



JOINT-STOCK FINANCIAL CORPORATION
SISTEMA

Sistema: Riding the Consumer Wave

12th Annual Conference
Russia: Power in Renewal

17 June 2008

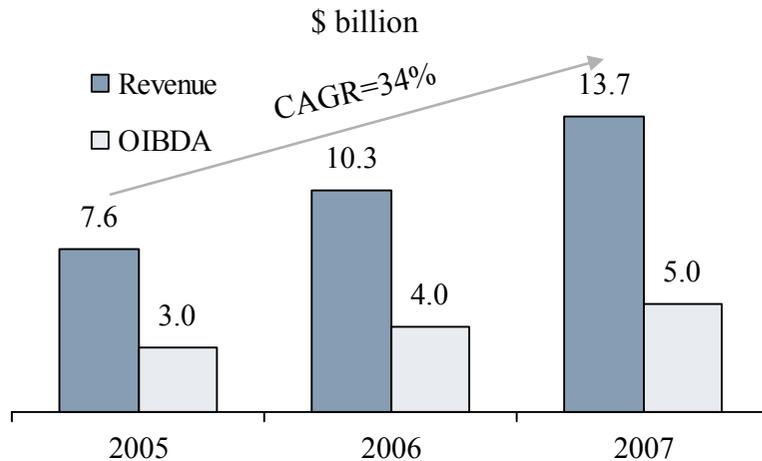
Leonid Melamed

President

Sistema Corporation



Consolidated financials



Market Cap since IPO



Key facts about Sistema

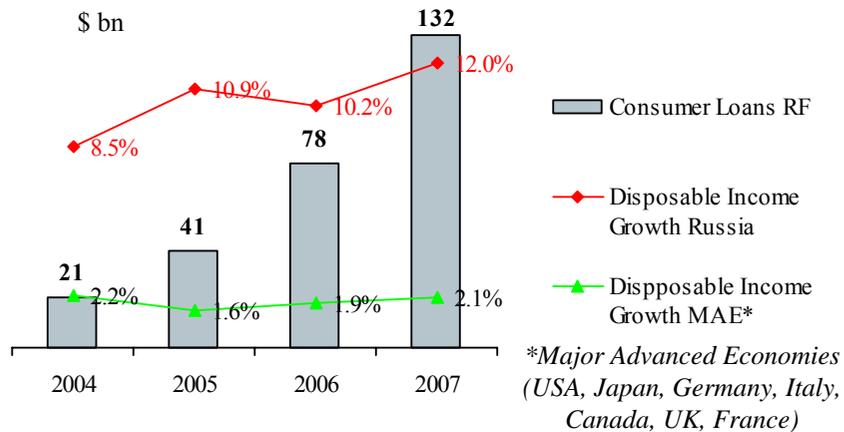
- The largest consumer-oriented private sector company in Russia and the CIS
- Established in 1993, IPO in 2005 in London
- Over 90 million consumers in Russia, CIS and Europe
- Consolidated revenues US\$ 13.7 bn. in 2007
- Diversified business portfolio
- Credit ratings BB- by S&P, BB- by Fitch, Ba3 by Moody's

