

Capital Markets Day

 **SISTEMA**

*February 7, 2006
The Park Lane Hotel
London*

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Section 1

Greeting from the CEO

Introduction



Vladimir Evtushenkov

- *CEO and Founder of Sistema*
- *1994 – 2005: Chairman of the Board of Directors, Sistema*

Advisory Positions

- *Member of the Government Commission on Science and Innovation Policy*
- *Member of the Council on Science and High Technologies with the President of the Russian Federation*
- *Member of the National Council for Corporate Governance*
- *Member of the Russian-Arab Business Council*
- *Board Member of Russian Union of Industrialists and Entrepreneurs (RSPP)*
 - *Chairman of Committee on Industrial Policy*

Background

- *1987 – 1993: Moscow Science and Technology Committee*
- *1982 – 1987: First Deputy CEO, Polymerbyt*
- *1975 – 1982: Deputy Director, Karacharovo Plastics*
- *Degrees in Chemical Engineering and Economics*



Section 2

Overview of Sistema

Overview of Sistema



*Alexei Kurach,
Head of Investor Relations*

Sistema Career

- 2005 - present: Head of Investor Relations

Background

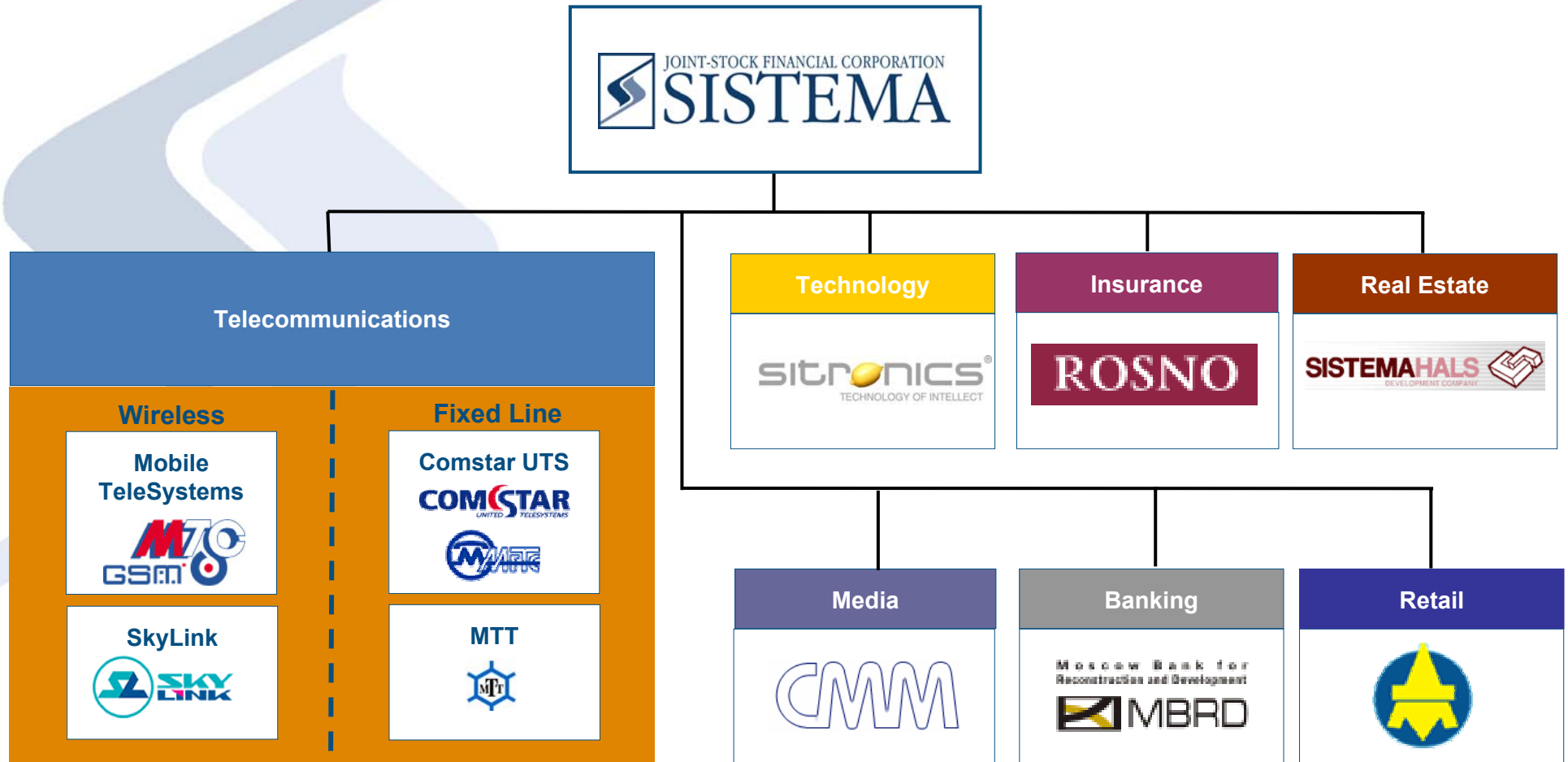
- 2003 – 2005: Investor Relations, RAO UES of Russia
- 2003: Loughborough University, Bsc in Banking and Finance

Introduction to Sistema

- **The largest private sector consumer-services company in Russia and the CIS**
 - Revenue of \$5.7bn and \$5.4bn, and OIBDA of \$2.5bn and \$2.3bn for 2004 and 9m 2005
 - Over 50m customers across all business lines
- **“Strategic trust” relationships with Russian and international players**
 - International blue chip names – Deutsche Telekom, Allianz, Siemens, etc.
 - Leading Russian business groups and financial institutions
- **Proven “know how” of business development in Russia / CIS**
 - Operating since 1993 with significant greenfield successes
 - Restructuring skills successfully applied to acquired businesses
 - Ability to efficiently source and execute M&A transactions going forward
- **Committed to best practices in corporate governance**
 - US GAAP financials since 1997
 - Formalised and highly disciplined approach to decision-making
 - Ron Sommer recently joined the Board of Directors as an independent director

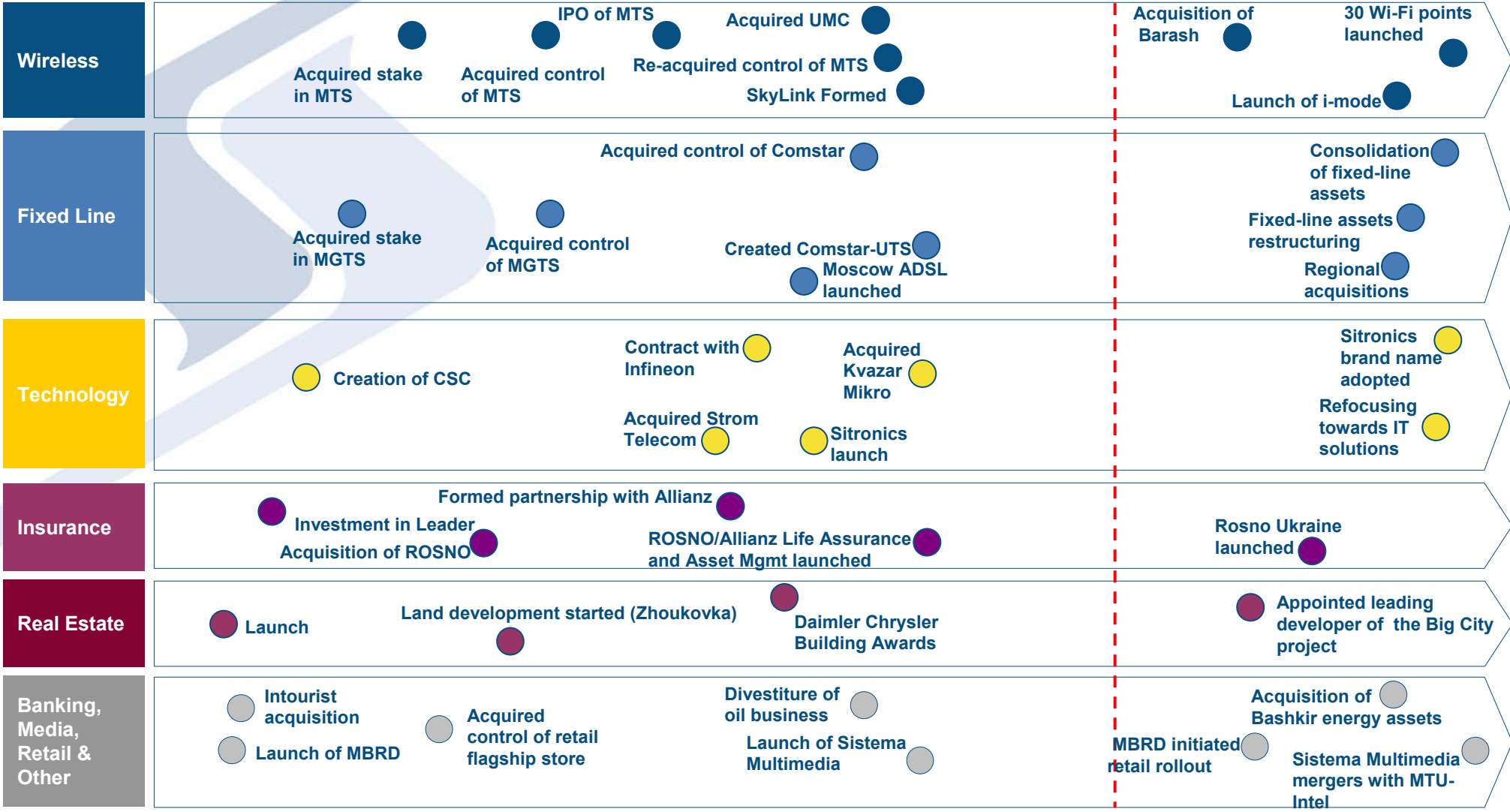
Positioned to capture growth in disposable income in Russia/CIS

Leadership in Service-Based Industries



Control and consolidation of high-growth service-based businesses

Track Record of Value Creation



Shareholder Structure



Vladimir Evtushenkov (64.2%)

CEO and Founder of Sistema

Background

- 1987 – 1993: Joint Stock Company Moscow Science and Technology Committee
- 1982 – 1987: First Deputy CEO, Polymerbyt
- 1975 – 1982: Deputy Director, Karacharovo Plastics
- Degree in Chemical Engineering and Economics

Advisory Positions

- Member of the Government Commission on Science and Innovation Policy
- Member of the Council on Science and High Technologies with the President of the Russian Federation
- Member of the National Council for Corporate Governance
- Member of the Russian-Arab Business Council
- Board Member of Russian Union of Industrialists and Entrepreneurs (RSPP)
 - Chairman of Committee on Industrial Policy

Other Shareholders



Evgeny Novitsky (3.2%)

Chairman of the Board of Directors



Alexander Leiviman (3.6%)

Director and Shareholder



Alexander Gorbatovsky (2.4%)

Director and Shareholder

Former CEO of Sistema-Neft



Alexander Goncharuk (2.0%)

Director and Shareholder

CEO of Sitronics

Free Float (19%)

Other Shareholders (5.6%)

Experienced Management Team

Corporate Management

President and CEO

Vladimir Evtushenkov
Founder of Sistema

**First Vice-President,
Strategy and
Development**
Levan Vasadze
Joined Sistema in 1998

**Senior Vice-President,
Chief Financial Officer**
Alexey Buyanov
Joined Sistema in 1994

**Senior Vice-President,
Corporate Property**
Sergey Drozdov
Joined Sistema in 1995

**Vice-President,
Economic and
Information Security**
Ruslan Almakaev
Joined Sistema in 2002

**Vice-President,
External Relations**
Sergey Cheremin
Joined Sistema in 2004

Key Operating Company CEOs

MTS

Vassily Sidorov
Joined Sistema in 2000

Sitronics

Alexander Goncharuk
Joined Sistema in 1993

MBRD

Sergey Zaytsev
Joined Sistema in 2003

Comstar United TeleSystems

Semyon Rabovsky
Joined Sistema in 1995

ROSNO

Leonid Melamed
Joined Sistema in 1997

Detsky Mir

Sergei Kushakov
Joined Sistema in 1997

MGTS

Alexey Goltsov
Joined Sistema in 1995

Sistema-Hals

Felix Evtushenkov
Joined Sistema in 1998

Sistema Mass Media

Mikhail Dunaev
Joined Sistema in 2003

Board Composition

Board of Directors

Executive

Vladimir Evtushenkov – President
Alexander Goncharuk
Sergey Drozdov

Non-Executive

Evgeny Novitsky – Chairman
Dmitry Zubov – Deputy Chairman
Vyacheslav Kopiev – Deputy Chairman
Nikolay Mikhailov
Alexander Gorbatovsky
Vladimir Lagutin
Alexander Leiviman

Independent

Ron Sommer

Board Committees

Strategy Committee

Chaired by Vladimir Evtushenkov
19 members

Corporate Governance Committee

Chaired by Vyacheslav Kopiev
9 members

Management Appointments and Compensation Committee

Chaired by Vladimir Evtushenkov
6 members

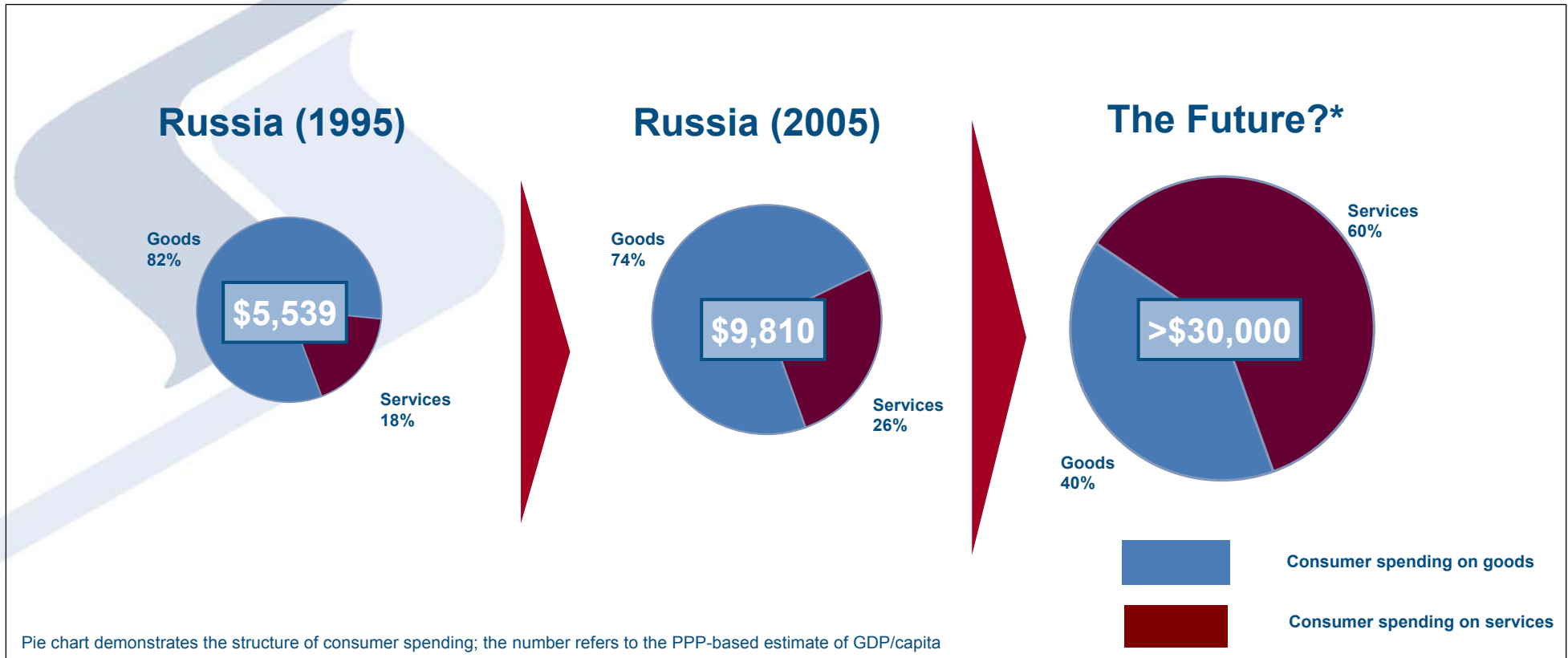
Audit Committee

Chaired by Alexander Gorbatovsky
3 members

Investor Relations Committee

Chaired by Ron Sommer
5 members

Beneficiary of Russia's Convergence



Source: Euromonitor

* - UK in 2005 used as proxy

Spending patterns of Russian consumers increasingly mirror those of consumers in CEE and Western Europe

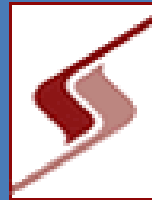
“The Business of Building Businesses”

Consumer-Services and Regional Expertise

- “Best of the breed” expertise in developing consumer-centered businesses
- Unique regional experience
- “Weld together” top-class management

Rapid-Reaction M&A Capability

- Prime access to attractive investment opportunities
- Flexible, opportunistic approach to M&A situations
- Access to capital
- Experienced team of M&A professionals



Long-Term Investment Approach

- Fundamental value approach to growing businesses
- Managing, restructuring and transforming companies
- Synergistic benefits and cross-selling between businesses



Section 3

Strategy &

Investment Approach

Group Strategy and Investment Approach



*Levan Vasadze,
First Vice-President,
Head of Strategy
and Development*

Sistema Career

- **First Vice-President for Strategy and Development since 2000**
- **2001 to present: Chairman of the ROSNO Board**
- **1998 – 2000: Vice-President, Sistema**
- **Currently serves on Boards of key Sistema businesses**
 - Sistema Telecom, MTU-Intel, Sky Link, ROSNO, Sitronics, Media

Background

- **Prior to 1998: Managing Director of Aton Capital Group, a Russian investment bank**
- **1995 – 1998: Occupied senior positions in the investment companies Sector Capital, Creditanstalt Investment Bank**
- **1995: The Emory University Business School, MBA**
- **1992: Tbilisi State University, MSc in Geophysics**

Strategic Approach

Focus and Control

- Focus on building a balanced presence in key consumer-focused industries

Cash Flow

- Sound investment strategy and operational control to grow businesses with the focus on cash flow generation

Financial Stability

- Stringent control over financial leverage to maintain the long-term financial stability of the Group

Leadership

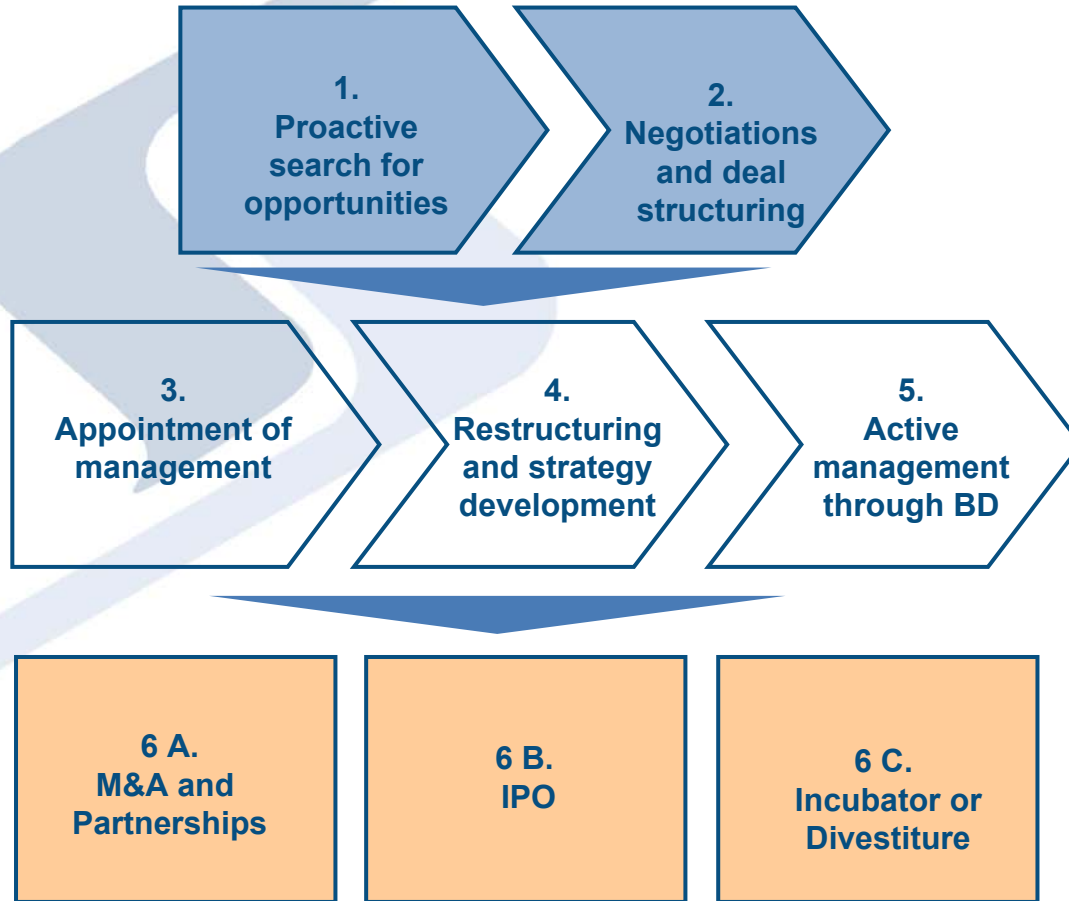
- Focus on developing market-leading businesses in key industries we operate in

Corporate Culture

- Maintaining Sistema's unique culture that encourages innovation, communication and rewards professionalism and knowledge

Unique strategic philosophy of Sistema

Value Creation Process



How Sistema proceeds in creating value

- Proactive search of undervalued assets with significant growth, leadership and synergy potential in consumer-facing businesses
- Smart approach to M&A negotiations and deal structuring to acquire maximum control at a competitive price
- Top management appointments
- Restructuring and strategy development
- Active management and strategy implemented through Boards of Directors
- Identifying most efficient exit for Sistema

“Know-how” of value creation over the entire investment life cycle

Sistema Contribution to Individual Businesses



**Financial
Control &
Targets (KPI)**



M&A Support



**Access to
Capital**



**Government &
Regulatory
Support**



**Strategic
Partnerships**



**Management
Talent**

Access to Capital

Access to
Capital

Management
Talent

Strategic
Partnerships

Government &
Regulatory
Support

Financial
Control &
Targets (KPI)

M&A Support

■ Accumulating and efficiently investing large pools of capital

■ Real Estate

- Provided financing for 20+ projects of Sistema-Hals with total investment costs of over \$200m
- Arranged financing for a number of land development projects (e.g. project Aurora)

■ Retail

- Secured financing for acquisition and renovation of Detsky Mir building
- Provided financing for development of retail outlets in Moscow and other regions

■ Telecoms

- Implemented the investment program in MGTS during privatization
- Provided financing for acquisition of Comstar from Metromedia

Business units benefit from Sistema's ability to arrange financing for large projects

Management Talent



Sistema seeks to attract, retain and rotate among its companies the best managers in the market

Strategic Partnerships

Access to
Capital

Management
Talent

**Strategic
Partnerships**

Government &
Regulatory
Support

Financial
Control &
Targets (KPI)

M&A Support

■ **Combining local experience of Sistema with industrial expertise and know-how of strategic partners**

■ **Telecoms**

- Sistema together with Deutsche Telekom successfully grew MTS from start-up to IPO and beyond

■ **Insurance**

- Allianz AG became a partner in 2001
- Brought in sound insurance practices
- Sistema and Allianz AG together are developing two new business lines – asset management and life insurance

■ **Technology**

- Technology business has targeted and will continue to target strategic partnerships with industry leaders (Siemens, Alcatel, Huawei, etc.)

