



JOINT-STOCK FINANCIAL CORPORATION  
**SISTEMA**

# **JSFC Sistema**

## **Position in Current Market Conditions**

October 14, 2008

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# Disclaimer



Matters discussed in this presentation may constitute forward-looking statements. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events revenues or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The words “believe,” “expect,” “anticipate,” “intends,” “estimate,” “forecast,” “predict”, “could”, “plan”, “project,” “will,” “may,” “should” and similar expressions identify forward-looking statements. Forward-looking statements include statements regarding: strategies, outlook and growth prospects; future plans and potential for future growth; liquidity, capital resources and capital expenditures, financing needs, plans or intentions relating to acquisitions, our competitive strengths and weaknesses, growth in demand for our products; economic outlook and industry trends; developments of our markets; legal trends and the impact of regulatory initiatives; and the strength of our competitors.

The forward-looking statements in this presentation are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control and we may not achieve or accomplish these expectations, beliefs or projections. In addition, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the achievement of the anticipated levels of revenues, profitability and growth, cost and synergy of our recent acquisitions and restructuring, the timely development and acceptance of new products, the impact of competition and competitive pricing, the ability to obtain necessary regulatory approvals and the ability to fund our future operations and capital needs through borrowing or otherwise, the ability to successfully implement any of our business strategies, the ability to integrate our business and to realize anticipated cost savings and operational benefits from such integration, our expectations about growth in demand for our products and services, the effects of inflation, interest rate and exchange rate fluctuations, and our success in identifying other risk to our business and managing the risk of the aforementioned factors, the condition of the economy and political stability in Russia and the other markets of operations and the impact of general business and global economic conditions.

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The information and opinions contained in this presentation are provided as at the date of this presentation and are subject to change without notice.