The largest consumer-oriented private sector company in Russia and the CIS

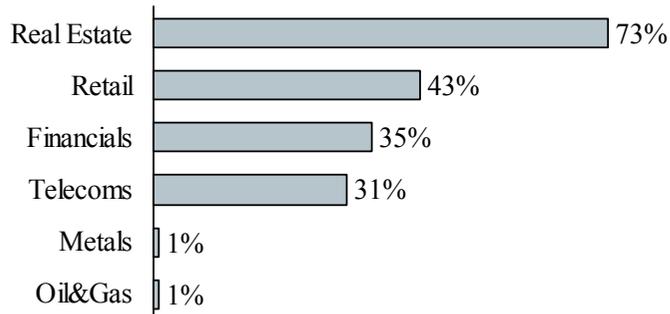
Russian Consumer Market



DISPOSABLE INCOME & CONSUMER LOANS



ESTIMATED EARNINGS PER SHARE GROWTH 2008



Source: FSSS, CBR, MFED, EIU, Bloomberg, Broker research

HIGHLIGHTS

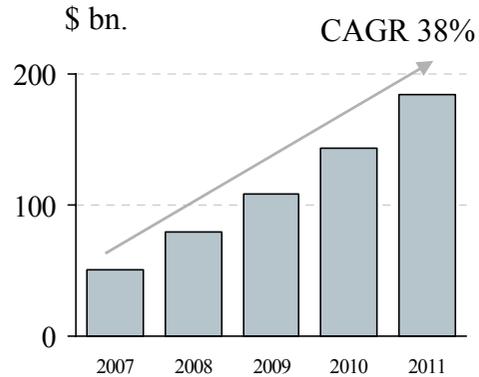
- According to the Global Retail Development Index the Russian retail market has the second best potential in the world
- Consumer loans increased by almost 70% year-on-year in 2007 and real disposable income grew by more than 10% year-on-year in 2007
- Consumer sectors of the Russian economy are growing much faster than other industries