Sistema's strategic partnerships provide business units with direct access to the world's industry leaders and best industry practices

Government & Regulatory Support

Access to capital

Management talent

Strategic Partnerships

Government & Regulatory Support

Financial Control & Targets (KPI)

M&A Support

■ **Ensuring smooth operation of business units in a complicated legal and regulatory environment**

■ **Insurance**

- Promoted regulatory and legal changes
- Obtained Allianz-ROSNO deal approval

■ **MTS**

- Supported license approvals and extensions
- Helped in regional acquisitions as well as in the expansion to Ukraine

■ **MGTS**

- Supported periodic tariff increase
- Assisted in improving the terms of revenue share agreement between MGTS and Rostelecom

■ **Real Estate**

- Provided access to new development projects
- Currently structuring MGTS switch station conversion program with Moscow City Government

The ability to ensure the smooth operation of businesses in the complicated environment is an important competitive advantage of Sistema

Financial Control & Targets

Access to
Capital

Management
Talent

Strategic
Partnerships

Government &
Regulatory
Support

**Financial
Control &
Targets (KPI)**

M&A Support

■ Establishing and directing ambitious financial and strategic objectives

■ Sistema

- Established strict financial targets for each business unit in 2001
- Reviewed them in 2004 – as a result businesses were prioritised

■ Oil business

- Sold due to Sistema's strategy of focusing on growing leaders

■ Technology

- Launched consumer electronics, IT and Systems Integration business lines

■ Media

- Launched new media project to take advantage of business opportunity

■ Retail

- Pursuing coherent and well balanced growth strategy

Financial control and KPI targets focus business performance on maximising risk adjusted returns

M & A Support

Access to
Capital

Management
Talent

Strategic
Partnerships

Government &
Regulatory
Support

Financial
Control &
Targets (KPI)

M&A Support

■ Supporting business units in M&A activities

■ Telecoms

- Acquisition of UMC and regional businesses by MTS
- Acquisition of Comstar

■ Technology

- Acquisition of Kvazar-Micro
- Acquisition of Strom Telecom

■ Real Estate

- Acquisition of attractive land plots for development

■ Oil business

- Acquisition of Nedra, Severnoeneftegaz, and Belkamneft
- Sale of Belkamneft
- Sale of Kedr-M, a chain of gasoline stations in Moscow

Business units benefit from Sistema's extensive experience in executing M&A transactions

Evolution of Sistema's Investment Approach

- <2001: Sufficient capital for current business plans
- 2001: Aggressive growth targets to scale-up businesses created need to focus scarce management and capital resources: KPIs developed as key management tool
- 2001-2003: Scarce capital resources rationed across all businesses (1)
- 2004: Focus on champions to fund fast growing businesses (2)
- 2005+: Increase capital to capture further growth (2 & 3)

Addressing Challenges of Scarce Resources



Sistema's investment strategy continues to evolve to capture the maximum growth potential with the capital available

The Business of Growing Businesses

Attractive Opportunities

DIRECT INVESTMENTS



PRIVATISATIONS



Retail
Business



MGTS



INTOURIST
Established in 1929

Business Level
Value Added

MANAGING GROWTH

- Properly engineered from the start
- Import know-how and technology
- Acquisitions of under-developed businesses: management as a partner
- Capital for growth

RESTRUCTURING

- Business process re-engineering
- Market-based motivation systems
- Introducing viable private sector models
- Management integration

Group Strategy

- Well-informed, return-focused investment approach
- Focus on the existing business segments
- Privatization and consolidation opportunities in telecoms
- Organic and M&A growth in other service industries - insurance, real estate, banking, etc.



Section 4

Financial Review

Financial Review



*Alexey Buyanov,
Senior Vice-President
and CFO*

Sistema Career

- Chief Financial Officer since September 2002
- 1998 – 2002: Vice-President, MTS
- Board Member
 - MTS, ROSNO, Sitronics, MBRD, Sistema-Hals and others
- 1997: First Vice-President of Sistema-Invest

Background

- 1992 – 1994: Researcher at the Institute of Mechanics Problems (IMP) of the Russian Academy of Sciences
- 1992: Graduated Moscow Physics and Technology Institute, MSc in Applied Mathematics and Physics

Presentation of Financial Statements

- **Sistema has reported its financials on the annual basis in US GAAP since 1997, switched to semi-annual reporting in 2003**
- **Current reporting segments include:**
 - Telecommunications
 - Technology
 - Insurance
 - Banking
 - Other
- **Starting from 2H 2005, we have been reporting on the quarterly basis**
- **The company is currently working on a number of initiatives aimed at improving the quality of its financial disclosure:**
 - Shortening the preparation and disclosure time
 - Increasing the number of reporting segments (real estate, retail, etc.)
 - Introducing standalone US GAAP/IFRS financial reporting by our key operating subsidiaries

Continued improvements in the quality of reporting

Highlights of Consolidated Financials

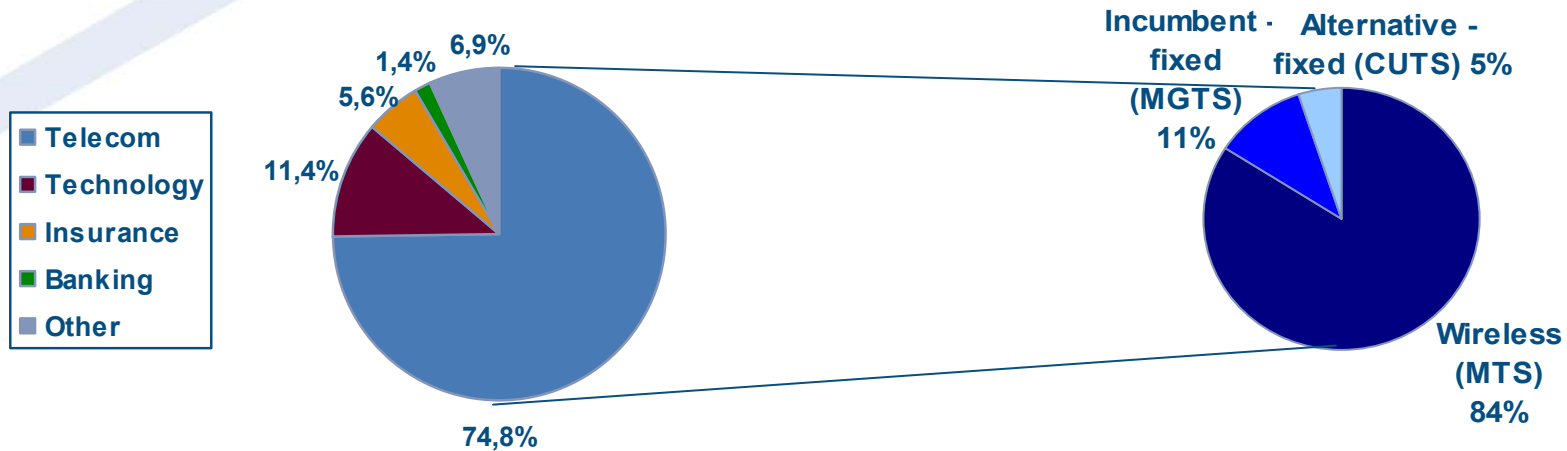
US GAAP, US\$ mln	Audited			Reviewed	
	2002	2003	2004	9m 2004	9m 2005
Profit & Loss					
Revenues	890	3 760	5 711	4 136	5 411
<i>Growth (y-o-y)</i>	-	322.7%	51,9%	-	30,8%
Depreciation and amortisation	-72	-521	-800	-541	-348
Operating Income ⁽¹⁾	296	1 106	1 665	1 307	1 553
<i>Growth (y-o-y)</i>	-	273.9%	50,5%	-	18,8%
<i>Margin</i>	33.3%	29.4%	29,2%	31,6%	28,7%
Net Income	166	387	411	337	434
<i>Growth (y-o-y)</i>	-	133.2%	6,2%	-	28,8%
<i>Margin</i>	18.7%	10.3%	7,2%	8,1%	8,0%
OIBDA ⁽²⁾	368	1 627	2 465	1 847	2 302
<i>Margin</i>	41.4%	43.3%	43,2%	44,7%	42,5%
Balance Sheet					
Total Assets	2 343	6 840	8 779	7 679	12 062
Total Debt	608	2 685	3 065	2 540	3 573
Net Debt	451	2 402	2 561	2 231	2 633
Minority Interest	388	1 357	1 851	1 704	2 185
Shareholders' Equity	595	989	1 436	1 335	3 141
Cash Flow					
Cashflow from Operations	136	935	1 904	1 496	1 347
Cashflow from Investments	-140	-2 273	-2 064	-1 287	-2 555
Cashflow from Financing	69	1 464	381	-184	1 643

Notes: (1) Operating Income is calculated as revenues less operating costs, plus income from equity investees and net gain or loss on sale of subsidiaries. (2) OIBDA represents the sum of operating income, depreciation and amortisation

Segmental Analysis

Segment (\$ mln)	Revenue	OIBDA	% Margin	Operating Income	% Margin	Net Debt/ (Cash)
Telecommunications	4 295	2 240	52,2%	1 508	35,1%	2 054
Technology	653	150,7	23,1%	143,1	21,9%	57,5
Insurance	319	33,9	10,6%	31,0	9,7%	(106,5)
Banking	77	10,6	13,7%	9,5	12,3%	26,1
Other Businesses (inc. corporate) ⁽¹⁾	395	51,5	13,0%	37,8	9,6%	601,0
AGGREGATE TOTAL ⁽²⁾	5 739	2 487	42,5%	1 729	30,1%	2 633
Intra-segment eliminations	-328	-184		-176		
Consolidated TOTAL	5 410,6	2 302,3	42,6%	1 553,4	28,7%	2 633

9m 2005 Revenue Breakdown – Telecom Contribution ⁽³⁾

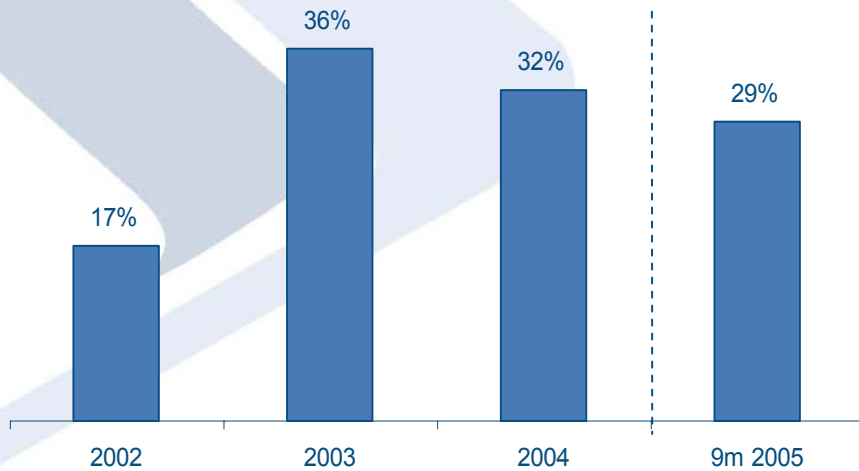


Notes:

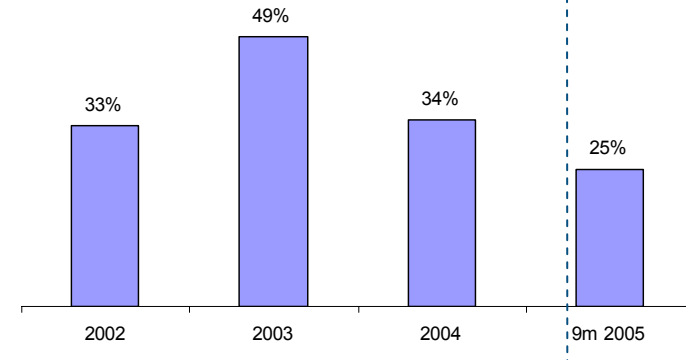
- Other businesses as defined here includes retail, media, real estate and corporate overhead
- Based on aggregated revenues excluding any intra-segment eliminations
- Telecom revenue split before intra-segment eliminations

Superior Returns

Return on Total Assets⁽¹⁾



Return on Equity⁽²⁾



Having substantially grown its equity and asset base in 2005, Sistema continues to deliver superior returns to its shareholders

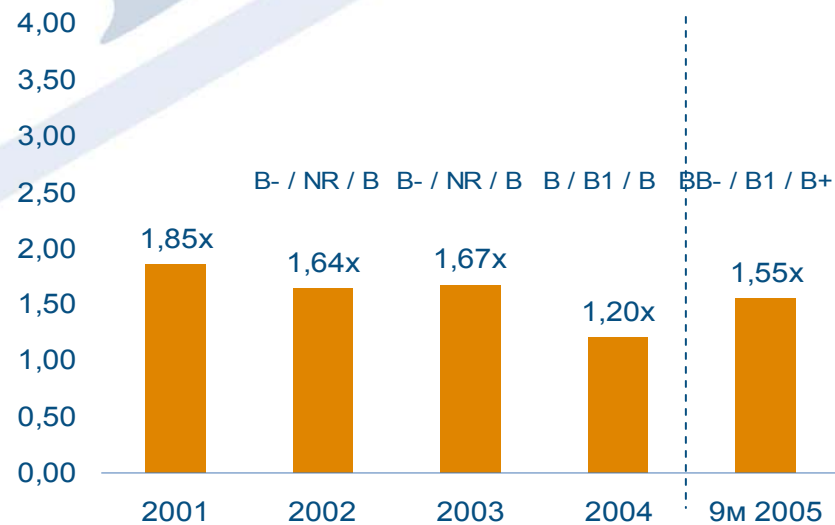
Notes:

1. Calculated as OIBDA / Average Total Assets
2. Calculated as Net Income / Average Book Equity

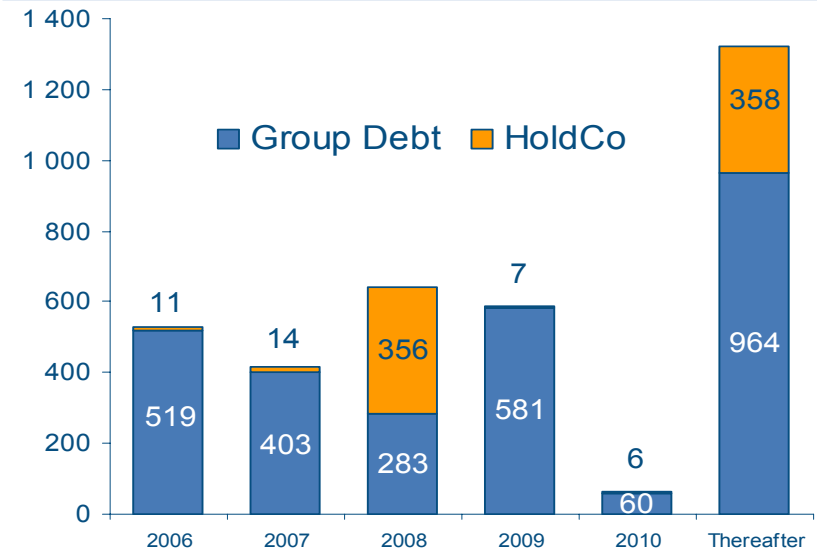
Strong Financial Position

- **Strong liquidity position on the of the Group as a whole and of the holding company**
 - Bolstered by net IPO proceeds of \$1.3bn in February 2005
 - High and growing dividend from MTS (\$207m in 2005)
- **Solid credit profile confirmed by recent rating upgrades**
 - To B+ by Fitch in Feb-05 and to BB- by S&P in Mar-05
- **Maturity profile matching the company's investment cycle**

Consolidated Total Debt/OIBDA



Debt Maturity Profile (1) (2)



Strong financial position confirmed by recent upgrades from the agencies

(1) \$350m 2011 bond has a put option for bondholders in 2007 (2) Year ended June 30 of each year

Use of IPO Proceeds

■ Facilitating the development of existing business

- Equity injection in MBRD of \$20 m
- Equity injection in Detsky Mir of \$10 m
- Equity injection in Intourist of \$40 m
- Equity injection in Sitronics of \$207 m

■ Successful financial investments

- Acquisition of minority stakes in six Bashkir energy companies - \$600 m
- Acquisition of an additional 2.3% stake in MTS - \$275.5 m

■ Continued ability to pursue value-creating acquisitions in core business lines

- Fixed-line and wireless telecoms
- Insurance
- Retail
- Media

Effective Use of Surplus Medium-Term Funds

- In 2H 2005, Sistema acquired minority stakes in six energy companies in Bashkortostan

Company	Voting stake	Market price at acquisition, US\$	Market price at 01.02.2006, US\$	% increase
Bashneft	25.00%	7.18	16.25	126.3%
UNPZ	25.52%	0.81	2.2	171.6%
Novoil	28.17%	0.58	1.41	143.1%
Ufaneftekhim	22.43%	1.96	3.77	92.3%
Ufaorgsintez	24.87%	1.95	4.5	130.8%
Bashnefteproduct	18.57%	4.75	10.75	126.3%

- We remain committed to our core consumer services operations
- Short-medium term opportunistic acquisition
- Opportunity to effectively invest shareholder funds on the medium term whilst awaiting developments with the strategic target, Svyazinvest
- Opportunity to use business restructuring expertise and experience to increase value
- Refinancing is currently under discussion

Sistema's entry led to a massive re-rating of the stocks, with the market value of the investment now exceeding \$1.7 billion

Capital Allocation Strategy

Business Segment	USES OF CASH		SOURCES OF CASH		SISTEMA HoldCo Cash Impact
	Capex	Acquisitions	Operating FCF	Access to Third Party Capital	
MTS	High	Continued	+++	Established	+
Comstar UTS (incl. MGTS)	High	Yes	++	Established	+
Technology	High	Yes	Break-even	Established	-
Insurance	High	Yes	Break-even	Established	-
Real Estate	High	Possible	++	Established	+ / -
Banking	Moderate	Possible	Break-even	Established	-
Retail	High	Yes	Negative	Established	-
Media	Moderate	Yes	Negative	None	-

Good understanding of investment requirements and ability to fund future growth

Acquisition Principles

Return-focused Selection of Opportunities

- Acquisition opportunities continuously assessed both at HoldCo and subsidiary level
- Focus on existing business segments
- Focus on KPIs: acquisitions typically must offer superior returns to organic investment opportunities

Prudent Financing Strategy

- Sistema history and business mix has fostered disciplined cashflow culture in the Group
- IPO proceeds provided significant new equity for acquisitions, but substantial amounts were parked in financial investments pending availability of targets
- Sistema equity is supplemented by equity from partners, debt, vendor finance to optimise risk and return
- Material and growing equity base and leverage capacity at OpCos (MTS, Comstar UTS, Sitronics) provides further financing capacity

Section 5

Overview of Key Businesses Sistema Telecom

Sistema Telecom



Sergei Shchebetov,
CEO

Sistema Career

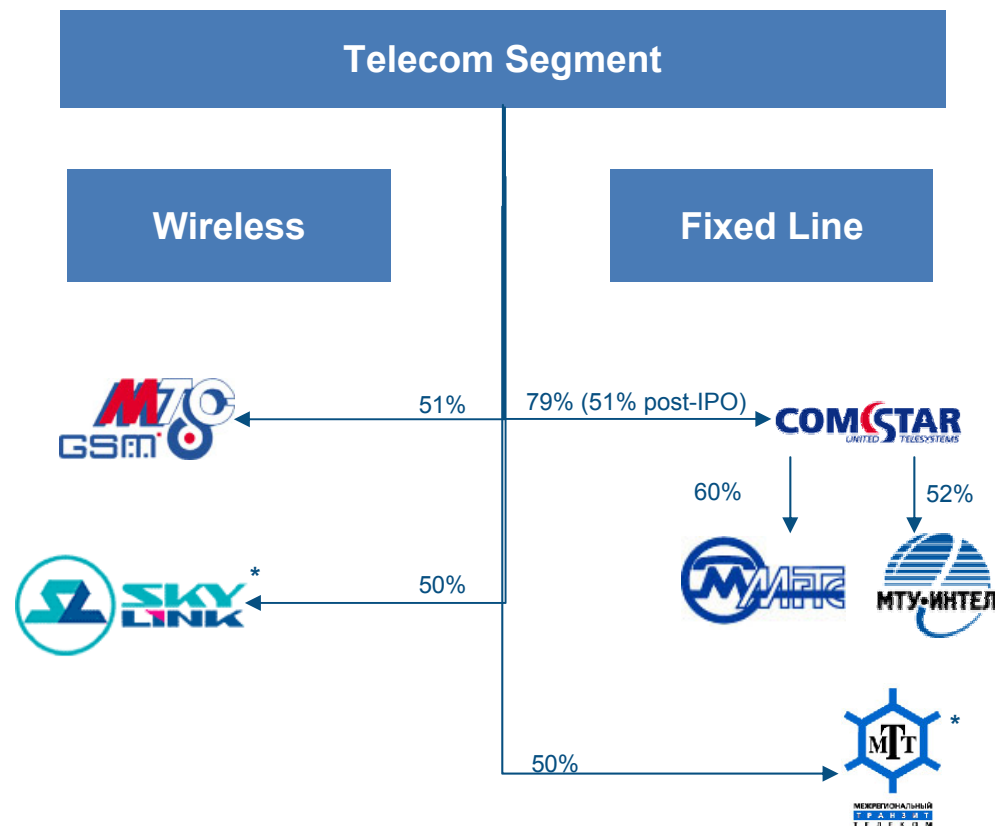
- Since 2006: CEO of Sistema Telecom, Chairman of the Comstar UTS Board, Board member of MTU-Intel, SkyLink, Sistema-Hals, Concern RTI-Sistema
- 2005 – 2006: First Deputy CEO, Strategy, Finance & Investment for Sistema Telecom
- 2001 – 2005: Head of Corporate Development, Sistema

Background

- 1999 – 2001: Founded and worked for a number of high-tech companies in Russia and the US
- 1997 – 1999: Vice-President of Corporate Finance at ATON Capital Group
- 1994 – 1997: McKinsey and Company
- Graduate of the Stanford University, MBA and MS in Physics from Novosibirsk State University

Overview of the Telecom Business

- **MTS is the largest mobile operator in Russia and CIS with over 58.2 mln subscribers**
- **Comstar UTS is an integrated telecom provider with network infrastructure, broadband service capabilities and regional presence**
 - Comstar UTS is a leading provider of alternative fixed line and internet services in Moscow with 560k active lines and 37.7k corporate customers
 - MGTS is the incumbent operator in Moscow with more than c. 4.2 mln active lines in service
 - MTU-Intel is a broadband and Pay TV provider with c. 200K ADSL subscribers and c. 7000 Pay TV subscribers
- **50% equity ownership of SkyLink: CDMA 2000 technology platform. Operates in 17 regions of Russia including Moscow and St Petersburg.**
 - Around 200,000 subscribers
- **50% ownership of MTT: long distance carrier providing ILD / DLD services to almost 600 wireless and fixed line operators**
 - Started to provide ILD / DLD services to MGTS subscribers from February 1, 2006