- 1. Business Update and Strategic Outlook**

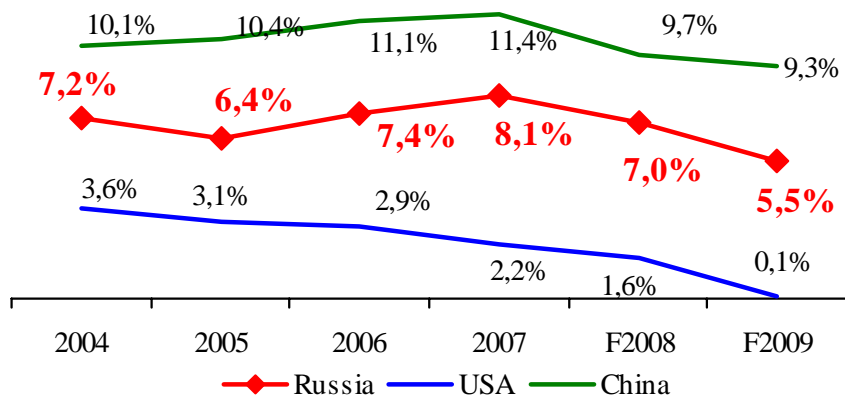
2. Financial Position

3. Appendix

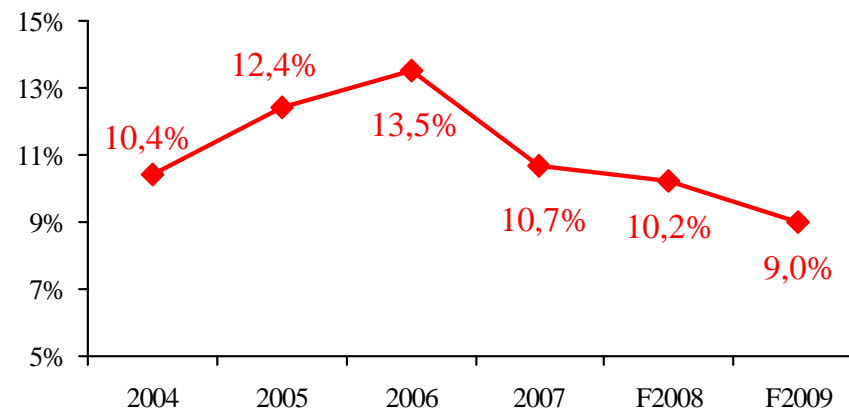
# 1.1. Macroeconomic Situation



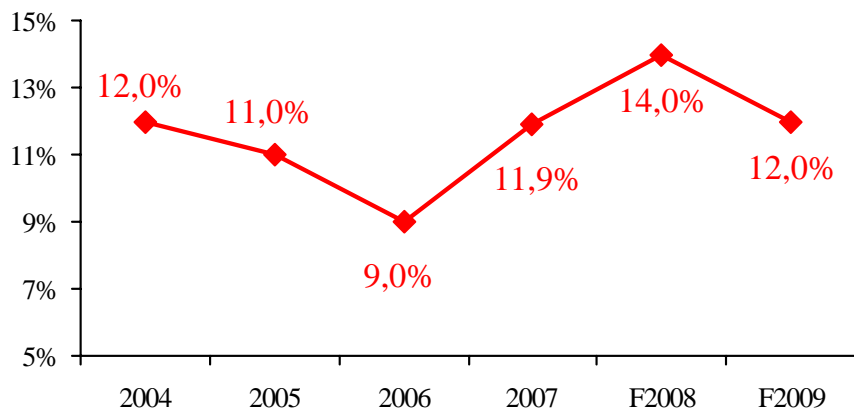
## REAL GDP GROWTH



## REAL DISPOSABLE INCOME GROWTH



## INFLATION RATE



## HIGHLIGHTS

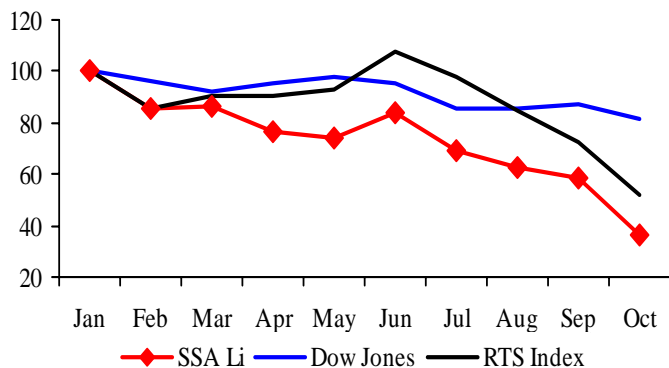
1. International Monetary Fund revised down its forecasts regarding GDP growth and inflation rates of all the major economies as at October 2008
2. Real disposable income in Russia is slowing down due to decline in energy and commodity prices and credit-related slow down in other sectors of the economy

**Macroeconomic environment is worsening all over the world and Russia is not an exception**

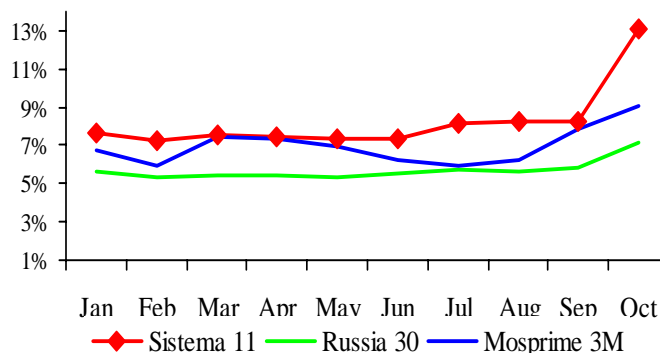
# 1.2. Financial Markets and Government Reaction



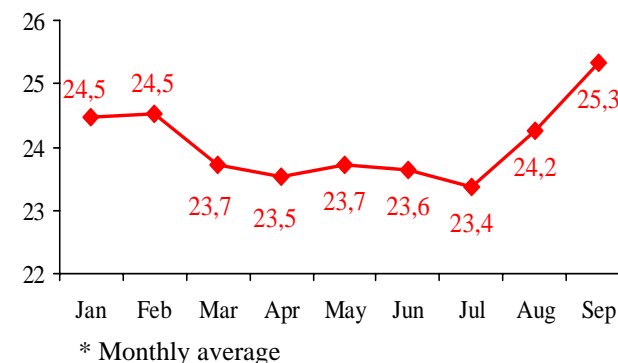
## EQUITIES



## FIXED INCOME, % YTM



## USD/RUB EXCHANGE RATE\*



## HIGHLIGHTS OF GOVERNMENTAL EMERGENCY SUPPORT

1. VEB has adopted a \$50 bln emergency support program for banks and corporates to meet foreign debt maturities.
2. The Russian government has deposited cash balances of National Wealth Fund (\$950 bln RUB) with VEB accounts – with further distribution by way of subordinated loans to leading Russian banks
3. The Central Bank has decreased the mandatory reserve requirement from 8.5% to 4.5%
4. The government will increase the insurance thresholds for public deposits to RUB\$ 700 k
5. The Central Bank has approved short-term bank emergency funding on an unsecured basis
6. The Central Bank has significantly extended the collateral list for REPO transactions (“*Lombardniy spisok*”)
7. VEB has adopted an insurance policy for VTB, SBRF and GPB to maintain brokerage operations not exceeding RUR 60 bln