Sistema is capitalizing on its strong position in the booming consumer sector

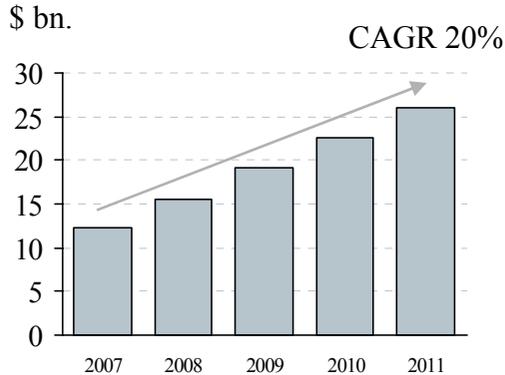
Sistema's Markets Outlook



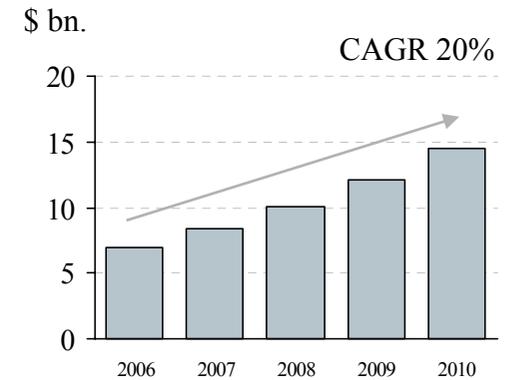
MORTGAGES



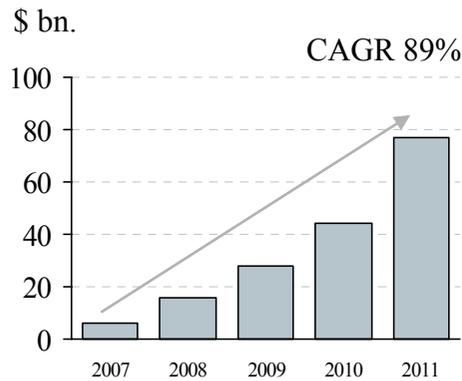
TRAVEL



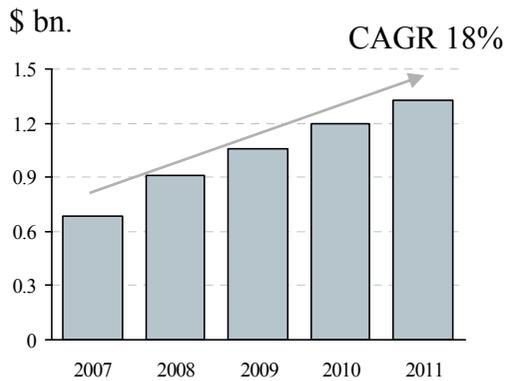
CHILDREN'S GOODS



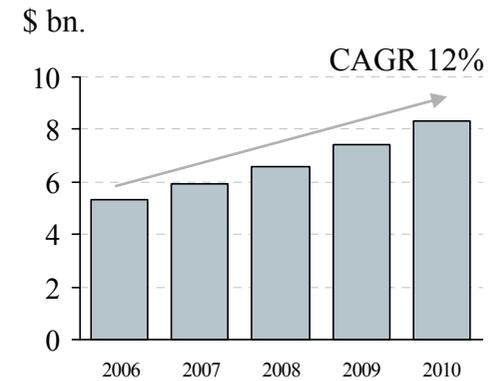
CREDIT CARDS



PAY TV



PRIVATE HEALTHCARE



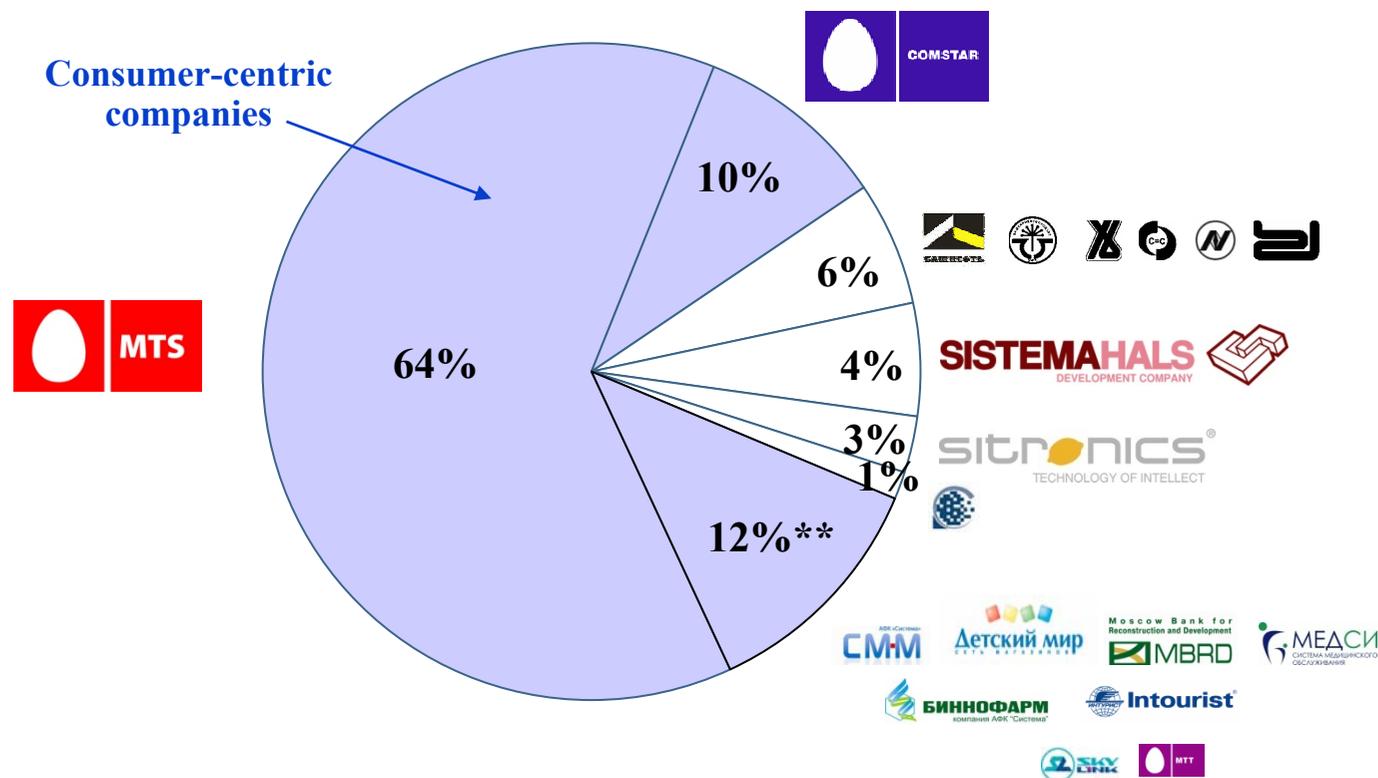
Source: Deutsche Bank, J'son & Partners, Broker research, Sistema estimates

Analysts give optimistic projections for major consumer markets growth

Portfolio Composition



Total portfolio value*
US\$ 26.9 bn.