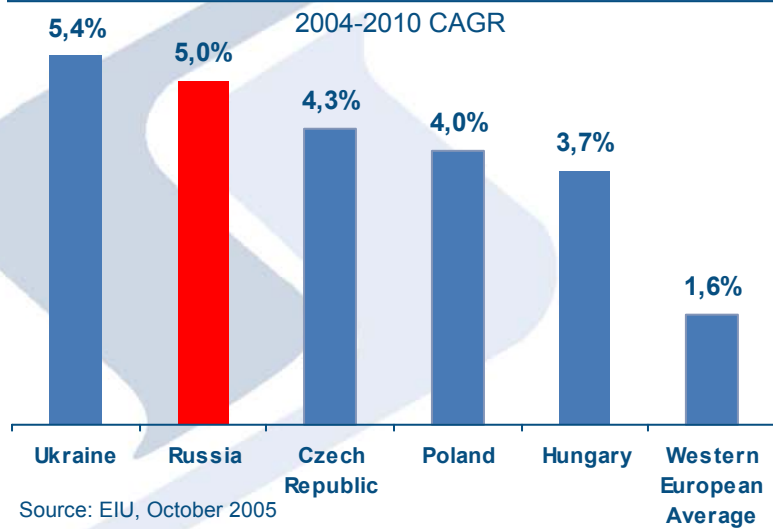


* Non-Consolidated

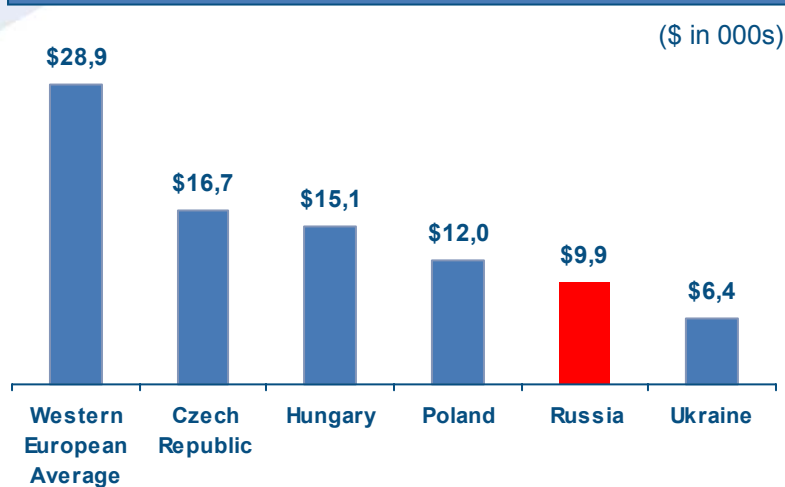
The largest private sector telecom group in Russia and the CIS

Growth Opportunity – Macroeconomic Drivers

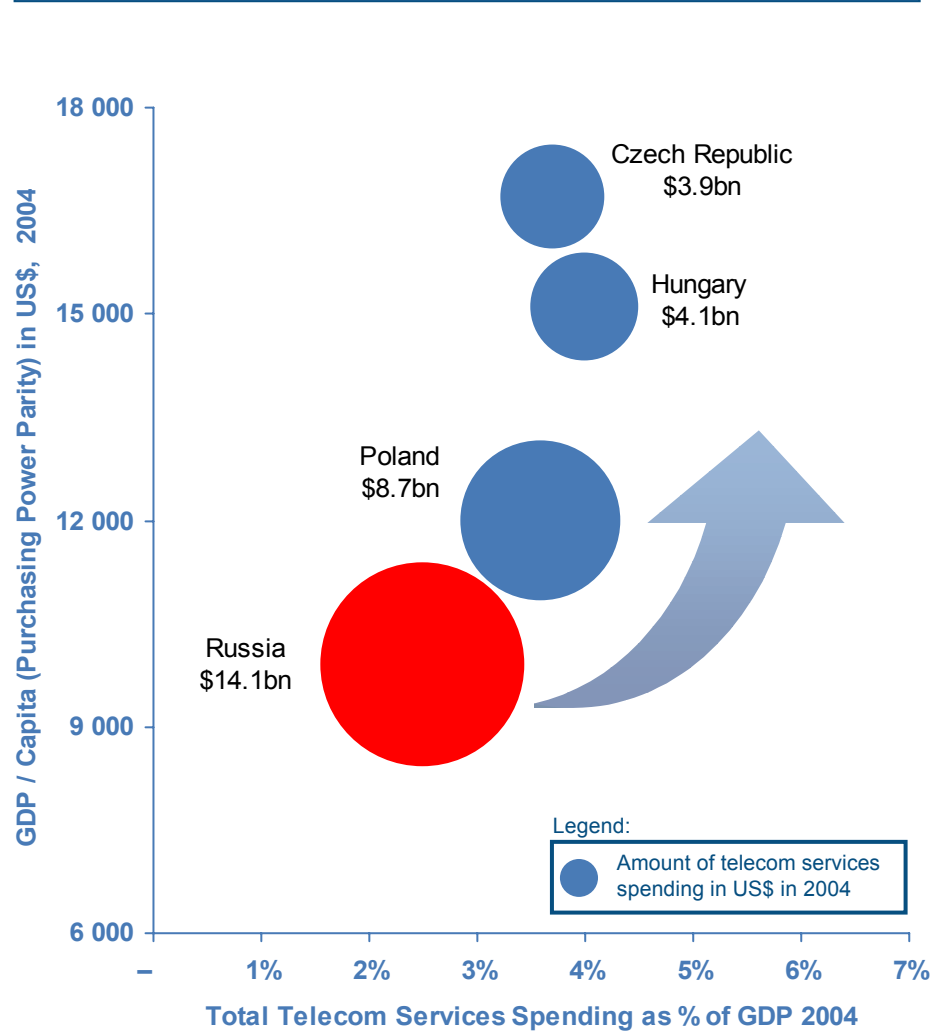
Real GDP Growth Forecasts



GDP/Capita (Purchasing Power Parity) 2004

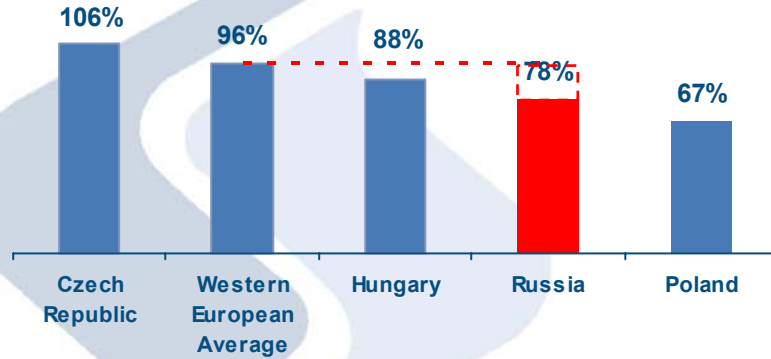


Telecom Spending Growth Opportunity



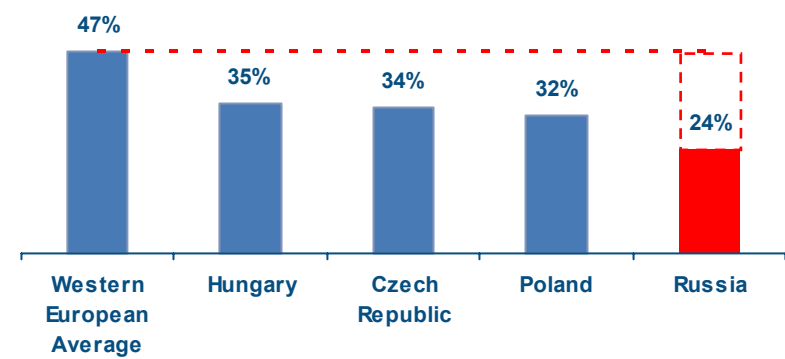
Growth Opportunity – Sector Drivers

Mobile Penetration



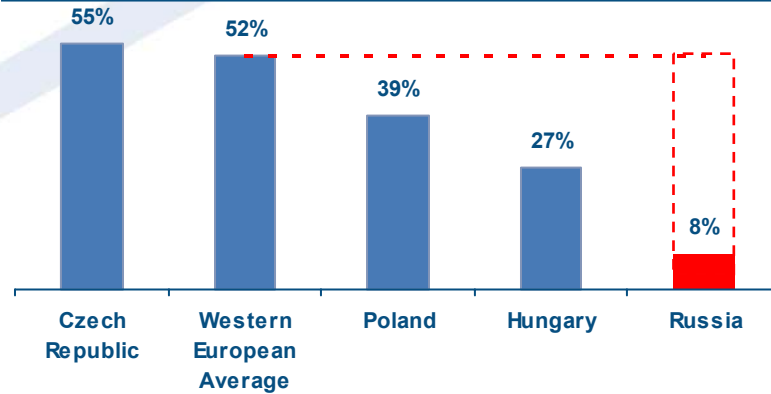
Source: Pyramid Research, Sep. 2005. (calculation based on % of population)

Fixed Voice Penetration



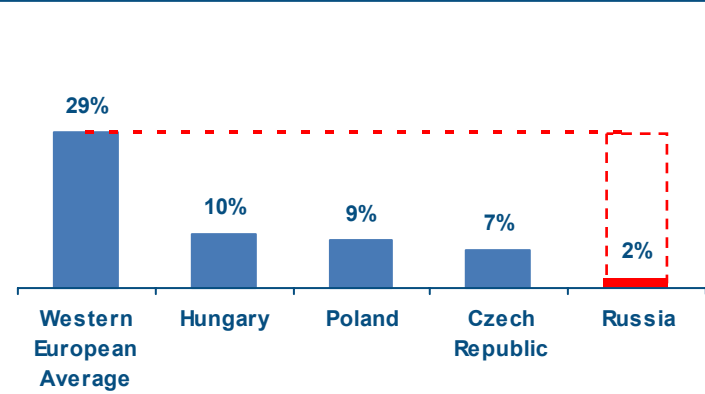
Source: Pyramid Research, Sep. 2005. (calculation based on % of population)

Internet Penetration



Source: Pyramid Research, as at H3 2005.

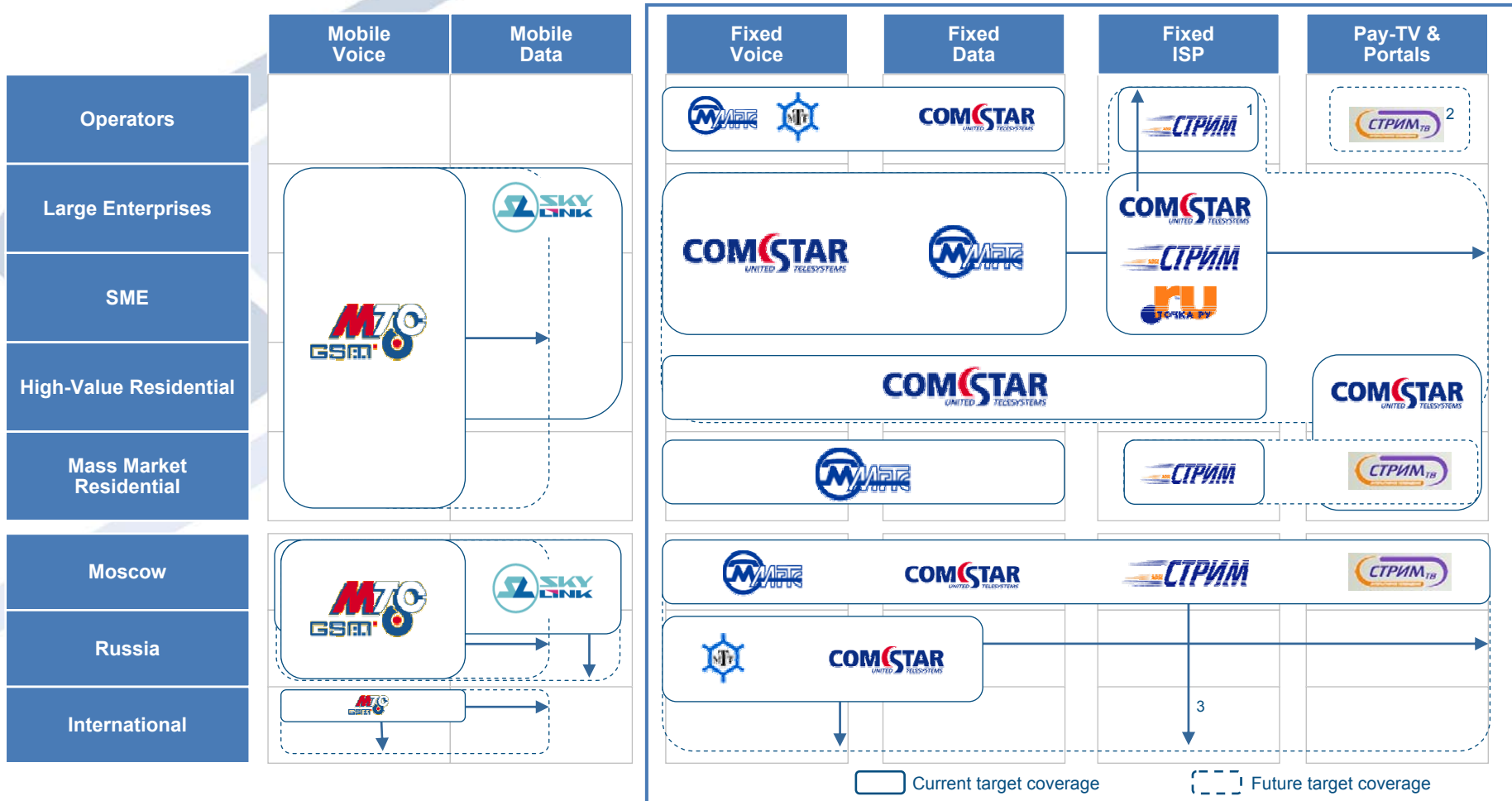
Broadband Penetration



Source: Pyramid Research, as at H3 2005.

Significant growth potential of the Russian telecom market

A focused and segmented approach



Sistema has a focused approach to the market and benefits from synergies between its telecom businesses

1. Peering 2. Content aggregation and wholesale 3. In the CIS

Section 5

Overview of Key Businesses Mobile TeleSystems

Wireless – Mobile TeleSystems



Vassily Sidorov,
CEO

Sistema Career

- **Since September 2003: President and CEO of MTS**
- **August 2000 – 2003: First Vice-President for Finance and Investments at Sistema Telecom**
 - Responsibility for M&A, corporate finance and investment policy for the holding

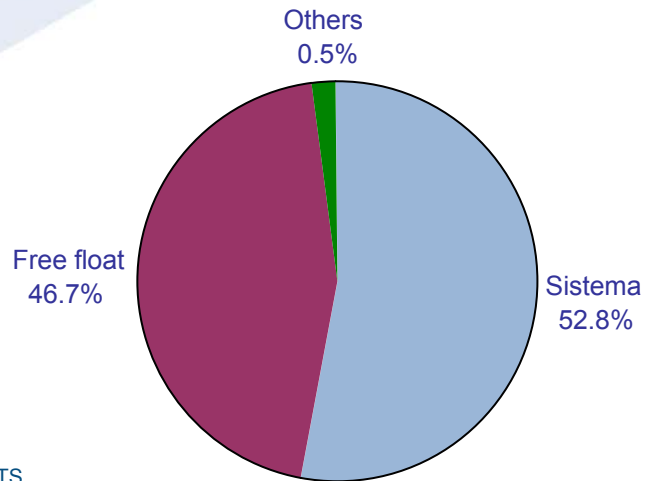
Background

- **1997 – 2000: Deputy General Director/Chief Financial Officer at Svyazinvest**
- **1994 – 1997: Owned and managed several companies specialising in investment consulting, M&A and securities transactions**
- **Held several positions at Sector Capital, Barents Group, Arthur Andersen in Moscow and the New York Mercantile Exchange**
- **Graduate of the Wharton School of Business of the University of Pennsylvania and of the International Law Faculty of the Moscow State International Relations Institute**

MTS: Business Overview

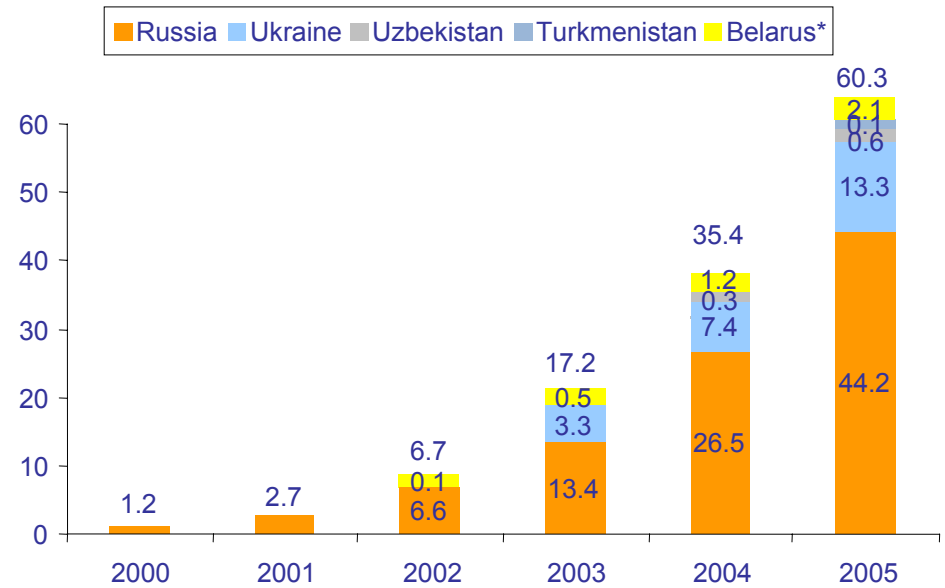
- **MTS is the largest telecommunications company in Russia and the FSU in terms of market value (~\$15bn)⁽¹⁾, consolidated number of customers (58.2m)⁽²⁾ and POPs under GSM licenses (238.2m)⁽³⁾**
 - Market leader in Russia, Turkmenistan, Uzbekistan and Ukraine by revenues⁽⁴⁾
- **MTS is the most profitable mobile phone operator in Russia accounting for 35%⁽⁵⁾ of total revenues as of Q3 2005**
- **MTS' largest shareholder is Sistema with a 52.8% stake**
 - The Company is NYSE-listed (ticker MBT) with a free float of 46.7%
 - Sale by Deutsche Telekom of its 10.1% stake in August 2005 increased the stock's liquidity in Russia

MTS' Ownership Structure



Source: MTS
 (1) As of January 2006.
 (2) As of December 31, 2005.
 (3) As of December 31, 2005.
 (4) AC&M-Consulting
 (5) AC&M-Consulting

MTS' Total Subscriber Base (m)

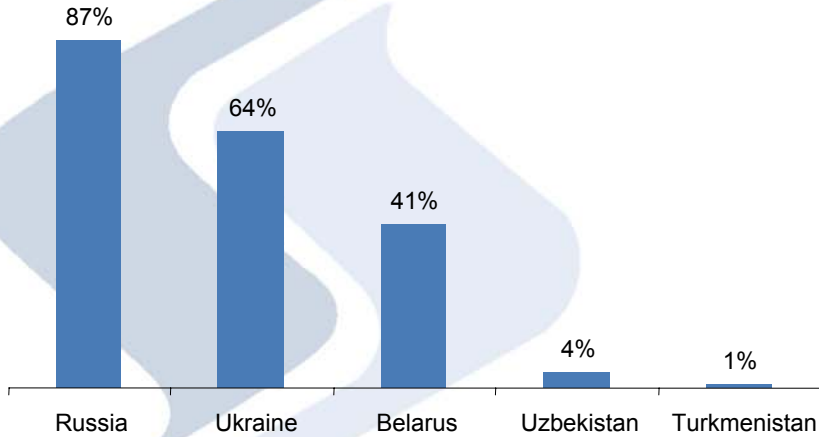


*Included are Belarus unconsolidated subscriber numbers

Source: MTS

MTS: Market Opportunity

Mobile Penetration in MTS' Markets YE 2005



Source: AC&M-Consulting as of Dec. 2005

■ MTS is a leading operator in its markets

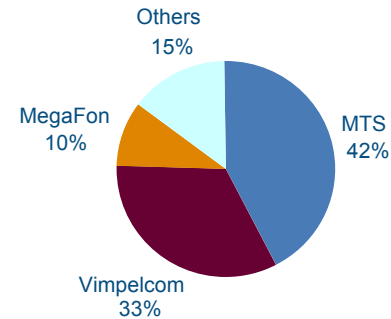
- In December 2005, MTS added more subscribers than its competitors in Russia (42% share of net adds), Ukraine (41%) and Uzbekistan (49%)
- 35% market share in Russia, 44% in Ukraine and 55% in Uzbekistan; 52% in Belarus

■ MTS' expansion opportunity

- Consolidation of Belarus subsidiary
- Opportunistic acquisitions in high growth markets of the FSU and beyond

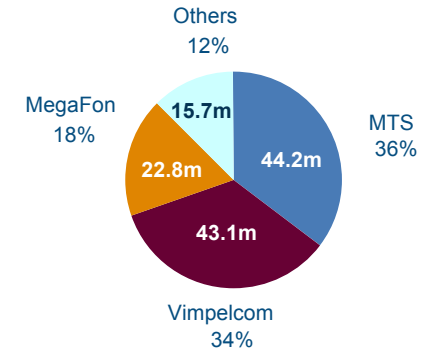
MTS' Market Position in Russia, YE 2005

Share of Net Additions, December 2005



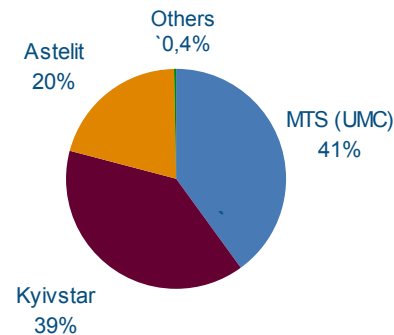
Source: AC&M-Consulting

Market Share (by subs)



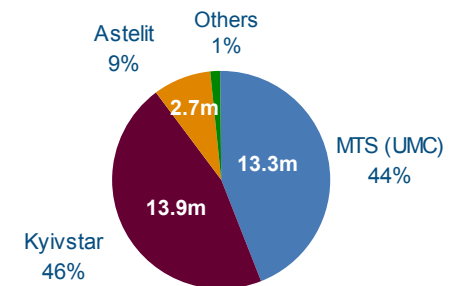
Market Position in Ukraine, YE 2005

Share of Net Additions, December 2005



Source: AC&M-Consulting

Market Share (by subs)