**In league with other governments, Russia has taken unprecedented steps to stabilize the situation**

# 1.3. Sistema Response to the Current Situation



## Previously Announced Goals

### Existing Management Goals

«5X5>25»

1. Increase value of all assets through:
  - Strong management of assets
  - Partnerships with leading companies
  - Diversification of risks
2. Strict financial discipline
3. Optimization of corporate structure
4. Leadership in asset management
5. Best in class in investor relations and corporate governance

## Current Market Situation

### Global Trends

1. Lack of liquidity
2. Credibility gap between financial intermediaries
3. Slowdown in global economic development

## Sistema Response

### Implementation of the strategy

«QUANTITY INTO QUALITY»

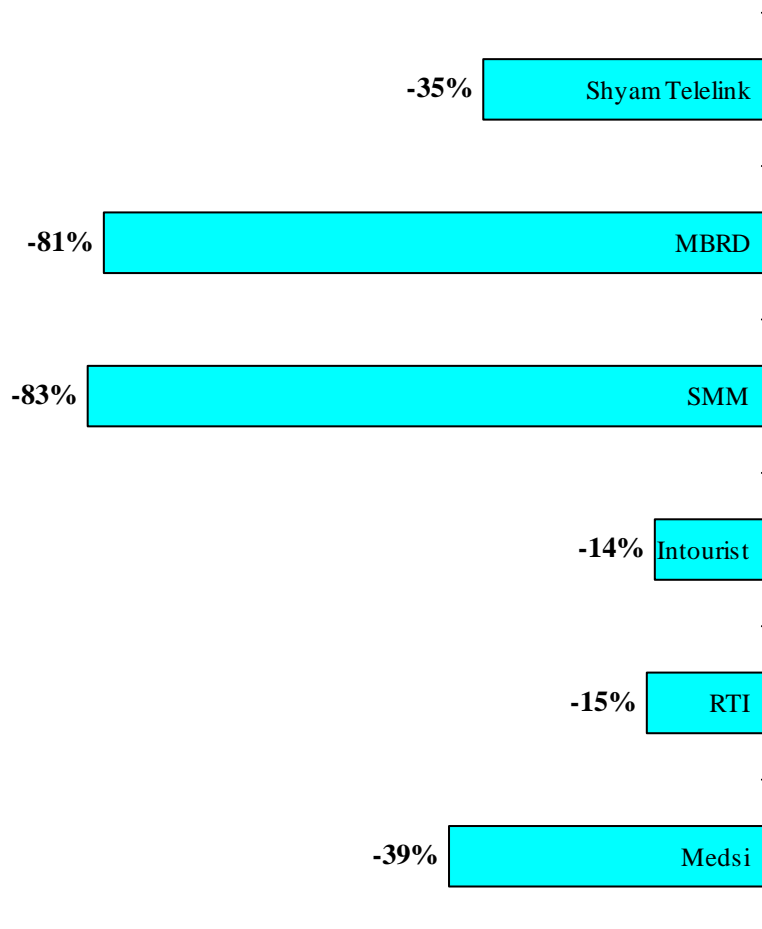
1. Focus on increasing efficiency levels
  - Strict financial targets (KPIs) for all subsidiaries
  - Revenue growth
  - Cost reduction
2. Adapting investment policy
  - Focus on the most profitable investment projects
  - Close attention on capital intensive projects
  - CAPEX and other investments are subject to availability of liquidity
3. Partnerships in projects with long term pay back periods

**Existing corporate strategy and management goals remain the same with tactics being adjusted to address the current market conditions**

## 1.4. Sistema CAPEX and Investment Plans

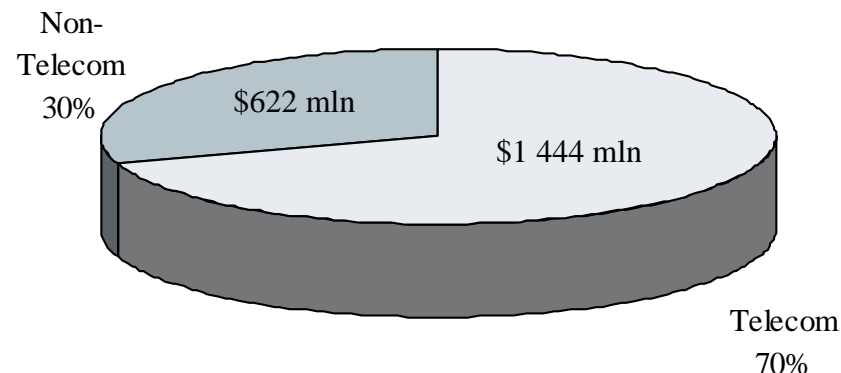


### Plans to change CAPEX in non-public companies in 4Q 2008\*



\* The reduction is against budget for 4Q 2008

### CAPEX Structure in 1H 2008



### HIGHLIGHTS

1. The bulk of the Group's CAPEX is in Telecom companies (70% as at 30 June 2008)
2. Due to market changes Group's total CAPEX is planned to be reduced by more than 30% against the budget in 4Q 2008
3. CAPEX of non-public companies is going to be decreased by over 50% against budget

