892	-	213	-	560	-	16	587	15,268
Interest income	7,194	151	-	-	-	280	2	4,693	12,320
Interest expense	(42,428)	(2,446)	-	-	(149)	(1,234)	(254)	(22,762)	(69,273)
Net interest revenue ^(b)	-	-	-	2,794	-	-	-	-	2,794
Depreciation and amortization	(210,475)	(2,852)	(336)	(248)	(1,545)	(492)	(272)	(1,614)	(217,834)
Operating income/(loss)	423,543	14,577	10,270	2,546	(1,383)	1,695	1,537	(9,368)	443,417
Income tax expense	(99,130)	(2,837)	(4,086)	(1,242)	(578)	(725)	(392)	(4,556)	(113,546)
Income/(loss) before minority interests	290,856	9,447	5,126	2,109	3,013	467	966	(32,889)	279,095
Investments in affiliated companies	186,343	-	-	16,518	1,912	102	519	42,866	248,260
Segment assets	7,884,725	306,910	649,530	1,248,756	96,493	194,973	53,238	1,860,173	12,294,797
Cash and cash equivalents	755,647	24,894	138,452	487,990	14,449	2,180	720	454,541	1,878,873
Indebtedness ^(c)	(2,486,215)	(107,696)	(517)	(161,987)	(49,844)	(176,855)	(10,803)	(992,267)	(3,986,184)
Capital expenditures	432,237	1,784	3,753	1,600	3,159	9,769	159	2,549	455,010

^(a) – Interest income and expenses of the Insurance and Banking segments 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, including vendor financing, and capital lease obligations