MTS: Financial Overview

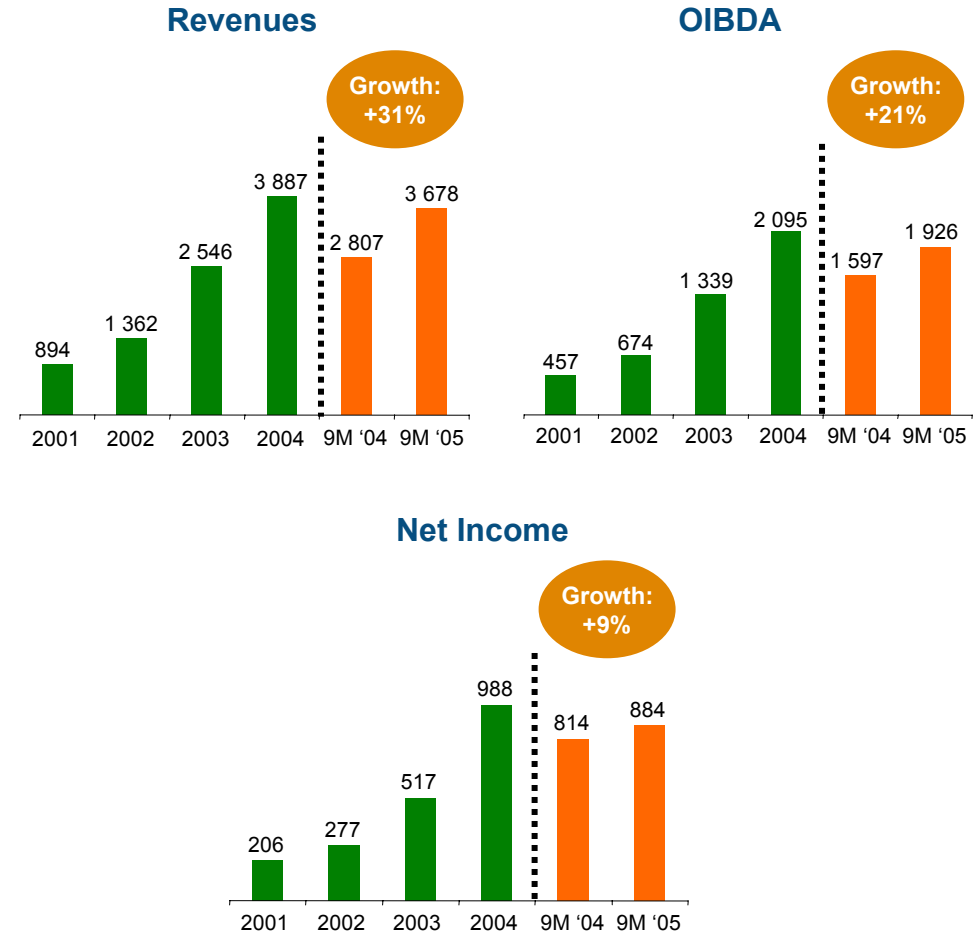
- Revenues of \$3,678m for 9M 2005 with OIBDA of US\$1,926m, generating OIBDA margin of 52%
- Split of 9M 2005 financials
 - Revenues: 74% Russia, 23% Ukraine
 - Net Income: 70% Russia, 27% Ukraine
- FCF positive for 9M 2005 with \$130m

Q3 2005 Operating Statistics

- **ARPU**
 - Russia: Blended ARPU \$8.9 (pre-paid \$5.7, post-paid \$25.7) versus \$14.0 (pre-paid \$9.3, post-paid \$24.2)
 - Ukraine: Blended ARPU \$10.8 (pre-paid \$7.0, post-paid \$40.2) versus \$15.4 (pre-paid \$9.7, post-paid \$43.3)
- **Value added services (including SMS)**
 - Russia: ARPU \$0.9 (10.6% of total ARPU)
 - Ukraine: ARPU \$1.5 (13.6% of total ARPU)
- **Quarterly churn rates**
 - Russia: 2.9%* versus 6.7% in Q3 2004
 - Ukraine: 6.2% versus 5.9% in Q3 2004

* in Russia, churn fell as the result of active CRM campaigns

Consolidated Summary Financials (US\$m)⁽¹⁾



Note:

1. 2001 and 2002 are standalone as MTS was not consolidated. 2003 onwards are Sistema consolidated financials (differs marginally from MTS reported due to consolidation differences)

MTS: Capex and Leverage

- In 9M 2005 capex amounted to \$1,373m (excluding acquisitions) and \$38m was spent on acquisitions; for FY 2005 the Company plans to spend a total of around \$2bn on capex
- Dividends for FY 2004 of approximately \$403m (payout of 41% of US GAAP net income), or \$1.0 per ADR
- Rating: Upgraded to BB- / outlook stable by S&P in March 2005; Ba3 / outlook stable by Moody's
- The Company's balance sheet is underleveraged and potential acquisitions can be financed through additional borrowings

Standalone Balance Sheet and Leverage ⁽¹⁾

US\$m	YE 2004	9M 2005
Cash and cash equivalents	\$274	\$470
ST Investments	\$73	\$87
Total debt	\$1 937	\$2 311
LT debt	\$1 558	\$1 908
ST debt	\$379	\$403
Net debt	\$1 590	\$1 754
Shareholders' equity	\$2 523	\$3 050
Total assets	\$5 581	\$6 991
Net debt / Assets	0,3x	0,3x
Net debt / Equity	0,6x	0,6x
Net debt / LTM OIBDA	0,8x	0,7x

Note: (1) As reported by MTS

Group Strategy – Continued Focus on Leadership

Context and challenges

- Strong position in all core markets (esp. in high ARPU and corporate segments)
- Dominant mobile player with associated revenue share, scale and profitability advantages
- Important challenges for 2006 and beyond:
 - ✓ Slowdown in revenue growth as markets mature (e.g. Russia)
 - ✓ Relative commoditization of mobile services
 - ✓ Increased competitive pressure in the sales, customer service and branding/proposition areas
 - ✓ Growth in scale and complexity of operations
 - ✓ A number of regulatory uncertainties (e.g. 3G timing)

6 group-wide strategic initiatives – integrated approach, regional emphasis

Leadership in mass market

- Sub leadership or parity objective
- Brand portfolio refreshment as a primary thrust
- Supporting efforts on service level improvement, propositions channels and CRM deployment

Dominance in hi-ARPU and corporate

- Further increase lead over the competition as key objective
- 3 core elements: boost enterprise sales capability, SME/SOHO propositions and go to market model, step change in the retention and loyalty activity for HVPCs

Governance and culture

- Building the next generation of management systems, structures, corporate culture and governance models
- Institutionalize intra-group best practice transfer and synergy capture

End-to-end quality

- Quality of the user experience as the core of MTS positioning
- Focus on frontline operations, continued investments in required IT systems and capabilities and explicitly linking further network rollout to clearly identified user needs

Operational excellence

- Comprehensive set of initiatives aimed at further increasing the efficiency and effectiveness of the company's operations in key functional areas

International growth

- MTS will continue to aggressively pursue attractive geographic expansion opportunities (FSU and other emerging markets)

Section 5

Overview of Key Businesses Comstar UTS

Fixed Line – Comstar UTS



Semyon Rabovsky,
CEO

Sistema Career

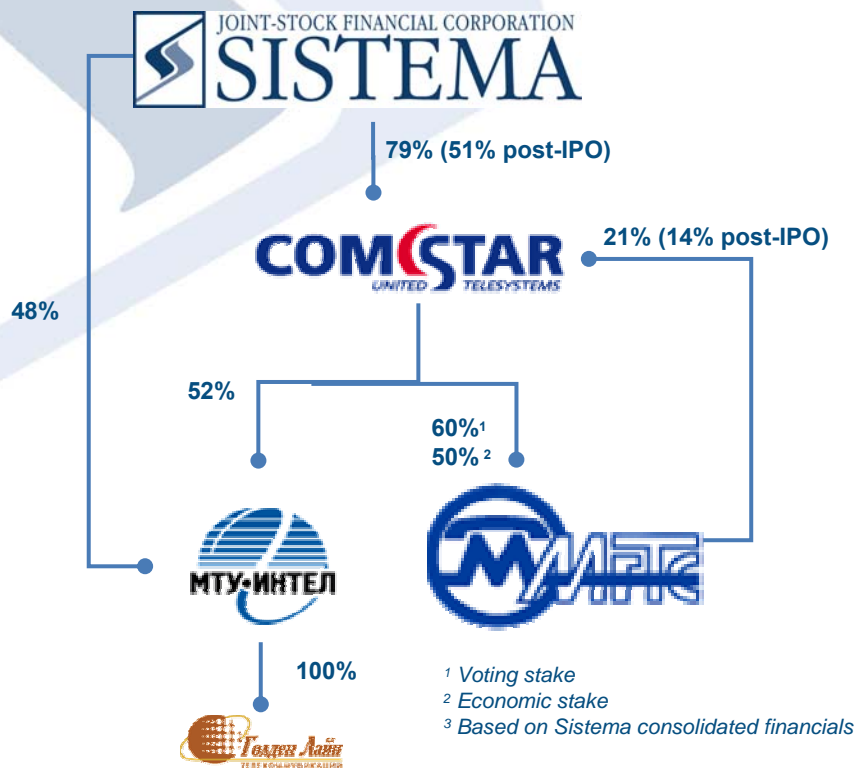
- 2003 – present: CEO, Comstar UTS
- 1997 – 2003: First Deputy General Director of MGTS
- 1990 – 1997: Various senior positions in MGTS

Background

- Doctor and Professor of Social Sciences
- 1981: Graduated from Maurice Torez Moscow State Pedagogical Institute of Foreign Languages
- 1977: Graduated from Moscow Electrotechnical Communications Institute, Degree in Automatic Electric Communications

Comstar UTS: Integrated Fixed-Line Business

- **Comstar UTS** is a leading provider of alternative fixed line and internet services in Moscow with 560k active lines and 37,7k corporate customers
- **MGTS** is the incumbent operator in Moscow with more than c.4.2 mln active lines in service
- **MTU-Intel** is a broadband and Pay TV provider with over 200K ADSL subscribers and over 7000 Pay TV subscribers



Comstar UTS (ex-MGTS)⁽³⁾



US\$m	9m 2004	9m 2005
Revenue	221	243
<i>Growth</i>		10%
Operating income	44	49
<i>Margin</i>	20%	20%
Capex		42
Net Debt	5	-28

MGTS⁽³⁾



US\$m	9m 2004	9m 2005
Revenue	357	467
<i>Growth</i>		31%
Operating income	68	159
<i>Margin</i>	19%	34%
Capex		112
Net Debt	146	144

Creation of an undisputed market leader in the fixed-line segment

Focus on Profitable Growth

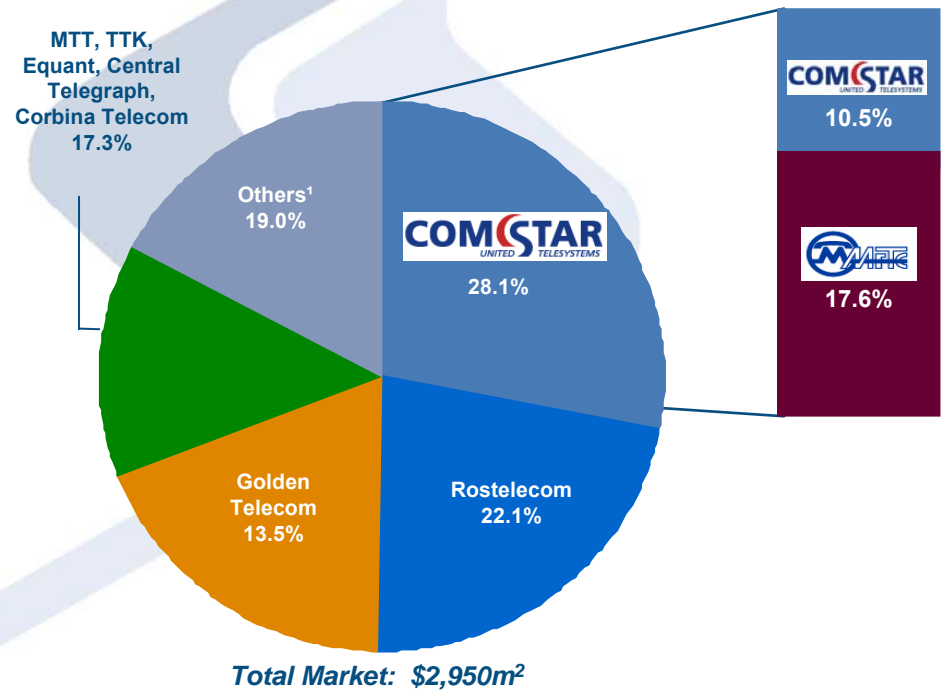
Segments	Main Brand	Services Provided	Revenue share	Key Growth Drivers
Alternative Fixed-Line	Corporates/ Operators 	<ul style="list-style-type: none"> Corporate voice/data Corporate broadband Interconnection Numbering capacity 		<ul style="list-style-type: none"> Focus on brand, customer care and quality New technologies <ul style="list-style-type: none"> -NGN, Network-centric IT solutions -Wireless technology Innovative products Regional expansion
	High-Value Residential 	<ul style="list-style-type: none"> Residential broadband/dial-up Residential Pay-TV VoIP 		<ul style="list-style-type: none"> Promote Triple-Play offer <ul style="list-style-type: none"> -Pay-TV (including PPV and VoD) -Broadband Internet (ADSL) Leverage regional expansion Address competition
Traditional Fixed-Line		<ul style="list-style-type: none"> Regulated voice VAS Wholesale access Interconnection 		<ul style="list-style-type: none"> Increase regulated local tariffs to economic levels Up-sell VAS (e.g. voicemail, caller ID) Maximise the benefits from new regulation

Comstar UTS organisational focus supports market leading positions and growth opportunities in all sectors, including residential Triple-Play

¹ LTM ending Sep-2005, including intercompany revenues. Percentage represents portion of respective segment revenues over total revenues before elimination of intercompany
² Includes other revenues

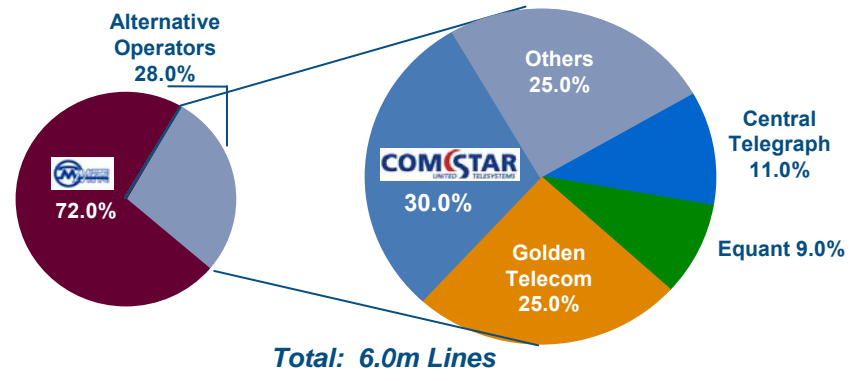
Leading Market Position in Moscow

Moscow Telecom Market Share (Sales, 2004A)



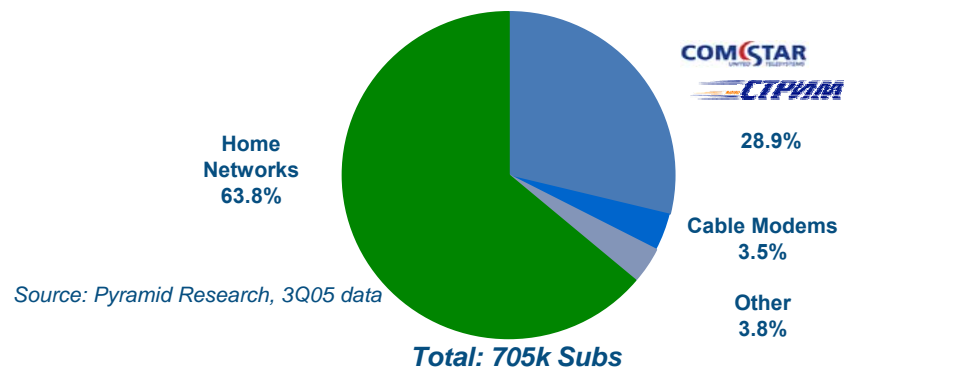
Source: Direct INFO, J'son & Partners

Moscow Share of Lines (2004A)



Source: Direct INFO

Moscow Broadband Segment (Subscribers, Sep 2005A)³

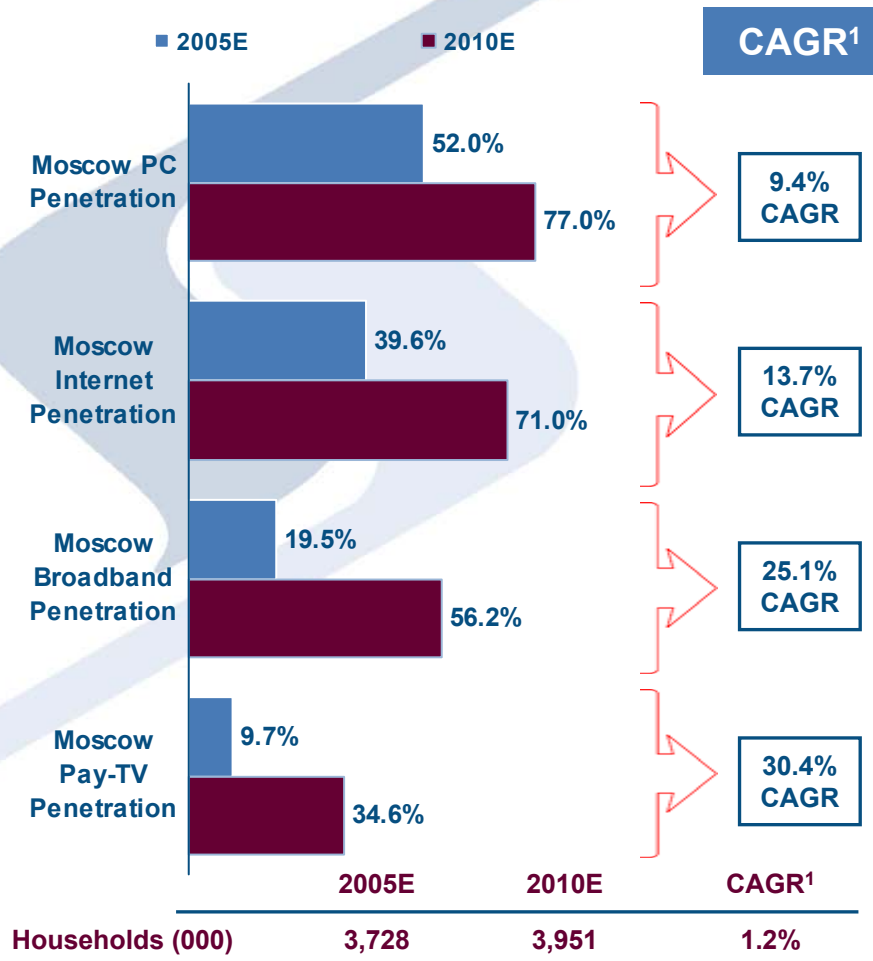


Source: Pyramid Research, 3Q05 data

Comstar UTS has a leading position in the key sectors of the Moscow fixed-line telecom market

¹ Includes more than 400 companies
² Calculated based on RAS financials before intercompany eliminations
³ Includes 35k corporate subscribers

Driving Triple-play in Moscow & the Regions















Increasing Triple-Play Penetration

- Capitalising on GDP growth and improving disposable income
- Continuing to utilise strong brands and marketing expertise
- Employing strategy to address competition from Home Networks through “affiliate” approach
- Providing high quality, innovative products and integrated customer service
- Utilising new corporate structure to promote cross-selling and bundling

Comstar UTS is well positioned to capture potential growth in the Moscow and Russian markets through Triple-Play offer

Source: Pyramid Research (Nov 2005) for penetration. Penetration based on number of households
¹ CAGR 2005E-10E based on number of households using the product/service

Growing Subscribers of Newly Launched Stream TV

		Stream TV	NTV+	Akado
Launch		Sep 2005 ¹	Sep 1996	Apr 2000
Current Subscriber Base, 000 ² (Moscow Only)		7	180	11
Access to all of Moscow				
Content	Variety of Content			
	Exclusive Content			
	VOD Content			
Pricing (per month)		Base: \$9.95 Extended: \$17.95 Unlimited: \$49.00	Base: c.\$19.00 Full: c.\$47.00	Base: c. \$8.00 Extended: c.\$14.00

Stream TV has a compelling mass market product with a large addressable market

¹ Marketing launch; commercial launch in May 2005

² Source: NTV+ from Pyramid Research (estimate for 2004YE), Akado from company's website (as of Oct 2005, excludes Social Pay-TV subscribers), StreamTV from Prospectus (as of end of Dec 2005)

Scalable Last Mile Supports Triple-play

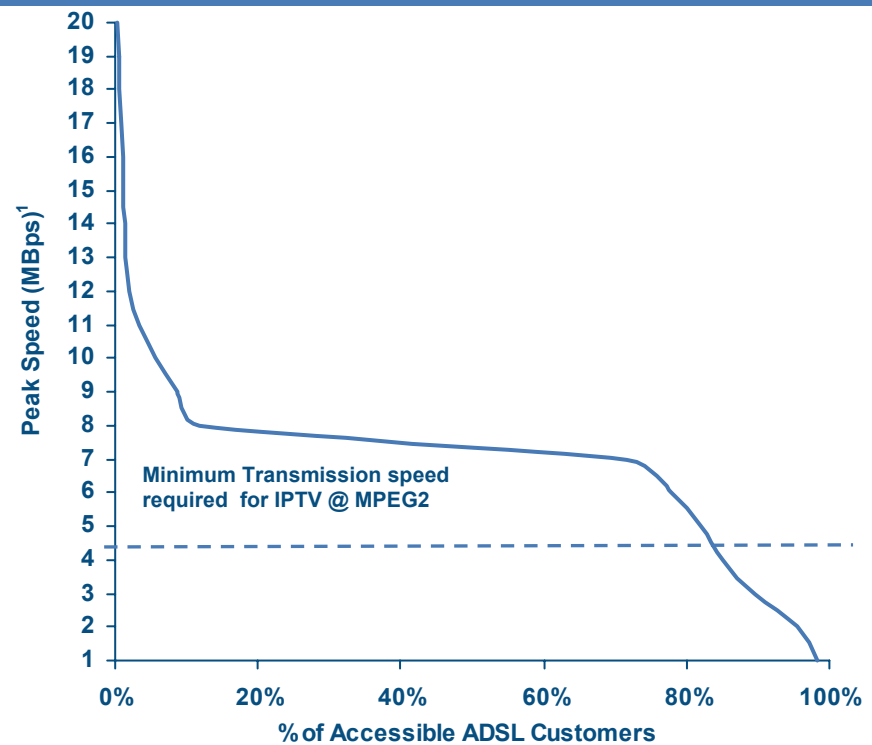
Key Network Infrastructure MGTS/Comstar UTS (combined)

- 11,550km of fibre-optic backbone
- 94,577km of copper infrastructure
- 1,200 SDH multiplexers
- 5,238,600 numbering capacity

Key Highlights

- Exclusive ownership of "last-mile" in Moscow covering 99% of households
- 85% of copper lines are ADSL compatible, despite 30% digitalisation
- Technological expertise in developing and rolling-out new technologies

Customers and Speeds

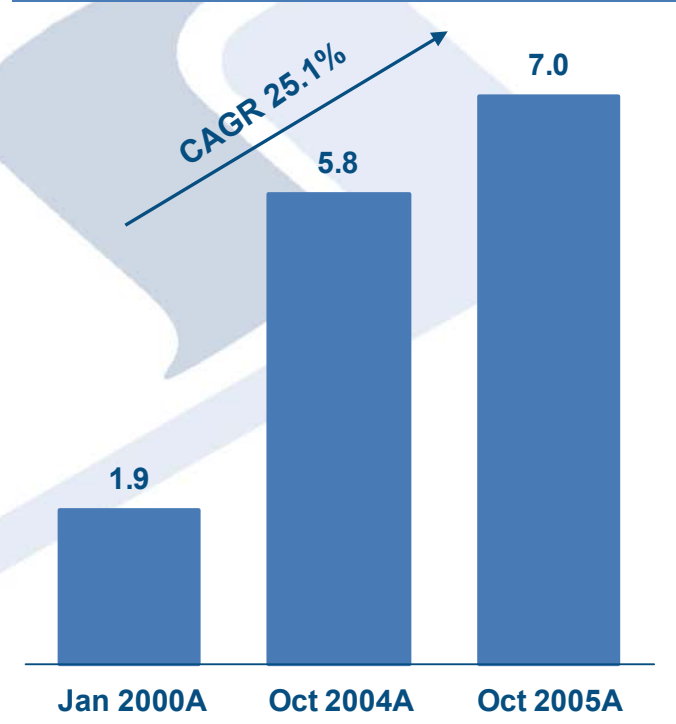


Comstar UTS and MGTS combined have the most extensive network infrastructure in Moscow, exclusive ownership of "last-mile", and ability to offer ADSL and IPTV to the vast majority of consumers