**CAPEX and other investments are subject to availability of financial resources in 4Q 2008. In the 1Q 2009 we will return to revising our investment plans**



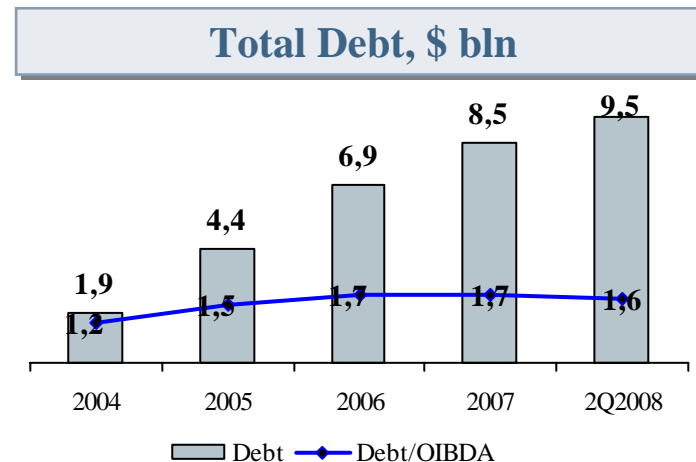
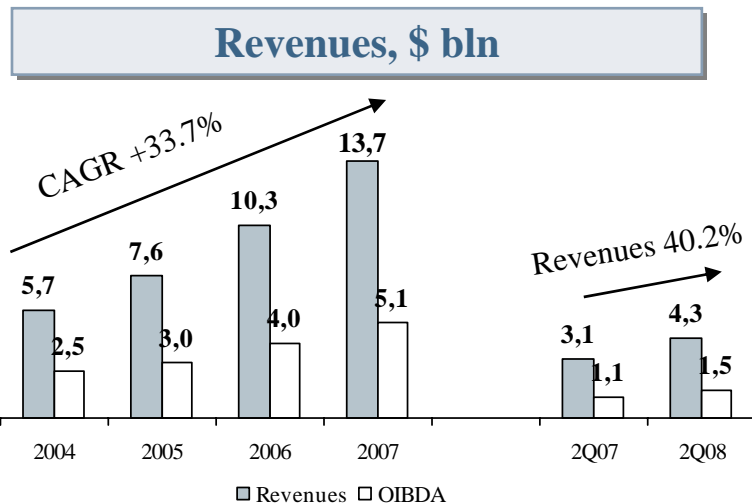
1. Business Update and Strategic Outlook

**2. Financial Position**

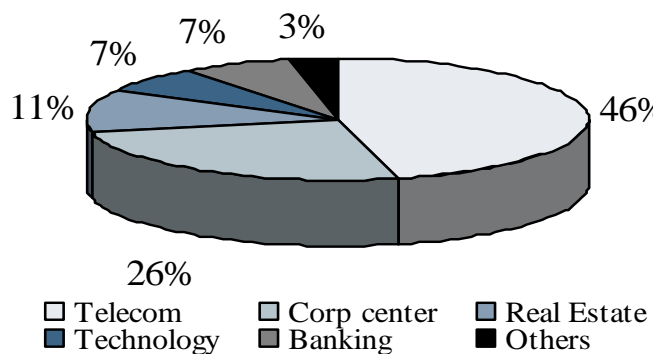
3. Appendix



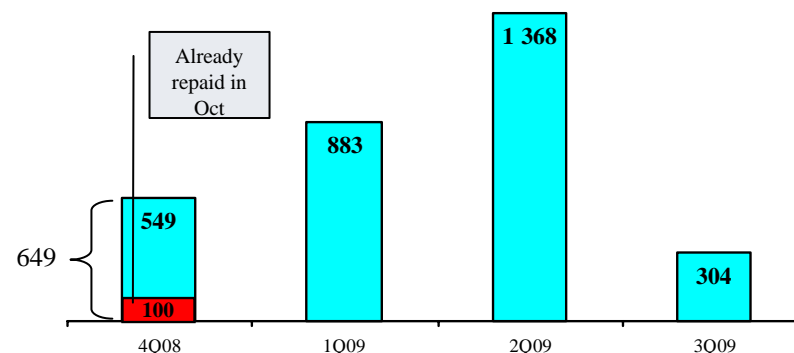
## 2.1. Sistema Consolidated Financials (Unaudited)



### Segmental Breakdown of Debt, 2Q 2008



### Debt Maturity Profile\*, \$ mln



#### Consolidated Covenant

- Total Debt/OIBDA should be less than 4

\* Here and hereafter the amortization profile as at 30 September.