*As of 06.06.2008

**Fair equity value estimate by Sistema

Consumer centric companies make up 86% of Sistema's business Portfolio



VISION

A leading international consumer-centric corporation

STRATEGY

Geographic focus

- Russia
- CIS
- Emerging Markets (selected)

Markets

- Consumer sector
- Telecommunications
- Technologies
- Real Estate

Investment philosophy

- Investing in Growth
- Capitalizing on Russia and CIS revival

APPROACH

1. Investing in growth

- Growing a share of privately-held businesses in the Portfolio
- Proactive exploration of new opportunities in emerging markets (India)

2. Managing business development

- New set of KPIs targeting value creation and outperformance of competitors
- New incentive programs for top management aligned with KPIs

3. Adding value at corporate level

- Raising capital on more favorable terms, developing intragroup cross-sell projects, providing GR & M&A support

Sistema creates value for its shareholders by investing in growing businesses and turning them into market leaders

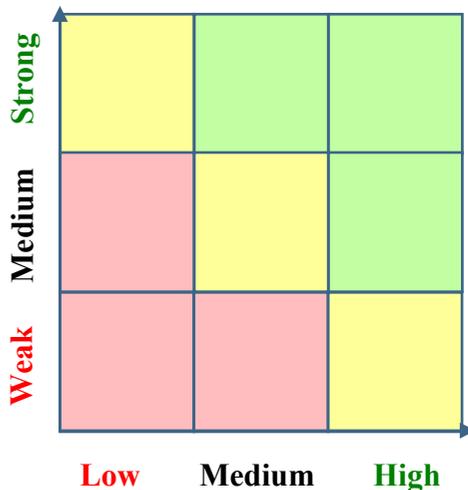
Sistema Portfolio Strategy



PORTFOLIO MATRIX

Company Competitiveness

- Market share
- Efficiency v. competition
- Competitive advantage



Market Attractiveness

- Market size
- Market growth
- Competition

SISTEMA STRATEGY

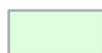
| | PORTFOLIO | BUSINESS |
|--|-----------------------------|---|
| | INVEST | Strengthen leadership, pay dividends |
| | INVEST | Strengthen leadership, regional development, broadband |
| | INVEST | Focused business model, execution |
| | INVEST | Organic growth, expansion to CIS |
| | INVEST | Focus on retail banking, regional development, M&A |
| | INVEST | Multi-platform TV, create media content, multimedia & Internet |
| | INVEST | Fast development (organic & M&A) |
| | INVEST | B2G and B2B prime contractor, secure stable long-term contracts |
| | INVEST/ RESTRUCTURE | Focus on core capabilities, group integration, new products |
| | INVEST/ FIND PARTNER | Develop with strong western partner |
| | INVEST/ FIND PARTNER | Develop with strategic partner, rethink strategy |

The Portfolio Matrix helps Sistema make investment decisions. The majority of our businesses are at an active investment stage

'Shoots of Growth' Strategy Execution in 2007



| | Revenue growth | Market position | Investments* USD million | M&A transactions |
|---|----------------|-----------------|-----------------------------|--|
|  МЕАСИ СИСТЕМА МЕДИЦИНСКОГО ОБСЛУЖИВАНИЯ | 367% | Top 1 | 19 | Medexpress , American Hospital, Family Medicine Corporation |
|  Moscow Bank for Reconstruction and Development MBRD | 114% | Top 27 | 77 | Dalkombank, EWUB |
|  Детский мир СЕТЬ МАГАЗИНОВ | 78% | Top 1 | 94 | -- |
|  SISTEMA HALS DEVELOPMENT COMPANY | 60% | Top 3 | 693 | -- |
|  RTI | 51% | Top 1 | 11 | ROSSpetstechmontazh |
|  COMSTAR | 39% | Top 1 | 345 | DTN (\$167m), RTC (\$21m) |
|  Intourist | 38% | Top 1 | 24 | Orient in 2008 |
|  MTS | 29% | Top 1 | 1540 | K-Telecom (€310m), Uzdunrobita (\$250m), BashCell (\$38m) |
|  CM-M ADR «Система» | 28% | Top 1 | 76 | Minorities buyouts, Kursk/Oryol/Tambov |
|  SITRONICS® TECHNOLOGY OF INTELLECT | 0% | Top 1 | 234 | -- |