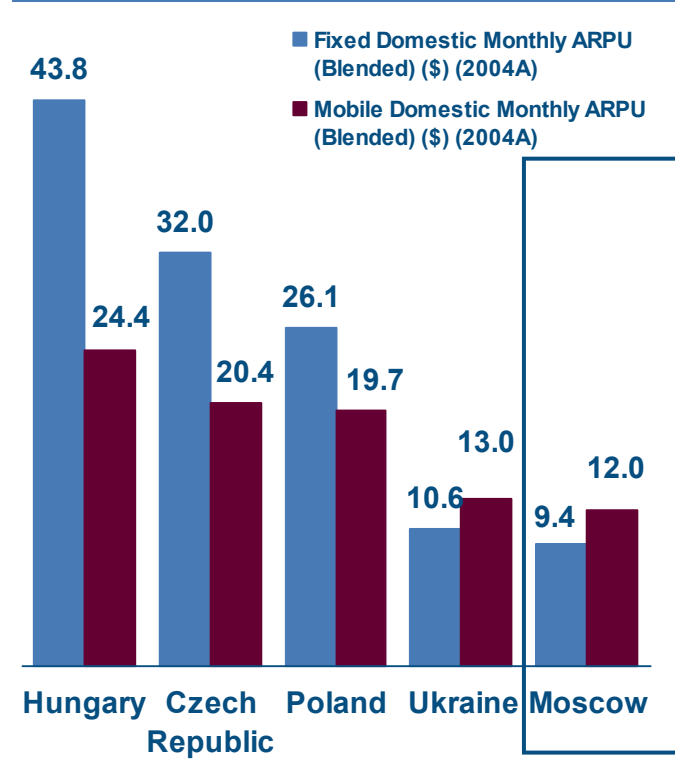
Note: The chart samples the time of the peak load of the network on 16 Nov 2005. Current ADSL modems are optimised to automatically reach maximum speed possible for the particular modem, which is c.8Mbps in 60% of the cases
¹ Peak speed that customers of MGTS are able to get through ADSL lines

Capturing Growth from Changing Regulation

Residential Tariff (\$)¹



Fixed Versus Mobile - Monthly ARPU (\$)²



Potential Positive Regulatory Changes

- Increase in local tariffs for MGTS
- Unregulated tariffs for unbundling of local loop
- Additional revenue from DLD/ILD
- Additional revenue from zonal interconnect

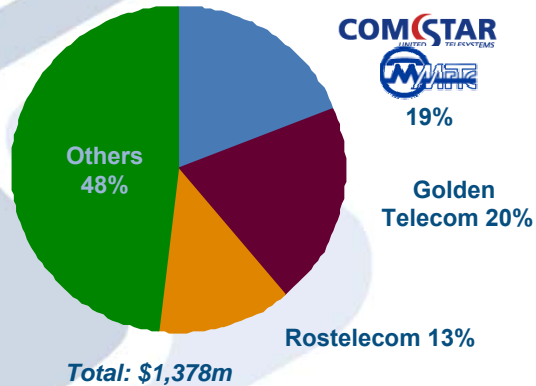
Tariff increases have been one of the main revenue drivers at MGTS

¹ Includes value-added tax. Installation fee is \$252 in Oct 2005A and is paid by every customer installing a line into a new house. Tariffs converted from roubles to \$ at exchange rate of the time of tariff introduction

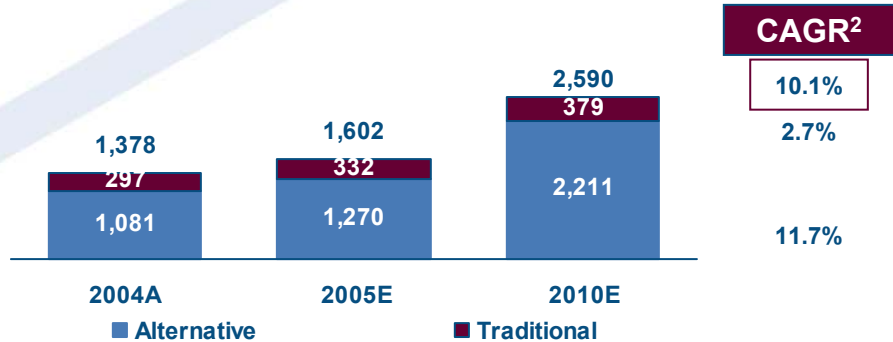
² Source: Annual reports of fixed and mobile operators (2004A), MGTS – company data. Czech Rep: Cesky and Eurotel; Hungary: Magyar Telekom and T-Mobile Hungary; Poland: TPSA and Orange Poland; Moscow: MGTS and MTS; Ukraine: UkrTelecom and UMC. Fixed and mobile revenues include both residential and corporate revenues as well as all telecom services

Increasing Corporate Customer Revenues

Moscow Corporates Market (Sales, 2004A)¹



Moscow Corporates Market (Sales, \$m)



Strategy for Growing Corporates Revenues

- Introduce new technologies (NGN, Wi-Fi, Wi-Max)
- Drive sales of IP-VPN and proprietary Hybrid-VPN products
- Expand Internet access and data transmission services
- Introduce innovative value-added services and bundled services
- Expand range of outsourcing services (hosting, hosted PBX, call centres, etc.)
- Capitalise on increasing propensity for customers to have multiple service providers allowing Comstar UTS to seek taking market share from other providers
- Upsell MGTS customers who are considering churning due to need for additional services
- Focus on brands, marketing and sales

Comstar UTS has a clear strategy aimed at driving market share growth in the expanding corporate market

Source: Direct INFO

¹ Comstar UTS market share includes MGTS at 9%

² CAGR 2005E-2010E

Track Record of Regional Expansion

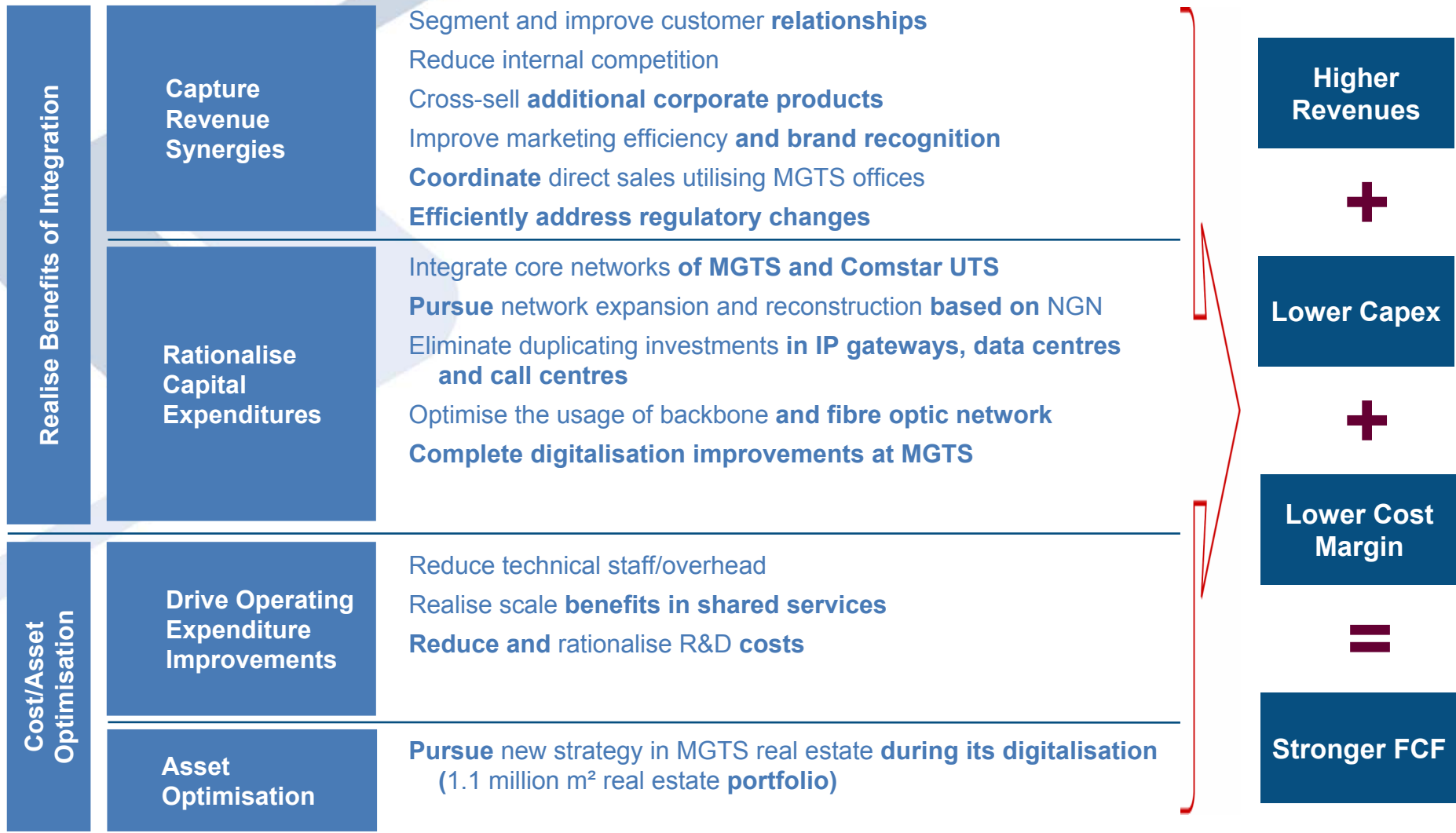
- Comstar UTS presence
- Cities for potential expansion



Completed Acquisitions				
Target (Date)	% Acquired	Value (\$m)	Region	Rationale
Metrocom (Sep-2005)	45.0%	12.2 (3.6x 2005E EV/OIBDA)	St. P'burg	<ul style="list-style-type: none"> ▪ 14% market share in St. Petersburg ▪ 5,000 corporate clients
Tyumen-neftegazsvyaz (Oct-2005)	89.4%	9.0 (4.4x 2005E EV/OIBDA)	Tyumen KHAMAO YANAO	<ul style="list-style-type: none"> ▪ 55,000 users
Conversiya-Svyaz and Overta (Dec-2005)	100.0%	10.0 (4.8x 2005E EV/OIBDA)	Saratov	<ul style="list-style-type: none"> ▪ 38,000 users ▪ 350 corporate customers
CTK Contrast (Dec-2005)	100.0%	5.5 (4.0x 2005E EV/OIBDA)	Moscow Telecom Region (Sergiev Posad)	<ul style="list-style-type: none"> ▪ 7,000 users ▪ 520 corporate customers

Comstar UTS sees significant potential for regional expansion in Russia and CIS

Benefiting from Integration & Cost Optimisation



Comstar UTS sees significant potential for FCF improvement from integration and stand-alone cost reduction initiatives

Section 5

Overview of Key Businesses Sitronics

Overview of Sitronics



Alexander Goncharuk,
CEO

Sistema Career

- 2003 to date: CEO of Sitronics
- 1996 to date: Board Director of Sistema
- 1998-1999 & 2002- 2003: Board Director of Mobile TeleSystems (Chairman in 2002-2003)
- 1998 – 2003: CEO of Sistema Telecom
- 1998 – 2005: Board Director of MGTS
- 1993 – 1995: General Director of Sistema subsidiary ACO Leader

Background

- 1987 – 1991: Senior Officer in Central Administrative Board of Naval Shipbuilding
- 1987: Graduated with Honors from Engineering Faculty of the Naval Academy
- 1978: Graduated with Honors from the Naval Engineering Academy

Sitronics at a Glance

- Diversified producer of electronics and technological solutions in the field of infocommunications, IT, apparatus building and microelectronic components with headquarters in Moscow
- Four core business segments:
 - Telecom equipment manufacturing & software development (Infocommunication Technologies)
 - Information Technology
 - Microelectronic Components & Solutions
 - Industrial and Consumer Electronics
 - Venture project in Complex Security Solutions
- Scale R&D, production and commercial assets in Moscow, Kiev, Prague, Zelenograd ("Russia's Silicon Valley"), Voronezh, and other Central European cities



SITRONICS
INFOCOMMUNICATION TECHNOLOGIES
InfoCommunication
Technologies

SITRONICS
INFORMATION TECHNOLOGIES
Information Technologies

SITRONICS
MICROELECTRONIC SOLUTIONS
Microelectronic Solutions

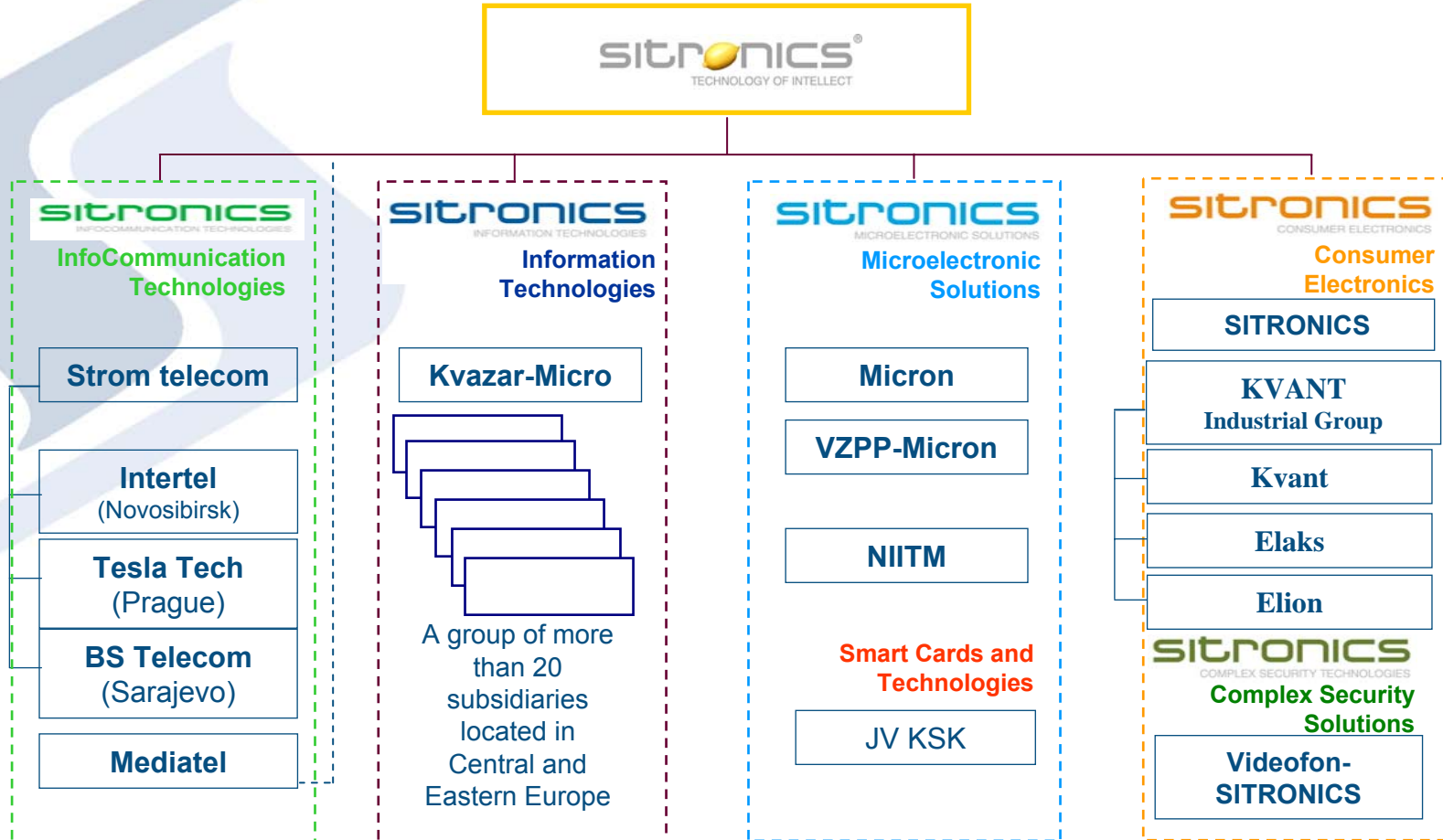
SITRONICS
CONSUMER ELECTRONICS
Consumer Electronics

SITRONICS
COMPLEX SECURITY TECHNOLOGIES
Complex Security
Solutions

- Principal manufacturing sites have been certified for ISO 9001 quality management standards

Sitronics aims to become a leading high-technology holding in Russia and Eastern Europe

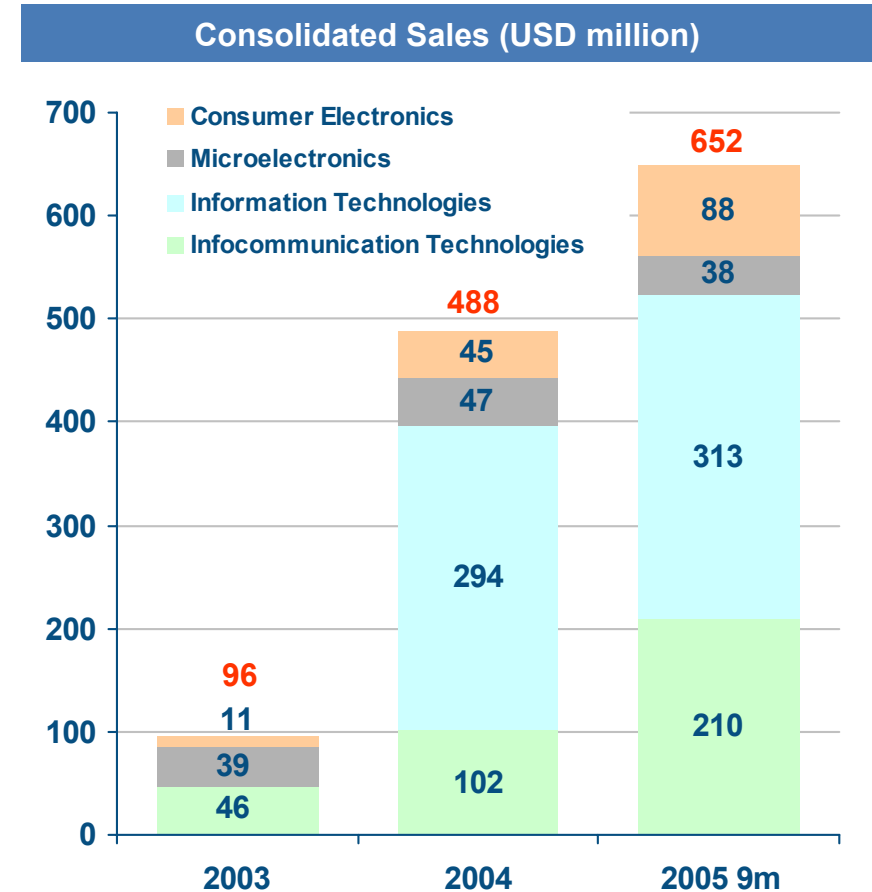
Corporate Structure



Control of key business units with the goal of gradually consolidating minorities

Track Record of Managing Growth

- **Exceptional growth of the past few years – a result of successful execution by the Sitronics management team and strong support from Sistema**
 - Consolidated sales growth of c. 400% in 2004 with 200% coming from organic growth
 - IT business added c. \$300m in annual sales in 2004. Business was successfully integrated, new focus is on growing higher margin Systems Integration business
 - 2005 growth was purely organic
- **Further growth opportunities across all of the existing segments and through expansion into adjacent market niches**
- **Medium-term target is to develop Sitronics into the leading technology company in Central & Eastern Europe**



Solid growth across all business segments

Strategic Goals

■ MISSION:

To build the largest and most successful high technology corporation in Russia & Eastern Europe; to maintain and strengthen the company's position as Russia's technology leader; and to compete successfully in both the domestic and international markets

■ SEGMENT STRATEGIES:

Infocommunication Technologies

- Use M&A to gain access to new markets and advanced technologies
- Concentrate on knowledge-based solutions (billing, CRM, NGN)
- Form strategic alliances in the field of NGN R&D & Marketing (Cisco, Siemens, Nokia)
- Focus on developing sales and marketing function and infrastructure to global standards

Information Technology

- Increase market share in Systems Integration and improve overall business profitability
- Become Russia and Eastern Europe's leading Systems Integration provider

Microelectronics

- Move to new technology (0,25 – 0,35 μm), focus on government orders in defense and security (e.g. biometric ID)
- Diversify into high margin complementary businesses (smart cards, IC packaging)
- Capture significant share of Russia smart card market (telecoms & financial segment)

Consumer Electronics

- Develop a national "umbrella" consumer electronics brand with a clear mid-market value proposition
- Strengthen R&D and manufacturing capability
- Acquire market share in Russia through M&A
- Penetrate international markets in co-operation with global industry leaders

Sitronics aims to become the leading technology company in Russia & Eastern Europe through a combination of organic and acquisitive growth

InfoCommunication Technologies

Overview

- STROM telecom and affiliates are core to the ICT segment
- Established in 1993 around the famous Czech company TESLA
- Headquartered in Prague with subsidiaries in Russia, Ukraine, Slovakia, Bosnia & Herzegovina
- Acquired by Sitronics in the beginning of 2002
- Telecom equipment developer, vendor and manufacturer, OSS solutions provider, IT and Telecommunication Systems Integrator, with client base in Russia and various European territories
- Markets: Russia & CIS, Europe, Asia



Strategy

- **Capitalize on success to accelerate organic growth**
 - Leverage successful commercial relationship with Sistema to strengthen position in the CIS markets
 - Focus on “smart solutions” and NGN
 - Partner with industry leaders
 - Utilize competitive advantage of low cost manufacturing and R&D facilities
- **Aggressive sales & marketing**
 - Use experience gained in CIS markets and highly competitive pricing to expand into non-CIS markets
- **Growth through M&A**
 - Complement product portfolio
 - Diversify geographically by gaining access to international markets

Well positioned to become a leading vendor of fixed and wireless telecoms solutions of next generation

Information Technologies

Overview

- Founded in 1990 in Kiev
- Principal businesses:
 - systems integration (including IT services and consulting)
 - software development
 - hardware distribution
- Offices in 10 European countries - Russia, Ukraine, Netherlands, Austria, Finland, Czech Republic, Hungary, Latvia, Lithuania, Cyprus
- International management team and over 1,100 employees
- 15 years of consistent revenue growth in highly competitive & evolving industry
- Technology leadership and broad experience in various industry sectors
- Established relationships and strategic partnerships with global leaders: Intel, IBM, Oracle, Microsoft, Sun, Cisco
- Sale of 51% stake to Sistema in 2004 enabled access to the Russian systems integration market and created substantial opportunities for future growth
- Growth of the share of systems integration in revenues from 14% in 2004 to 21% for 9 months 2005

Strategy

- **Rebalancing business portfolio**
 - Increase share of higher margin systems integration and software businesses
 - Maintain current market share in distribution
- **Regional expansion**
 - Expansion of systems integration business into Kazakhstan, Uzbekistan, and other CIS markets
 - Potential acquisitions of software & systems integration companies with clients in US/EU
 - Development of off-shore software production to serve European and US clients
- **Research & Development**
 - Establish research facilities in largest CIS science centres - Sarov, Dubna, Tomsk and Petrozavodsk
 - Launch of innovative new products in 2006
- **Develop further synergies within Sistema**