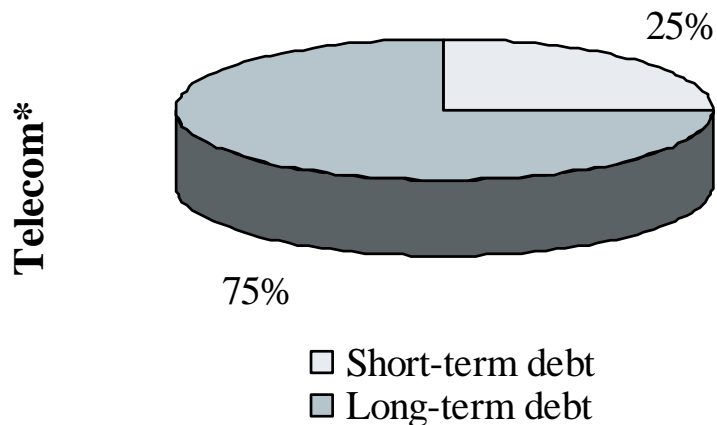
Amortization profile based on management accounting may differ from audited US GAAP accounting

**Sistema's debt position and its financial policy remain conservative - shares of Sistema, MTS and Comstar-UTS are pledge-free, except 0.4% of MTS's outstanding shares have been recently pledged by Sistema as collateral in connection with a \$35 million credit facility, which will be repaid in November of 2008.**

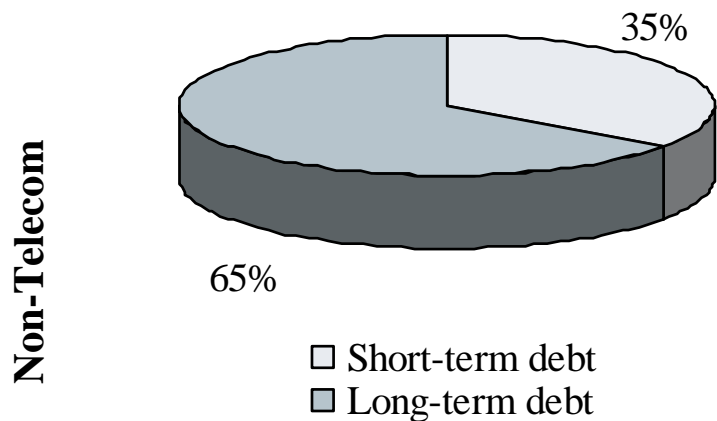
## 2.2. Telecom vs Non-Telecom



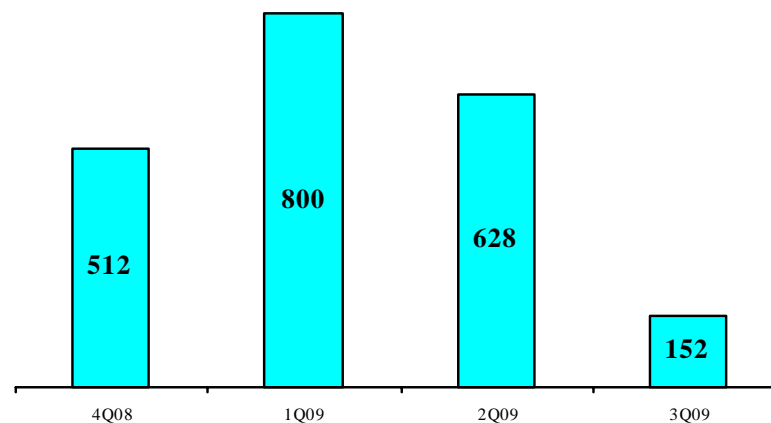
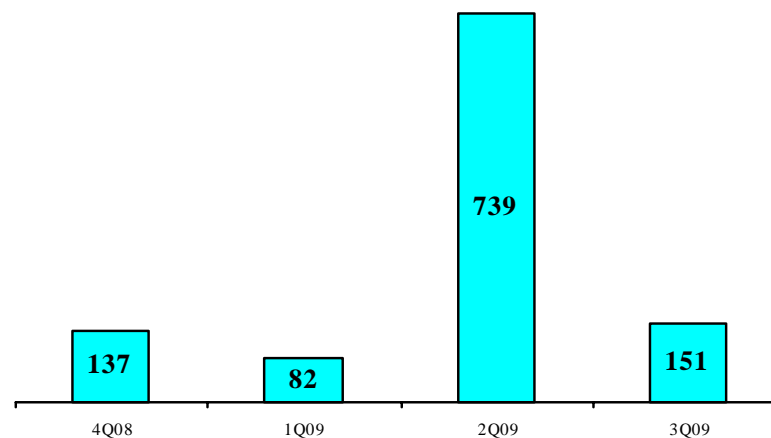
Current and Long-term Liabilities, 2Q 2008



\* Including Shyam Telelink Ltd.



Debt Maturity Profile, \$ mln

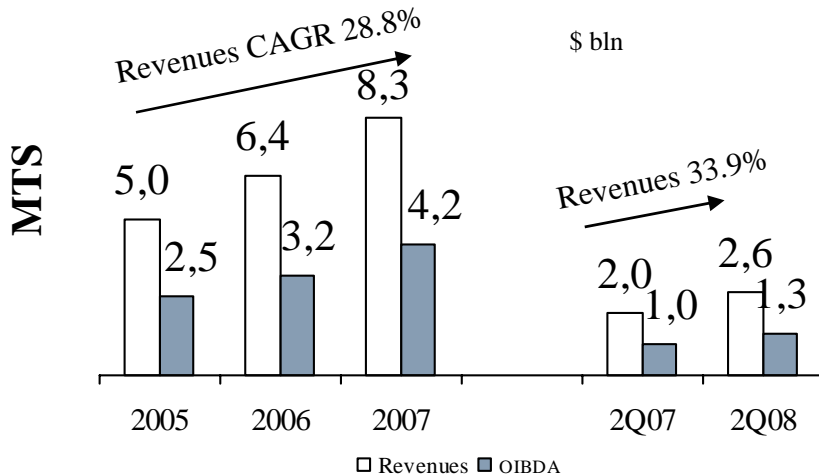


**Both Telecom and Non-Telecom segments have mostly long-term debt**

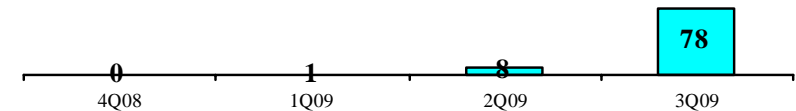
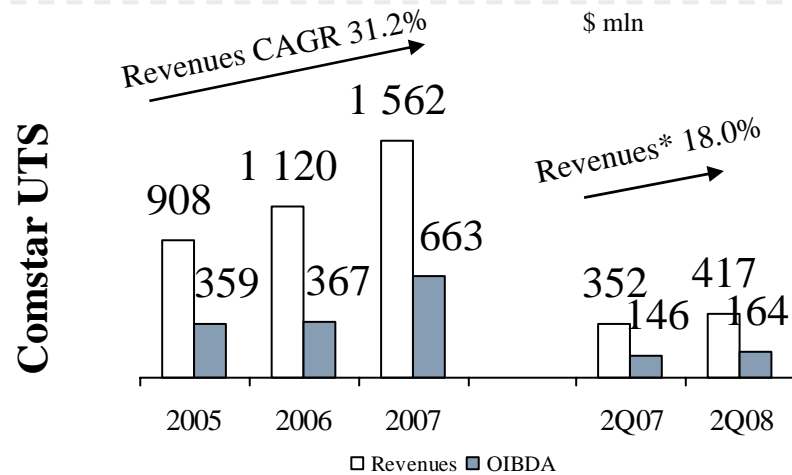
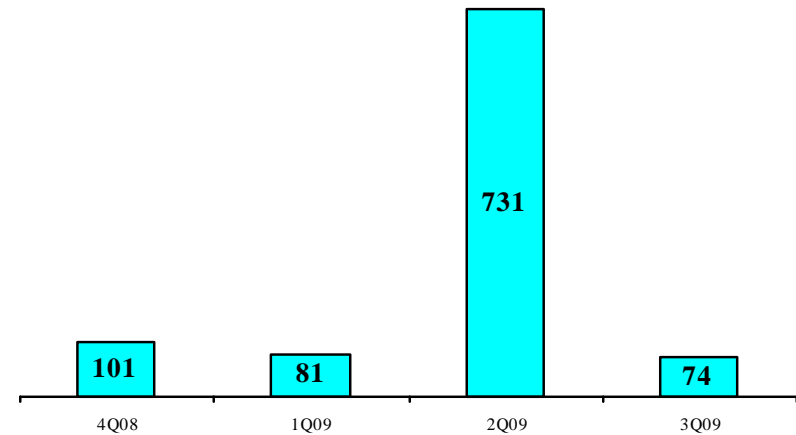
## 2.3. MTS and Comstar UTS