Potential leadership in Central & Eastern Europe's IT markets through leverage of the strong position in the CIS systems integration and software markets

Microelectronic Components & Solutions

Overview

- Core business of design and manufacturing of semiconductor products
- Launch of smart card production facilities able to produce all types of smart cards - from simple scratch cards to sophisticated chip cards - and related solutions
- Principal products include:
 - Wafers (power management ICs designed for bipolar technology)
 - Packaged chips
 - Chip modules (planned for 2006)
 - Chips for e-passports (planned for 2007)
- Some of the most advanced fabs in Russia
- Agreement with Infineon on technology transfer and launch of production of crystals for smart cards

Strategy

- Launch new technology (0,25 – 0,35 μ) to target government biometric IDs and defense contracts
- Seek diversification into complementary high-margin businesses (smart cards, Infineon)
- Further develop own design center to introduce full range of ASIC-vendor (application specific integrated circuit) services
- Develop sci-tech co-operation with Russia's top companies (RAO UES)
- Develop power electronics production (Schottky diodes, microwave frequency transistors, high frequency and DMOS transistors) at VZPP
- Retain current market share in power management ICs by improving cost efficiency
- Enable growth and geographical diversification of the smart card business

Maintaining position of the nation's leading semiconductor IC manufacturer with the most advanced production facilities in Russia and the CIS

Industrial & Consumer Electronics

Overview

- Includes Sitronics with affiliates and Videofon
- Sitronics is the first Russian “umbrella” brand for consumer electronics devices
 - The task of developing a Russia-wide consumer electronics brand enjoys government support
- Consumer Electronics (**Sitronics** brand):
 - Manufactures and markets modern and inexpensive household and professional electronic devices – audio/video (TVs and DVDs), computer appliances and small home appliances
- Industrial Electronics (**EMS** business):
 - Elaks, Elion and Kvant plants united within the integral “Industrial site” represent the most modern manufacturing and assembly facilities in Russia

Strategy

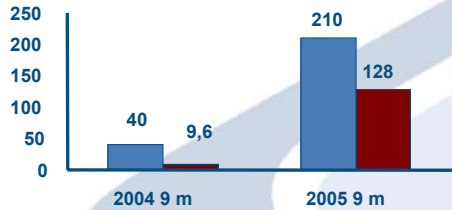
- **Building a strong brand**
 - Establish a nationwide umbrella brand of world-class mid-priced electronic appliances
 - Target share of 10% of domestic consumer electronics market
- **Manufacturing and research expertise**
 - Establish multi-function integrated industrial site (end-to-end OEM)
 - Set up engineering R&D centers in collaboration with international companies in order to capitalize on technology innovation
- **International expansion**
 - Penetrate international markets in co-operation with industry leaders

Modern manufacturing capacity, extensive R&D expertise, and strong brand awareness make Sitronics one of the top Consumer Electronics companies in Russia

Financial Highlights

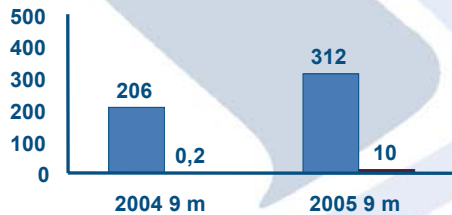
ICT

- Shift from hardware to complex solutions and billing systems
- Acquisition of 33% stake in Strom-Telecom to reach 100% ownership
- Ready to sell worldwide
- OIBDA margin up from 24% to 60%



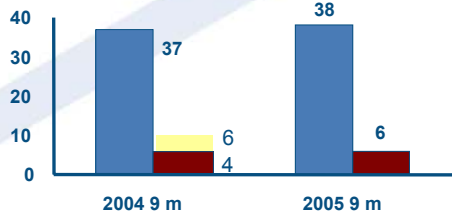
IT

- 21% share of systems integration revenues vs. 12% in 2004
- Strengthening of corporate governance
- Consolidation of Kvazar-Micro ownership under Sitronics
- OIBDA margin up from 1% to 3%



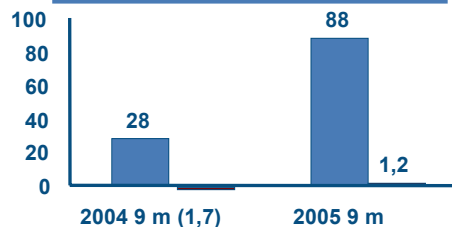
MC

- Growth in export sales
- Launch of R&D and IC Design centre
- JV with Giesecke & Devrient GmbH



CE

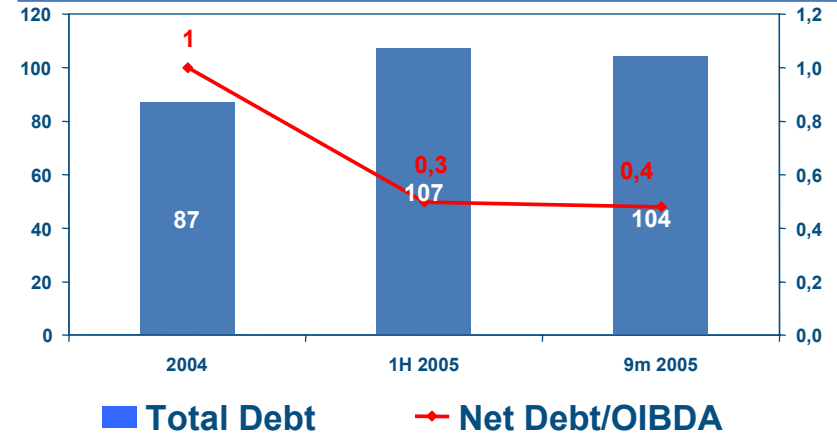
- Steady market share gains with exposure to high VA segments
- Acquisition of 53% of Kvant



Financial Performance (USD mln)

	9m 2005	9m 2004	FY 2004
Revenue	652	312	488
Operating Margin	21%	4%	8%
OIBDA Margin	22%	5%	10%
CAPEX	21	5	5
Total Debt	104	78	87
SG&A / Revenue	6%	6%	7%

Debt and Leverage



Operating cashflows and access to significant pools of liquidity allow for continued strong growth



Section 5

*Overview of Key Businesses
Rosno*

ROSNO

Insurance – ROSNO



Leonid Melamed,
CEO

Sistema Career

- Co- founder and, since September 2003, CEO of ROSNO
- 1997-2003: Deputy CEO, ROSNO
- Minority shareholder in ROSNO (1.7% stake)

Background

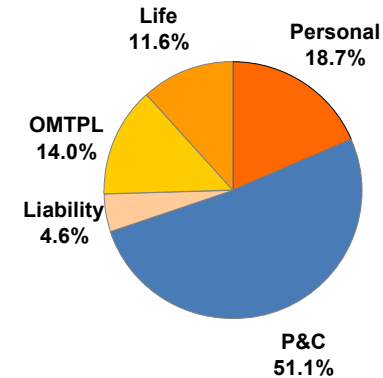
- 1993-1997: First Deputy Chairman of the Board, ROSNO
- 1992-1993: Deputy Chairman of the Board, ROSNO
- 1992: Director of the ROSNO Medical Insurance Centre
- 1992: Co-founded ROSNO
- 1992: Graduated from the Sechenov Moscow Medical Academy

ROSNO – Russian Market Overview

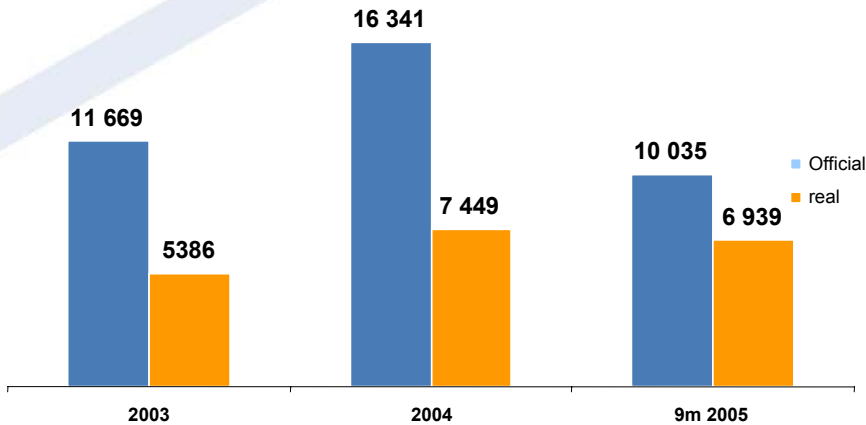
Key market statistics

- 9m 2005 official GPW of 9.6 bn (1), including tax optimisation schemes (Source: FSSN)
- Management estimates addressable insurance market at \$6.9bn
 - Excludes tax optimisation schemes not involving actuarial risk (i.e. applying traditional IFRS measure)
- High geographical concentration: Moscow accounts for 50% of all official premium written (Source: FSSN)
- Insurance density level is still below the CEE average

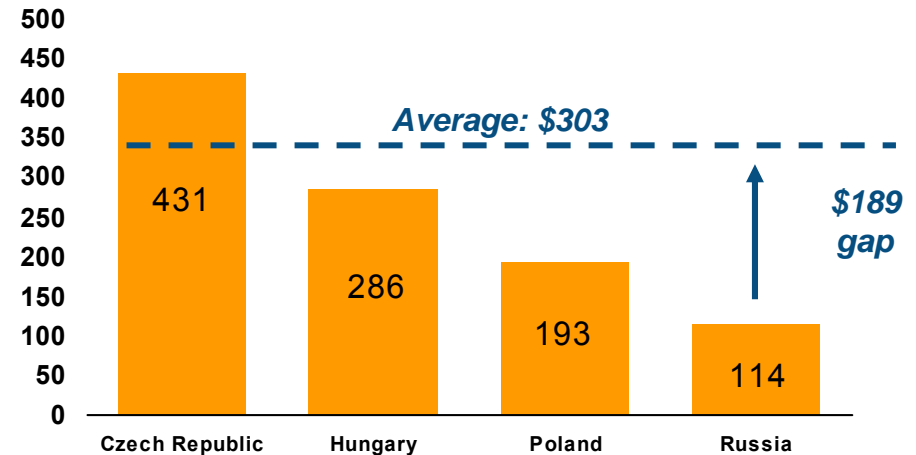
9m 2005 Gross Premiums Written by Product⁽¹⁾



Official market vs. real market



CEE Market, 2004 Premiums per Capita (US\$) ⁽²⁾



Notes

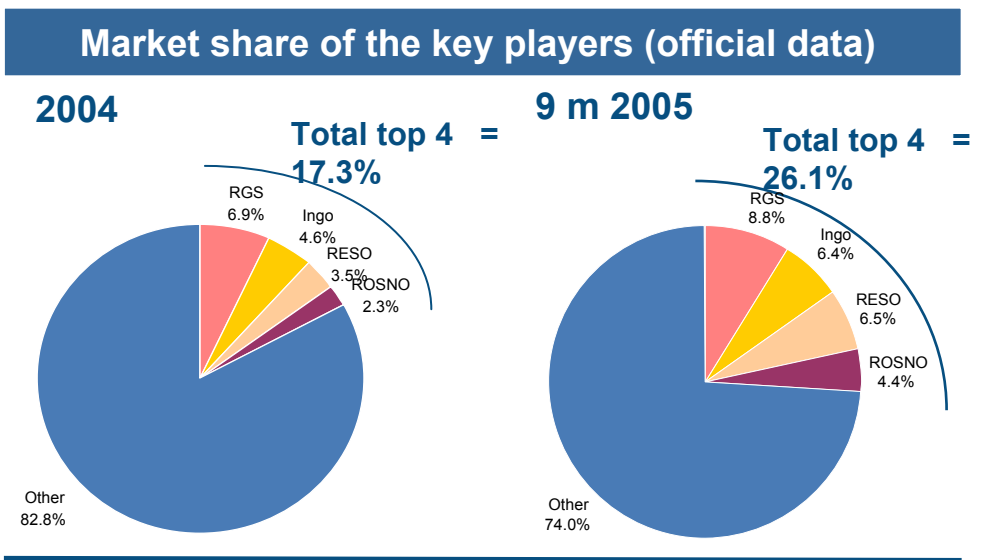
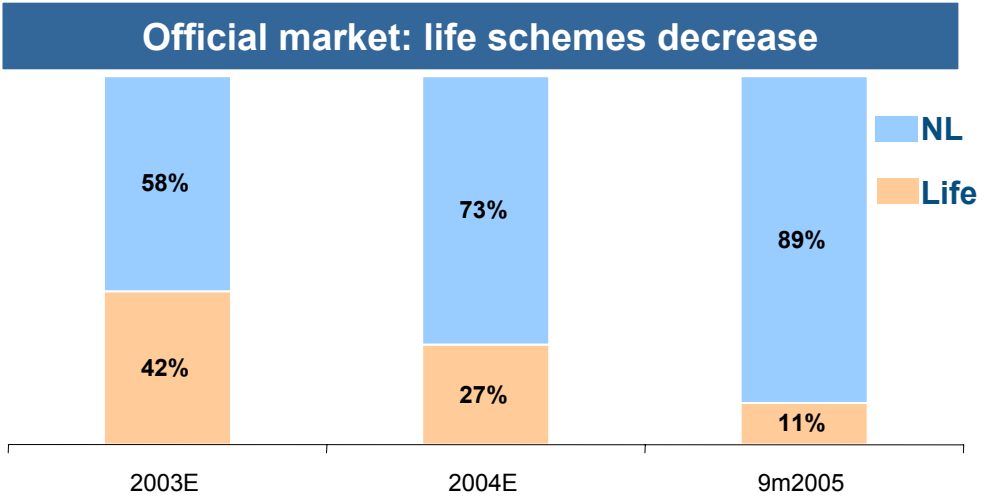
1. Based on Ministry of Finance RAS data that has a significantly broader definition of insurance than under IFRS– e.g. almost none of “Life ” would be counted under IFRS

2. Czech, Hungarian and Polish figures from Swiss Re; Russian data calculated based on management’s estimated market size divided by official Russian population as provided by Goskomstat at the last census

ROSNO – Favorable Regulatory Changes

- **Significant changes in insurance market regulation – tightening of regulatory controls**
 - Growing pressure from the regulators to strengthen solvency and to improve efficiency of the Russian insurance market has already materialized in a number of favorable legislative changes
 - Battle with life “schemes” led to decrease of official schematic life market
 - Regulator starts to fight with financial risk schemes

- **Other key trends**
 - Introduction of obligatory types of insurance
 - OMTPL tariffs liberalization discussed
 - Development of the pension reform
 - Gradual market consolidation (1089 licensed Russian insurers as of 31.12.2005 vs. 1435 as of 01.07.2004) (Source: Russia’s Insurers’ Union)



Improvement of insurance regulation leads to market transparency and growth

ROSNO – Key success drivers

<p>Leadership</p>	<ul style="list-style-type: none"> - Market share 7-12% in selected segments of real RF insurance market, with a Top 5 position - Leadership in life, medical and property insurance (principle of diversification) - Leadership in Russian regions and select FSU states - GPW growth ahead of real market 	<p>On track On track On track</p>
<p>Management and HR</p>	<ul style="list-style-type: none"> - Highly experienced, entrepreneurial and well-regarded management team - Management team of true leaders with balanced allocation of responsibilities - International staff - High level of HR (developed skills, high qualification, professionalism) - Effective motivation system 	<p>✓ ✓ ✓ ✓ ✓</p>
<p>Customer oriented company</p>	<ul style="list-style-type: none"> - Customer service quality: best –in-class - Monitoring of customer satisfaction - High level of customer loyalty - Strong distinctive brand name 	<p>✓ ✓ ✓ ✓</p>
<p>Financial strength</p>	<ul style="list-style-type: none"> - Stable and positive EVA - Capital adequacy and real assets - Growth of capitalization 	<p>✓ ✓ ✓</p>
<p>Corporate Governance</p>	<ul style="list-style-type: none"> - Transparency and disclosure (financial and non-financial) - Independent Directors (in BD) - Independent audit for 9 years 	<p>✓ On track ✓</p>
<p>Growth and scalability</p>	<ul style="list-style-type: none"> - Geographical expansion (RF regions and CIS countries) - M&A –successful experience of company acquisition and assurance of profitability of the target - Positive IRR for investment projects - Efficient integrated IT system 	<p>✓ On track ✓ On track</p>

Quality across-the-board execution of strategic plans key to leadership position

ROSNO – Group Structure

ROSNO Group

<p>ROSNO Insurance Company (Health, Non-Life)</p>		<p>GWP: \$432mIn (9 m2005) / EVA positive with Profit after Tax 9 m 2005: \$21.8 mln</p>
<p>Allianz ROSNO Life (Life)</p>		<p>Started September 2004; ANP 9m 2005: \$3.5 mln</p>
<p>Allianz ROSNO Asset Mgmt. (Asset Management)</p>		<p>Started October 2004; Assets under management 9m 2005: \$396 mln</p>
<p>ROSNO Ukraine (Health, Non-Life)</p>		<p>Started August 2005; GPW 9 m 2005: \$0.8 mln</p>
<p>Allianz ROSNO Life Ukraine (Life)</p>		<p>Registration under way</p>
<p>ROSNO-MS (Obligatory medical insurance)</p> <p>American Hospital group</p> <p>Medexpress (client network)</p>	  	<p>More than 15 mln people insured</p> <p>Outpatient clinic for upscale individuals</p> <p>Medical service for the middle class (in-patient and out-patient clinics)</p>

ROSNO implements the Three P principle – Provision, Protection and Performance

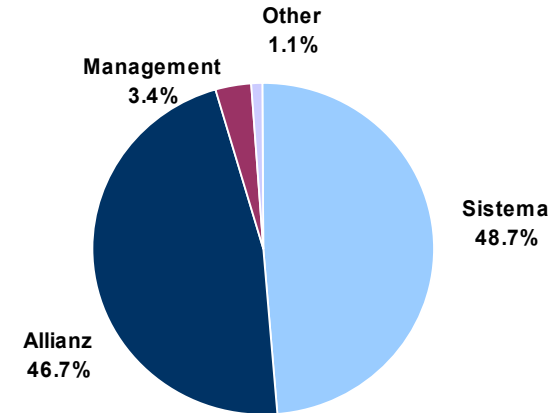
ROSNO – Business Overview

- **ROSNO is a leading Russian insurance company with a broad product offering (balanced portfolio)**
 - Provision (Life and Health)
 - Protection (Property, Motor)
 - Performance (Asset management)

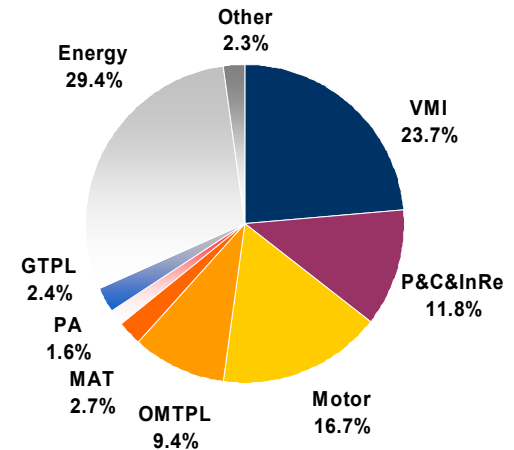
- **Extensive distribution network**
 - Over 380 persons direct sales force
 - Over 900 agents in Moscow and 2000 in regions
 - 100 insurance brokers
 - Over 500 non-insurance intermediaries

- **Operations in Russia and CIS**
 - Russia: 10 Directorates, comprising 100 branches all over the country
 - CIS: Non-life and life insurance companies in Ukraine and representative office in Kazakhstan.

Shareholder Structure (30 Sept 2005)



ROSNO 9m 2005 GPW by Product

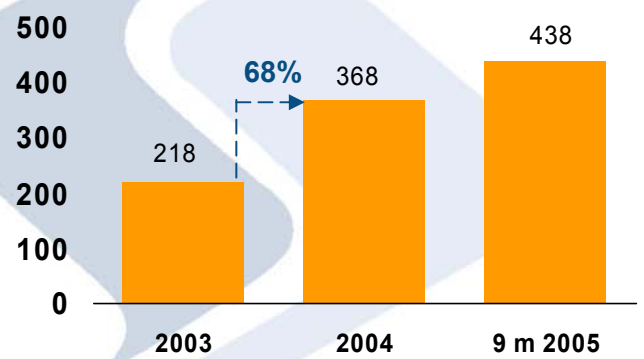


ROSNO is a leading Russian insurer with strong shareholder base

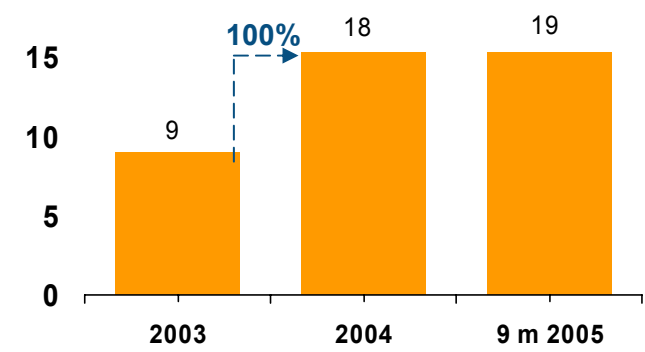
Note 1. Combination of Property and Inward Re is pro forma for the recent acquisition of Leader

ROSNO – Financial Overview (1)

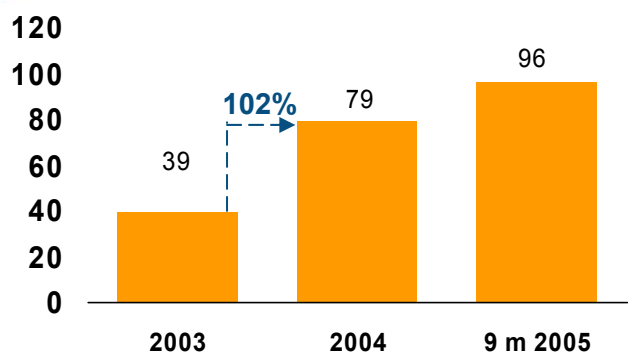
Gross Premiums Written (US\$m)



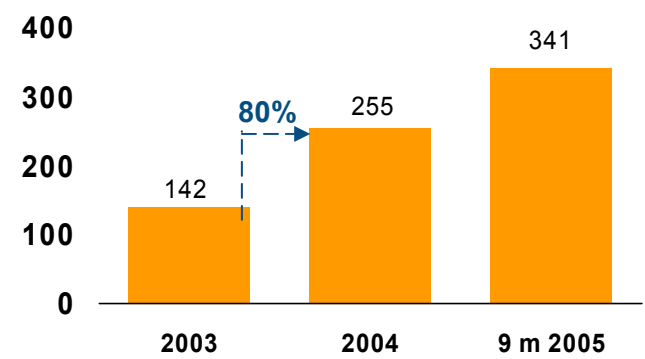
Net Income (US\$m)



Shareholders' Equity (US\$m)



Total Reserves (US\$m)



Successful track record of sustainable profitable growth

Note

1. Based on Sistema consolidated financials

Financial Summary

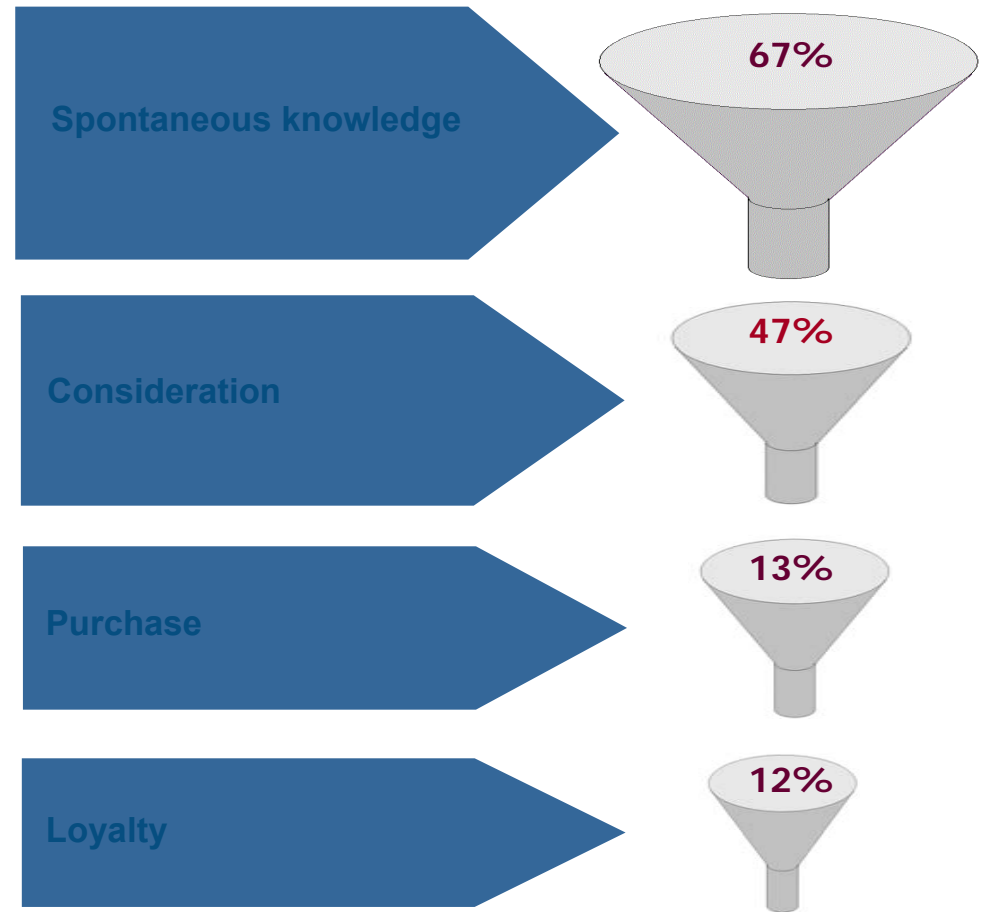
US\$m – Consolidated Segment Financials (US GAAP)	2004	9 m 2005
Revenue	300	319
Operating income	30	31
<u>Income statement</u>		
GPW	368	438
Insurance result	21	8
Investment result	3	22
Other activity result	0.2	0.1
Net income	18	19
<u>Balance sheet</u>		
Total assets	421	633
Minority interest	(2.71)	0.06
Shareholders' equity	79	96
<u>Ratios*</u>		
Loss Ratio*	56%	53%
Expense Ratio*	37%	37%
Combined Ratio*	93%	90%

* Ratios are based on ROSNO IFRS standalone statements

ROSNO – Customer focus

- **Best-in-class client service**
 - Regular monitoring and constant improvement of customer satisfaction (polls, Quality Commission)
 - Customer focus both on external and internal clients
 - 24/7 Call center launched

- **New advertising concept developed and campaign launched**
 - ROSNO’s new advertising campaign aims to assign a new Value Proposition to the ROSNO brand by adding characteristics such as partnership, trust, client orientation, extension of service range to the company’s image
 - ROSNO brand position in the retail market strengthened in 2004-2005
 - The 2005 brand positioning campaign geared towards increasing Spontaneous knowledge to 67% and Consideration to 47%, with the aim of increasing Purchases in 2006



Customer focus and commitment to service quality are fundamental principles of company development

ROSNO – Corporate Governance

Transparency and disclosure

- Independent audit for 9 years by big four companies
- ROSNO Group IFRS statements publication in 2Q2006
- Timely reporting to regulatory and rating institutions (FSSN, RSA, Expert RA, etc.)
- Bilingual web site in line with corporate governance requirements

Corporate governance

- Non-executive Chairman of the Board
- Documents, regulating companies' corporate procedures are in place (Corporate Codes, Board of Directors statute, Board of Management statute, Corporate Secretary statute, Revision Commission statute)
- Most documents available on the company web site

Remuneration

- Group-wide motivation system with clear KPIs for each employee
- Board of Management and CEO remuneration is based on company results
- Board of Directors' members remuneration policy developed in a separate statute and is to be approved by shareholders

Corporate governance issues align interests of shareholders and management

Section 5

Overview of Key Businesses Sistema Hals



Real Estate - Sistema Hals



Felix Evtushenkov,
CEO

Sistema Career

- 2003 to Present: CEO of Real Estate Business
- 2000 – 2003: Vice President for Marketing and Strategy, Sistema-Hals
- 1999 – 2000: Executive Director, Sistema Industry Department
- 1998 – 1999: Sistema Legal Department

Background

- 2002: Graduated from the Griboyedov Institute of International Law and Economics, BS in Law

Market Opportunity

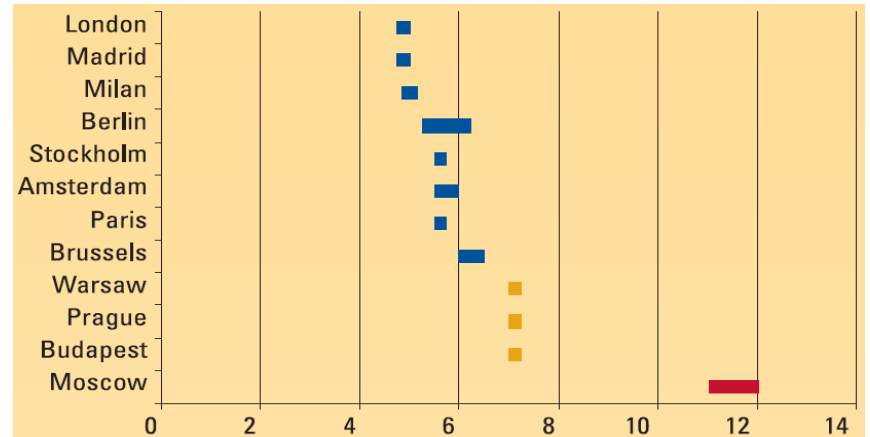
“Russia, and the capital Moscow in particular, has reached the top rank on the international property investors’ watch list”

Europe Real Estate

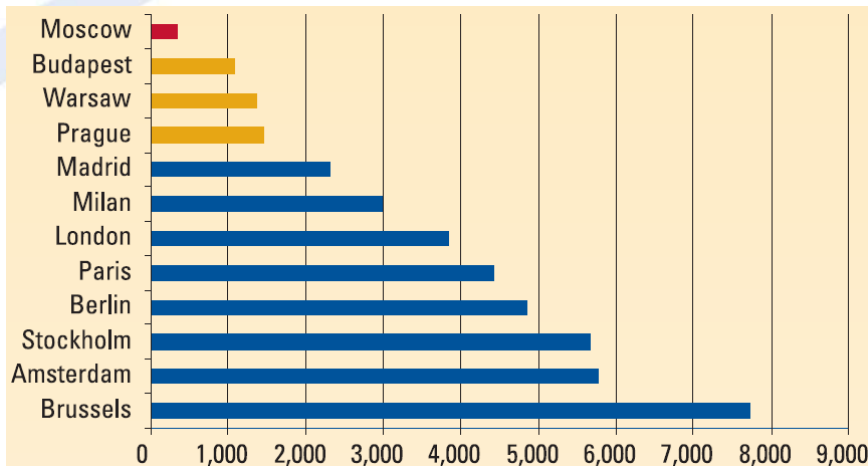
“Among world cities, Moscow retains one of the fastest rates of growth: its economy is expected to demonstrate a 6% annual growth between 2005 and 2007”

Jones Lang LaSalle

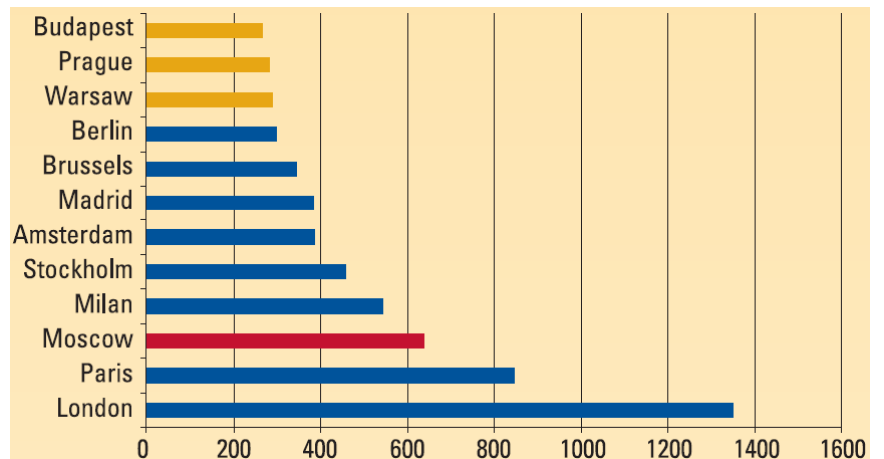
Office Prime Yields



Office Space per Capita (m²)



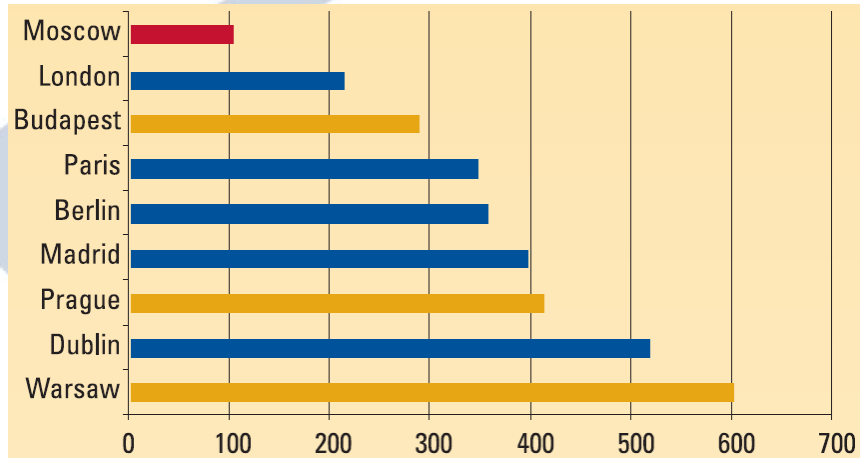
Prime Base Annual Office Rent (US\$/m²)



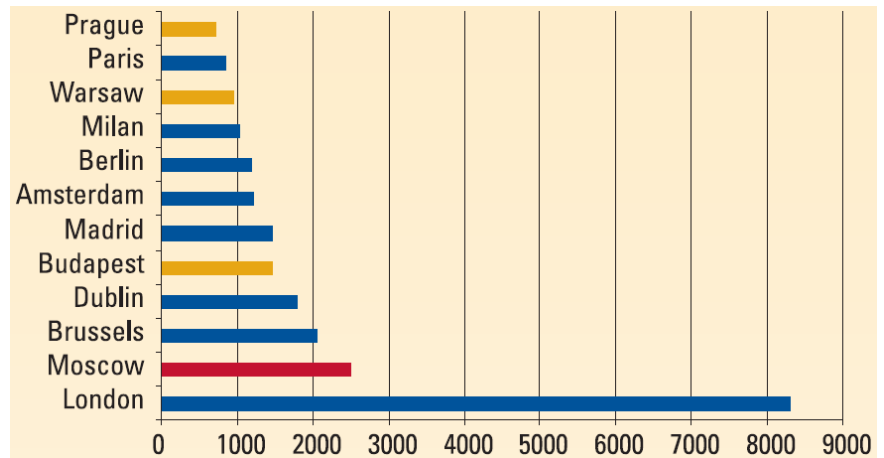
Source: Jones Lang LaSalle, September 2005.

Market Opportunity

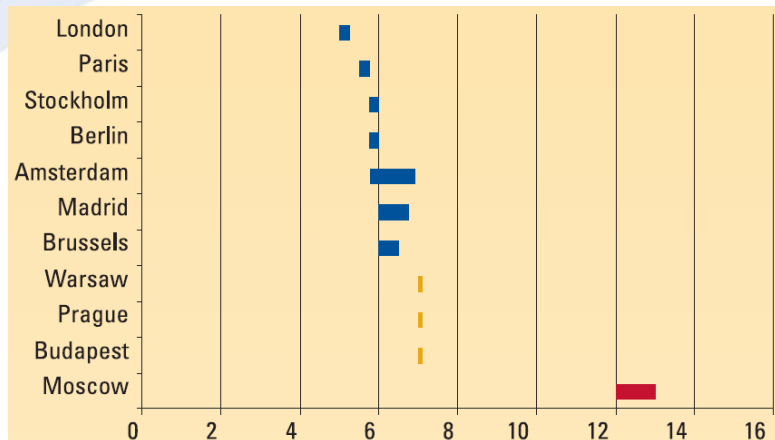
Shopping Centre Space per Capita (m²)



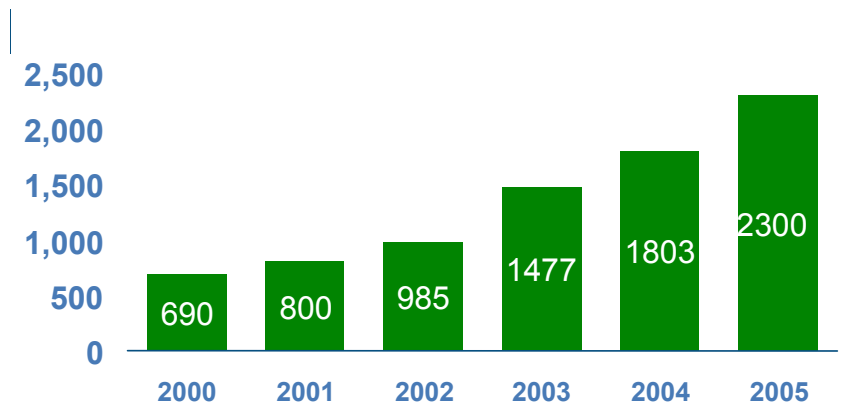
Prime Base Shopping Centre Rent (US\$/m²)



Shopping Centre Prime Yields



Moscow Average Residential Values (US\$/m²)



Source: Jones Lang LaSalle, September 2005.

Sistema-Hals: Description and Strategy

Description

- **A leading owner, developer and manager of office buildings, housing and land in Moscow**
 - Sistema-Hals successfully completed over 20 projects including properties for Daimler Chrysler, Dresdner Bank and Samsung
- **Key activities:**
 - Develop projects either to hold as investment properties or sell upon completion
 - Ownership and management of investment properties
- **Successful in sourcing prime sites and obtaining development permits in Moscow**
 - Strong market and regulator relationships and expertise

Strategy

- **Replicate success in office market in other real estate product types**
 - Residential apartments
 - Retail Centers
 - Hotel construction
- **Leverage expertise and deal flow**
 - Diversify capital sources to bring large development pipeline forward
 - Expand geographically into other major Russian cities and neighbouring countries
- **Diversify revenue base**
 - Decrease dependence on development profits
 - Hold completed developments for investment
 - Expand fee-earning property management business



1996



1997

DAIMLERCHRYSLER

1999

SIEMENS

Ongoing

SAMSUNG
1997



DAIMLERCHRYSLER

1999



Dresdner Bank
Advice you can bank on
1996



**Office Building
«Hals Tower»
2001**



Key Properties and Projects

Investment Properties				Approx. GBA ⁽¹⁾	Location
Name	Use	Completion			
Hals-Tower	Class A Office Building	2001		14,200	Central Moscow
Serebryany Bor-1	Cottage compound	2003		51 houses	Elite Moscow suburb

Development Properties - Selected Examples			Approx. Exp. Completion	GBA ⁽¹⁾	Location
Name	Use				
Mokhovaya 13	Class A Office Building		2006	13,540	Central Moscow
Pokrovka 40	Class A Office & 4-star hotel		2006	24,300	Central Moscow
Kamenny Ostrov	Elite housing		2007	40,000	Central St. Petersburg
Pulkovskoye Shosse	Retail and entertainment centre		2007	100,000	St. Petersburg
Pekin	Hotel, office and retail complex		2008	139,700	Central Moscow
Siemens	Class A Office Building		2007	109,575	Moscow
MGTS, Phase 1,2 (20 props.)	Office, residential, retail		2008	358,360	Moscow
Hals-Park	Office complex		2008	390,000	Moscow
Kuntzevo	Residential		2012	976,000	Moscow
Preobrazhensky	Retail, office, residential, technopark		2013	572,000	Moscow
Big City	Urban development				Moscow

Note:

1. Gross Building Area, sq. m

Case Study – Daimler-Chrysler Building

**Completed Development:
Daimler-Chrysler Russian HQ**

Selected to develop Daimler-Chrysler's Russian headquarters (completed in 1999)

- **Development of a first class, 6361 sq. m. office property in central Moscow**
- **Architecture and construction quality internationally recognized**
 - "Best Project of the Millennium" at the 13th International Construction Awards in Paris, 2001
 - "Best Project of the Millennium" at the 15th Golden Europe Awards for Quality, 2001
 - "Best Project" in the construction field 1990-2000 in the Moscow Office Buildings and Business Centre category



Case Study – Siemens Building

On-Going Development

- This project will be of **Class A office** with 109,575 sqm consisting primarily of office space.
- The building will be situated on the land plot of **1.0 hectares**.
- The property will consist of 2 towers:
 - first tower is intended to be **SIEMENS** property (54,640 sqm);
 - second tower of 54,935 sqm is intended for the commercial sale.
- **Completion expected Q3 2007**



Case Study - Preobrazhensky

Mixed-Use Development

- Consistent with the **municipal program of relocating industrial enterprises** and the government program of creating techno-parks in Russian Federation
- Total area of the land plot is **15.1 hectares**.
- According to the concept total area of the complex will be **784,340 sqm** including:
 - Residential area – 211,000 sqm.
 - Two Office Towers – 120,000 sqm.
 - Office Business Park – 140,000 sqm.
 - Retail and Entertainment – 92,000 sqm.
 - Parking above and below ground – 221,340 sqm.
- **Completion expected 2013**



Section 5

*Overview of Key Businesses
Detsky Mir*





Retail – Detsky Mir



Sergei Kushakov,
CEO

Sistema Career

- 2002 - to date: CEO of Detsky Mir Group
- 1997- 2002: Chief Accountant, Sistema (also served as Chairman of Audit Committees of MTS, MGTS, Rosno and Intourist)

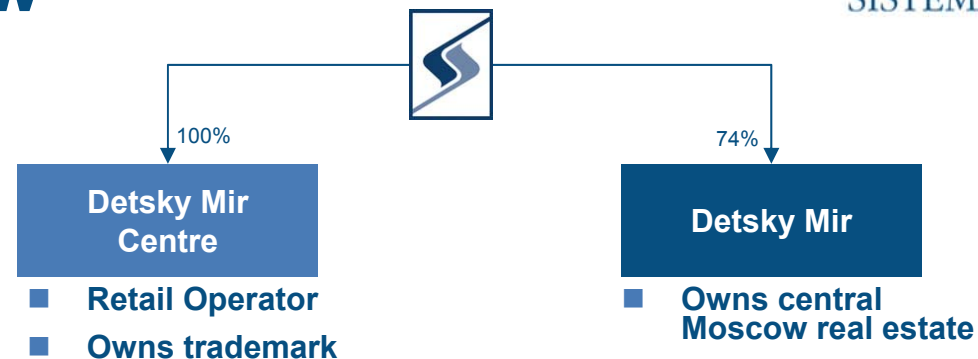
Background

- 1996-1997: Head of Planning Office, Moscow Licence Department
- 1995-1996: Director, ZAO “Audit-Garantiya”
- 1991-1995: Chief Accountant, IVK JSC
- 1984-1991: Various management positions in different entities
- 1989: PhD, Moscow Commercial Institute
- 1984: Graduated from the Moscow Technological Institute of Food Processing



Retail – Business Overview

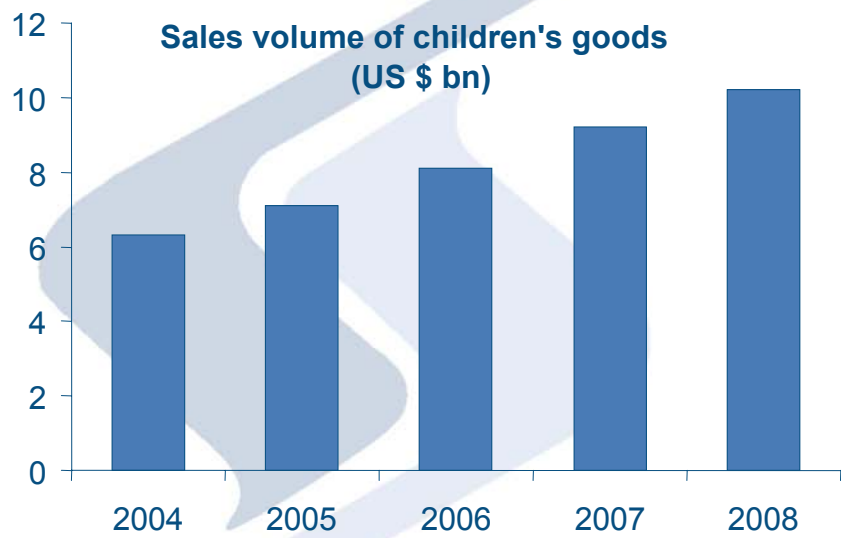
- **Russia's largest retailer of children's goods**
 - Apparel, footwear, toys, accessories
 - Currently 46 stores: 23 in Moscow, 9 in St.Petersburg and 14 in Russian regions. 25 stores were opened during 2005.
- **Detsky Mir brand amongst strongest in Russia**
 - Experience in children's goods retailing dating back to 1950s
 - No equal competitors in the mid-market
- **Central Moscow "landmark" Detsky Mir**
 - Store will begin refit in 2006
 - Retail operations will continue at alternative premises
- **2004 revenues of \$79.3 m, 9m 2005 revenues up y-o-y by 102% to \$103.1 m.**



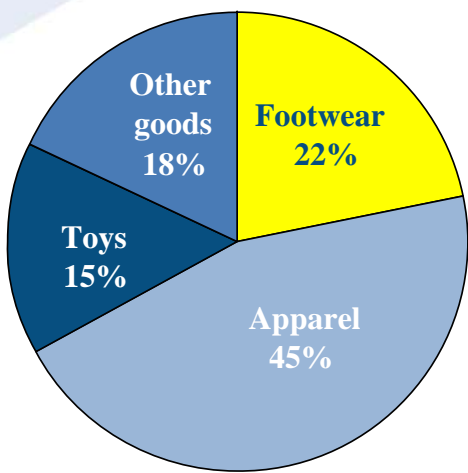
Leading children's goods retailer in Russia with marquee brand



Children's Goods Market in Russia



Breakdown by product type %



The rising demand for children-related goods is fuelled by the following 3 factors:

- Continuing economic growth in Russia.
- Growth in disposable incomes accompanied by growth in consumer spending
- Birth-rate, which increases family spending on children's goods