### Financial Results



### Debt Maturity Profile, \$ mln



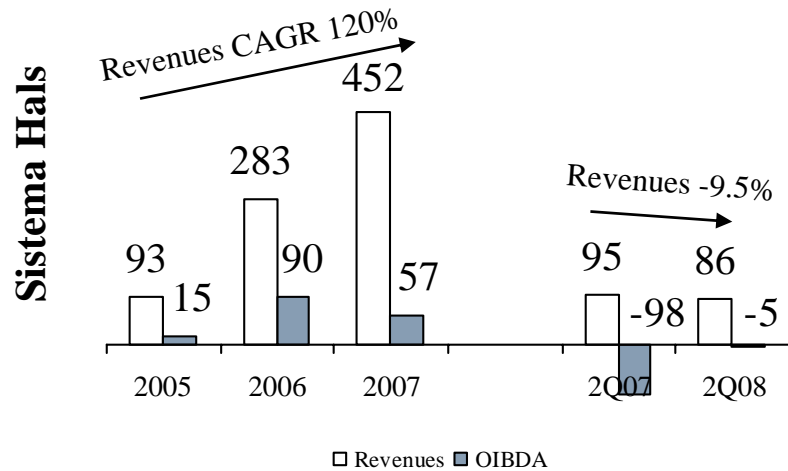
\* Revenues and OIBDA excluding US\$ 27.0 million of non-recurring compensation payments received from the Federal Budget in Q2 2007 and US\$ 4.2 million of accruals relating to the long term employee incentive programme for the period from April 1, 2008 assuming a 20% annual increase in the Comstar GDR price

**MTS has a number of options to refinance or redeem the debt in 2Q 2009. Comstar UTS debt maturity profile is mostly spread-out beyond 2009**

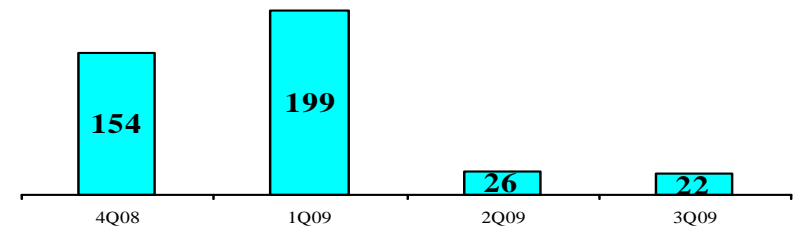
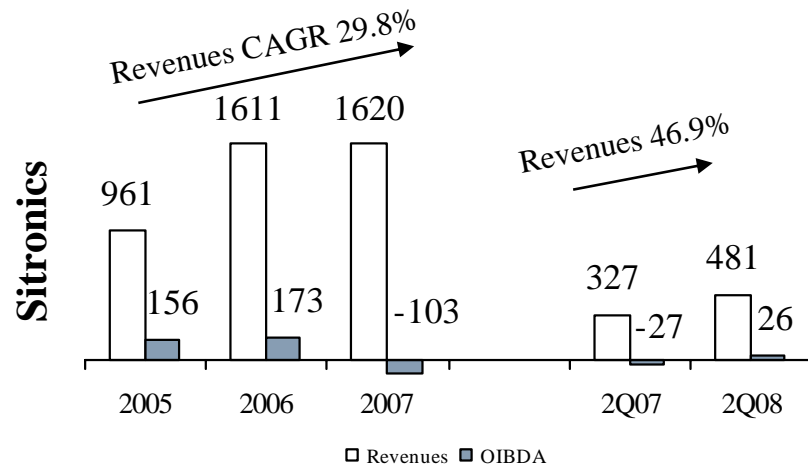
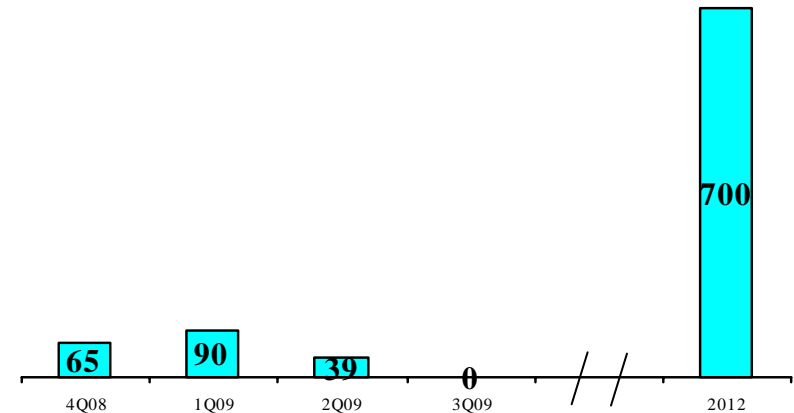
## 2.4. Sistema Hals and Sitronics