- Children aged under 14 now constitute 18.1% of Russia's population.
- Children's goods market in Russia is currently estimated at \$7-8 billion and is expected to grow fast in the next few years.
- Customer polls indicate that the most pressing issue is the lack of modern retail outlets selling fair-quality goods at affordable price
- With a number of players around, the market is fairly fragmented. Detsky Mir current market share in the middle+ segment stands at about 4%, with the potential of reaching 16% by 2007

Excellent opportunity to capitalize on the growing market



Capitalizing on Global Experience

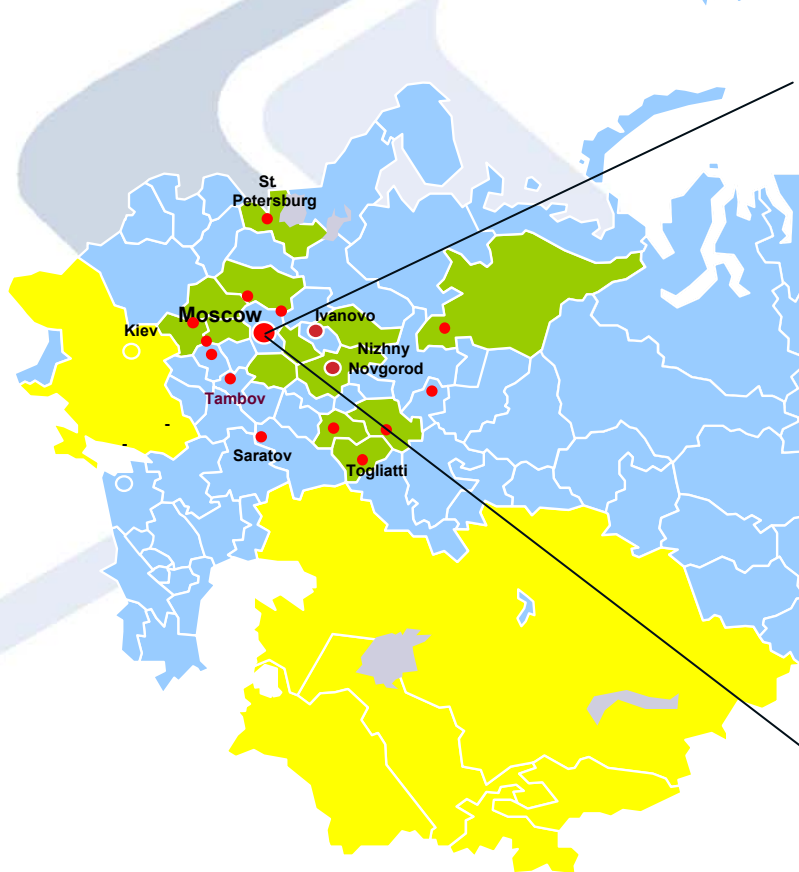
- **Strategic examples of global players (Toys R Us, GAP Kids):**
 - Use fast-growth strategies to secure a foothold in a new market
 - Achieve competitive edge through intensive expansion
 - Set industry standards and shape consumer preferences
 - Promote large/medium-format retail outlets

- **Strategies adopted by national operators (BananaMama, Korablik):**
 - Adopted global approach to compete locally
 - Future market consolidation is imminent
 - Using several expansion strategies:
 - using large/medium format stores
 - wide product range
 - wide regional presence
 - development of the franchise model

Detsky Mir aims to build on the global experience to restore the legacy retail chain



Explosive Regional Expansion



Moscow



Geographical Reach

City	Number of outlets
Moscow	23
St. Petersburg	9
Belgorod	1
Ryazan	1
Ivanovo	1
Kazan	2
Korolev	1
Kursk	1
Orel	1
Nizhny Novgorod	1
Saratov	1
Samara	1
Tambov	1
Tolyati	1
Yaroslavl	1
Total	46

- Russian Federation
- Areas of heavy presence
- CIS countries



Strategic Development Plans

Focusing on customer satisfaction

- Concentrating on the quality of goods and services
- Providing a diversified product range
- Providing the best value for money
- Increasing accessibility to our outlets

Adopt several market strategies

- Setting up local children's goods stores with floor space of 1200 – 1500 m² (possible format for franchising model)
- Setting up children's goods stores with floor space of 2000 – 2200 m² (capturing the growth and leadership on larger markets)
- Opening "flagship" stores with floor space of 3500 – 4000 m² in major cities (crucial for expansion into new markets, ensures high profitability of logistics)

Enhancing the leadership

- Boosting the brand name through wide presence
- Successful use of the synergies provided by the Group
- Actively participating in the market consolidation

To become the best and most successful retailer on the Russian children's goods market

Section 5

Overview of other business segments



Moscow Bank for
Reconstruction and Development



Intourist®

Other Businesses



Sistema Career

- 2005 - present: Head of Sistema Corporate Development
- 2003-2005: Director of Strategy, MTS
- 2002-2003: Head of Strategic Analysis Group, Sistema Telecom

Background

- 1999-2001: Bain & Company (USA), Consultant
- 1999: Harvard Business School, MBA
- 1994 – 1997: Bain & Company (Russia), Consultant
- 1992 – 1994: Various managerial positions in Russian business
- 1992: M.S. Nuclear Physics

Other Businesses: Investment Philosophy

Media

- Complementary to Sistema telecommunication assets with solid growth potential
- Alternative consumer access technologies

Banking

- Retail banking booming
- Opportunity to capitalize on customer base of large consumer companies within the group

Travel

- Growing fragmented outbound travel market
- Opportunity to capitalize on customer base of large consumer companies within the group

Technology Ventures

- Opportunity to tap into unique cheap Russian pools of engineers
- Government support to kick-off high tech sectors of the economy



Financial Control & Targets (KPI)



M&A Support



Access to Capital



Government & Regulatory Support



Management Talent



Strategic Partnerships

Sistema invests in growing service industries with a hi-tech spin which fit its value addition model and become self-sustainable after initial “jump start” phase

Media – Business Overview

Pay-TV

- Stream-TV (ADSL-based), a JV with Comstar UTS
- Regional cable companies, HFC and MMDS platforms, over 200,000 subs
- Kosmos-TV, a pay TV operator in Moscow, 40,000 subs

Advertising

- Maxima advertising agency, providing full range of advertising, PR and promotion services

Film Production

- Thema Production, Luxembourg-based company focusing on co-financing and producing services
- 10 films in production

Other

- Mobile TV platform (under development)
- Newspaper publishing
- Lottery project (under consideration)

Key events in 2005

- Launch of Stream-TV in cooperation with Comstar UTS
- Acquisition of Esta group with over 200,000 cable subscribers in 3 regions of Russia
- Four proprietary channels (Drive, RetroTV, Healthy TV, Hunting and Fishing) available to 1 million cable subscribers in Russia and FSU
- Maxima expanded its business in Ukraine
- Match Point, produced by Thema Production, selected for the Cannes Film Festival 2005
- Portfolio restructuring and exit from the following business segments:
 - Press distribution
 - Indoor and outdoor advertising
 - Radio stations

Focus on synergies with Sistema's telecom business

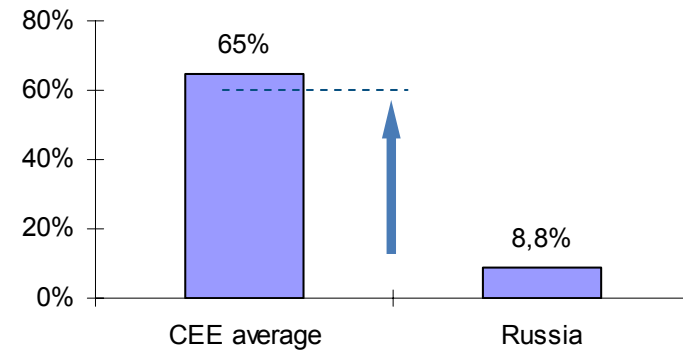
Media – Pay TV Option on Growth

Pay TV market overview

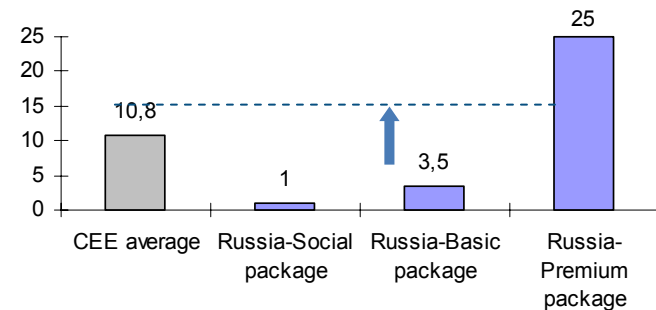
- Currently about 4.6m homes (out of a total 52m households) are regular subscribers of cable TV services paying at least \$2-4/month
- Cable networks are highly fragmented, with the largest network operating in only about 15 cities
- Cable operators offer the Social (5-15 free-to-air channels) and Basic (20-60 channels) packages
- Pay TV players rely mostly on retranslated western channels; production of significant volumes of Russian content a recent phenomenon
- Cable operators started to provide broadband internet over HFC networks in 2005 as most regional incumbents don't offer residential ADSL

Pay TV Penetration and ARPUs

Pay TV penetration



ARPU, \$/month



Cable market growth is fueled by regional network roll-outs, growth in ARPU and consolidation

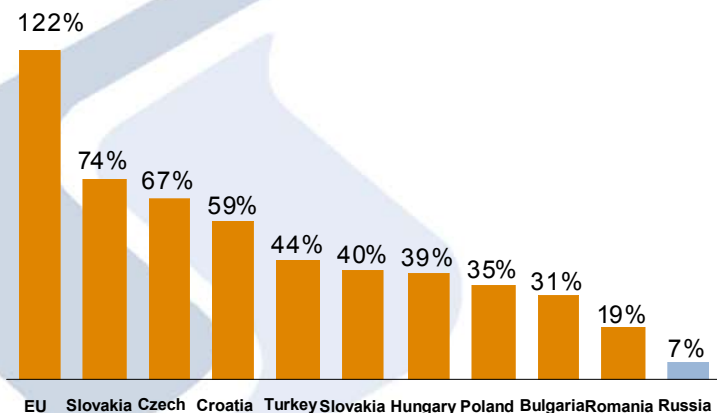
Media – Strategic Opportunities

- Build strong presence on Russia's cable market through M&A and greenfield projects
- Focus on growing cable penetration and ARPU by bundling pay-TV and Internet services
- Launch pilot projects in mobile TV segment to test the product offering and business models
- Develop the content platform for cable, fixed-line and mobile networks as well as benefit from advertising opportunities on growing subscriber base
- Some cable network fragments will be ready for voice service in 2006-07, although service availability will depend on regulatory environment and competition

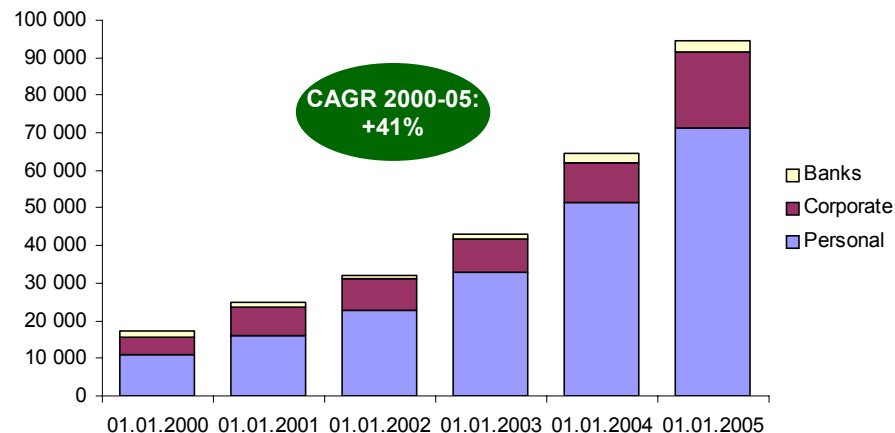
Media will participate in developing and consolidation of the cable market to get the strong position at the segment complimentary to the telecom services

Banking – Potential for Sector Growth in Russia

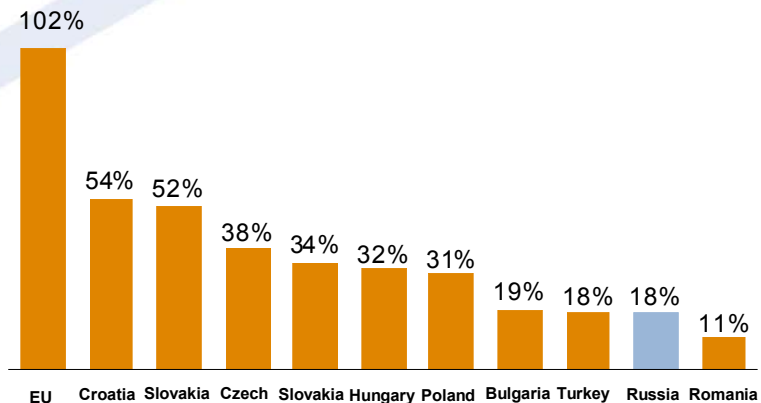
Deposits to GDP



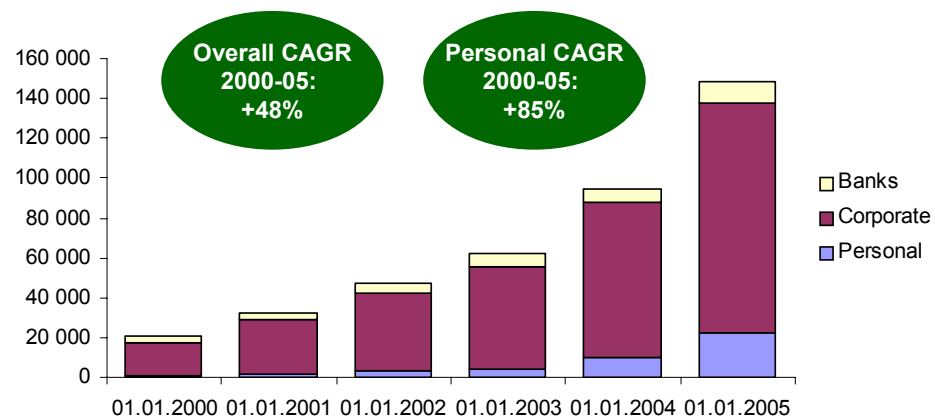
Russian Deposit Market (US\$m)



Loans to GDP



Russian Loan Market (US\$m)

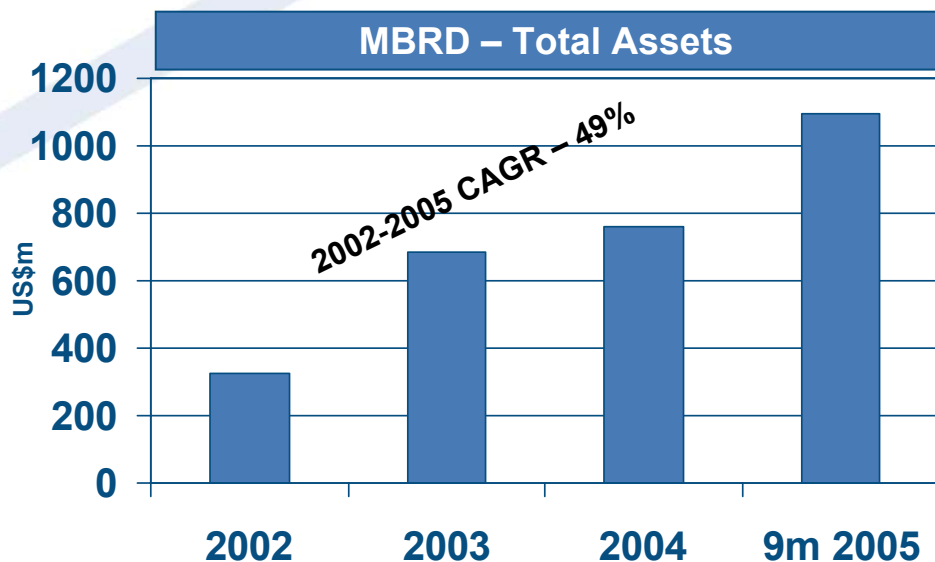


Growth potential in the Russian banking sector

MBRD – Business Overview

Existing Operations

- **Moscow Bank for Reconstruction and Development (MBRD): universal bank for Sistema Group and external clients. As of 31 December 2005:**
 - Sistema owned a 99% voting stake
 - Infrastructure consisted of 12 branches and 41 sub-branches in Moscow and regions
 - The Bank served more than 90,000 retail customers and more than 6,000 corporate clients, 90% of which are not related to Sistema



Strategic Focus

- Sistema continues negotiation with well known financial institutions regarding strategic partnership in MBRD
- MBRD's strategy is focused on increasing retail penetration and continue to enhance its corporate banking franchise on a nationwide basis
 - MBRD's goal is to be among the ten largest retail banks in Russia
 - To develop further cross-selling its retail products to more than 60m customers of other Sistema companies
 - Provide broad range of competitive retail products, including credit cards (MTS co-branded) and consumer lending
 - Install wide network of electronic banking terminals and open new cash desks in MTS and MGTS outlets

Travel – Business Overview

■ Brief History

- Monopolist provider of travel and leisure services in the Soviet Union, established in April 1929
- Privatization and redistribution of assets in 1992: Intourist brand and tour operator retained by the Group, hotel chain not included
- Several team re-shuffles over the past several years, new team of strong professionals headed by Mr. Arutyunov started in spring of 2005

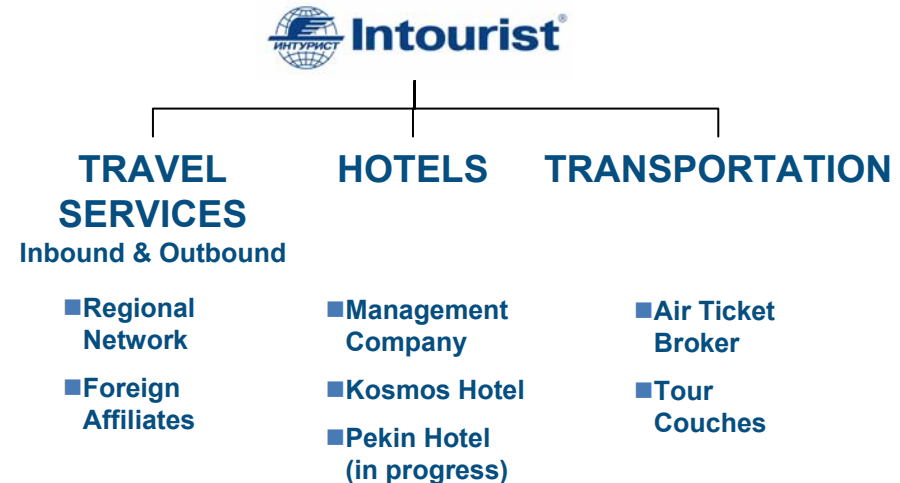
■ Business Today

- Ranked among top five Russian travel companies by Kommersant in 2004
- Leader in inbound tourism
- Striving to achieve stronger presence in outbound tourism
- Developing a nation-wide 3-4 star hotel chain
- Considering opportunities to establish strategic partnerships with an international industry leader

Shareholder Structure (Pro-Forma)



Company Structure



Travel – Market Potential

Growth Drivers

- Outbound: Overall economic growth in Russia resulting in higher disposable incomes; much higher quality of services vs. domestic resorts at competitive prices; Russians still hungry for travelling abroad having lived behind “iron curtain” for over 70 years
- Inbound: Economy growth boosts business traveling; rich cultural legacy and infrastructural development attract recreational tourists

Outlook

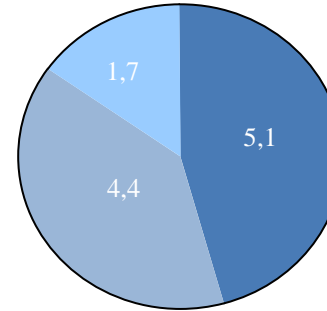
- Steady growth in all segments, mostly in Outbound
- Further infrastructural improvements, increasing of prices for local services in Inbound
- All segments will remain highly competitive



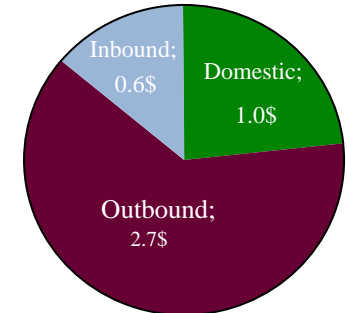
Good prospects in all segments especially in Outbound which is enjoying consumer boom

Travel Market Segments, 2004

NUMBER OF TRAVELERS, m



MONEY SPENT, m



Source: Russian Federal Statistics Service, Intourist Management's estimates

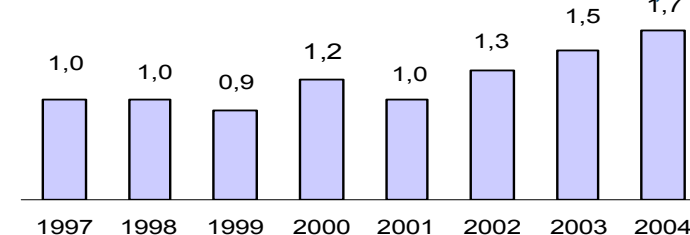
Segment Growth

ALL RUSSIAN TOURISTS TO NON-CIS DESTINATIONS, m



2001-2004
CAGR = 22%

INCOMING TOURISM FROM NON-CIS DESTINATIONS* M



2001-2004
CAGR = 19%

Source: Russian Federal Statistics Service, Intourist Management's estimates
 Note: *Excluding of China, Poland and the Baltic States (“Chelnoki” shop tours)



Travel – Strategy

■ TRAVEL SERVICES

To become a strong leader in the Russian travel market

- Development of highly competitive own product
- Expansion of high standard own distribution network, enhance sales growth

■ HOTEL MANAGEMENT

To create an international hotel network

- Development of business format and hotel chain concept
- Room capacity growth to over 20 thousand rooms

■ TRANSPORTATION SERVICES

To provide high quality support for travel services

- Consolidation of a charter flights air company
- Development of a ticket office chain

Multifaceted approach to strategy

New Cross-Segment Initiatives: Technoparks

Sistema's Technopark Activities

- Sistema launched three technoparks (Moscow, Dubna, Sarov) in partnership with the Federal Government and local authorities
- Government provides infrastructure and tax preferences; Sistema develops and manages the parks and invests in projects
- Scope: biotechnologies, power, IT, digital TV, microelectronics
- 40,000 new jobs planned to be created for skilled experts from over 30 scientific research institutions
- Sistema's technology businesses will source new technologies and products from the parks
- Global leaders present in Russia (Intel, Microsoft, Cisco, HP, IBM, Airbus) expressed their interest to become residents of the parks

Case Study: Technopark Sarov-Sistema

- Created together with Rosenergoatom Agency, the Administration of Nizhniy Novgorod Region and the Federal Nuclear Center
- Investments in infrastructure of US\$30 million
- Park specialization: supercomputers, nuclear technologies, industrial electronics, new materials and technologies for power systems
- A long-term tenant and co-investor, Intel will invest US\$10 million to equip a newly constructed building of 3500 sq.m.
- The main technopark facility of 5800 sq.m. will be constructed in 2006. Boeing and General Atomics will be among tenants
- Total turnover of companies based in the park expected to reach US\$1 billion in 2008

Investing in R&D and securing access to technologies and products of the future



Section 6

*Concluding Remarks and
Q&A Session*

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