Financial Results, \$ mln



Debt Maturity Profile, \$ mln

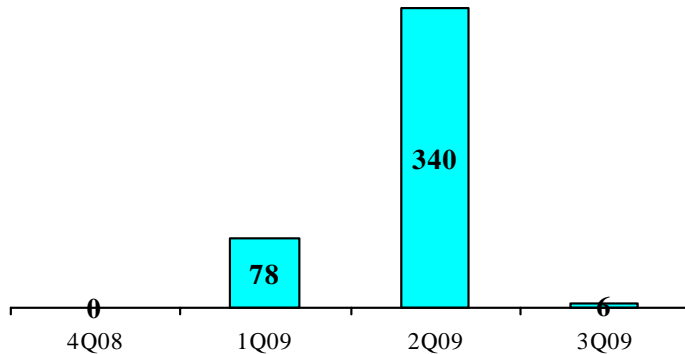


**Sistema Hals short-term debt is less than 20%. Sitronics is working on a refinancing solution**

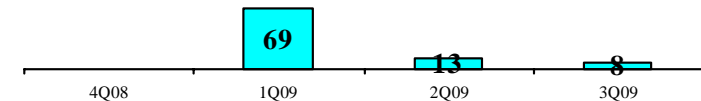
## 2.5. Corporate Center and Others Debt Maturity Profile



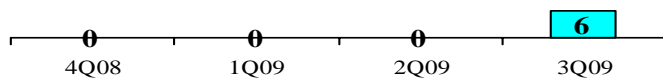
Banking, \$ mln



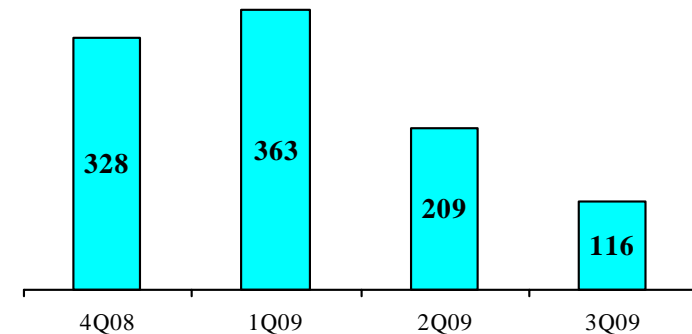
Retail, \$ mln



Mass-Media, \$ mln



Corporate Center and Others, \$ mln\*



\* Including Shyam Telelink Ltd.

Corporate Center will receive dividends from MTS in 4Q2008. The MBRD debt maturities in 2Q 2009 mostly represent 2 Rouble bonds with put options. Their redemption in 2Q 2009 depends on the coupon rate offered



1. Business Update and Strategic Outlook

2. Financial Position

**3. Appendix**



## Real Estate

### Strategy

1. Sistema Hays is optimizing its portfolio and focusing on projects with high margins in premium segments
2. Certain projects will be delivered in partnerships and a number of projects are ready for sale
3. Target portfolio structure by 2012: 40-45% commercial real estate, 55-60% residential

### Financial Position

1. Sistema Hays total debt is approximately \$1.1 bln as at 30 September, 2008
2. Less than 20% of liabilities are short term; \$65 mln to be paid by the end of 2008
3. Major part of debt portfolio is \$700 mln VTB loan:
  - Maturity: in 2012
  - Collateral: 50% of the loan is secured (\$350 mln) against Sistema Hays shares (priced according to MICEX not LSE)

## Banking

### Strategy

1. Loan portfolio restructuring - priority to refundable and short maturity products, stricter scoring rules for borrowers
2. Decrease in CAPEX for retail network development
3. Putting on hold immediate M&A projects

### Financial Position

1. MBRD total debt is approximately \$610 mln as at September, 30 2008
2. The MBRD \$340 mln debt maturities in 2Q 2009 mostly represent 2 Rouble bonds with put options. Their redemption in 2Q 2009 depends on the coupon rate offered
3. Retail loans to retail deposits ratio is less than one\*

\* As at June, 30 2008

**Sistema Hays has amended its short- and medium- term strategy due to market changes. MBRD benefits from having a small amount of bad debts**



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