Privately held businesses

* Capex, US GAAP

As a result of Sistema's investment commitment and strategic management, privately-held businesses showed spectacular growth in 2007

Indicators Measuring Value Creation



TSR

Definition

- Total Shareholder Return
- Measures yield of investment into equity
- Should exceed TSR of Index and Cost of Equity (COE) for the period of 2007-10

Calculation

$$\text{TSR} = (P_1 - P_0 + D) / P_0 \times 100\%$$

P_0 – share price, year start
 P_1 – share price, year end
 D – dividend per share

ROIC_{adj}*

- Return on Invested Capital (adjusted)
- Measures yield for fund providers
- Should exceed weighted average cost of capital (WACC*)

$$\text{ROIC}_{\text{adj}} = (\text{NOPAT} + \text{Cap}_1 - \text{Cap}_0) / \text{EV}_{\text{avg}} \times 100\%$$

NOPAT – Net Operational Profit After Tax
 Cap – Market Capitalization (Conservative valuation by Sistema management)
 EV – Enterprise Value

Applicability



*For financial institutions (MBRD) ROE_{adj} and COE are used instead of ROIC and WACC respectively

Sistema uses TSR and ROIC (adjusted) as major value creation measuring indicators

Sistema Consumer Sector Value Creation in 2007



TSR



| Company | COE |
|---------|-----|
| MTS | 11% |
| COMSTAR | 12% |



ROIC_{adj}



| Company | WACC |
|---|-----------|
| Детский мир | 15% |
| Moscow Bank for Reconstruction and Development (MBRD) | 16% (COE) |
| Intourist | 18% |
| СММ | 18% |
| МЕДСИ | 24% |



All Sistema consumer centric businesses yielded significant returns to shareholders



Efficiency Benchmarking

ROIC



30%



35%



26%



41%



15%*



12%



11%



9%

Note: all ROICs are calculated by Sistema based on publicly available financial statements from the corporate Internet sites of Megafon, Vimpelcomm, GT and Regional Operators

ROE



42%**

Top 30 banks

27%**

* 2006 data (prior to Vimpelcom merger)

** Net income divided by average book value of equity (RBC, Commercant)

Sistema also uses accounting ROIC and ROE (not including MCap growth) as a benchmark of business operational efficiency

Operational Growth in 2007



Growth in operation



12.5% growth of active subs to 82m



102% growth of active BB subs (743 thsnd vs. 367)



90% retail outlets growth from 120 to 223



1200% 26 clinics vs. 2 in 2006



59% sales area growth from 109 to 173 thsnd sq. m



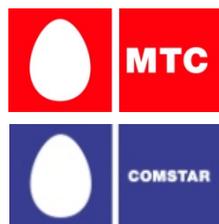
24% growth of number of clients served (packaged)



17% growth of client base (1.75m vs. 1.5)

Apart from adequate returns on investments, consumer centric businesses demonstrated spectacular operational growth rates in 2007 in absolute terms

Sistema's Competitive Advantage



Client base

90,000,000

4,000,000

500,000

200,000

Valuable client data

- Residential address
- Spending on mobile
- Travel destinations (via roaming)

- Residential address
- Children
- Spending on goods

- Residential address
- Travel spending
- Preferred destinations

- Residential address
- Spending on medical services

Brand recognition

90%

93%

98%

Sistema companies provide services to the largest consumer base in Russia and CIS

Capitalizing on our invaluable assets: Client Bases (example)



TODAY

Bilateral programs



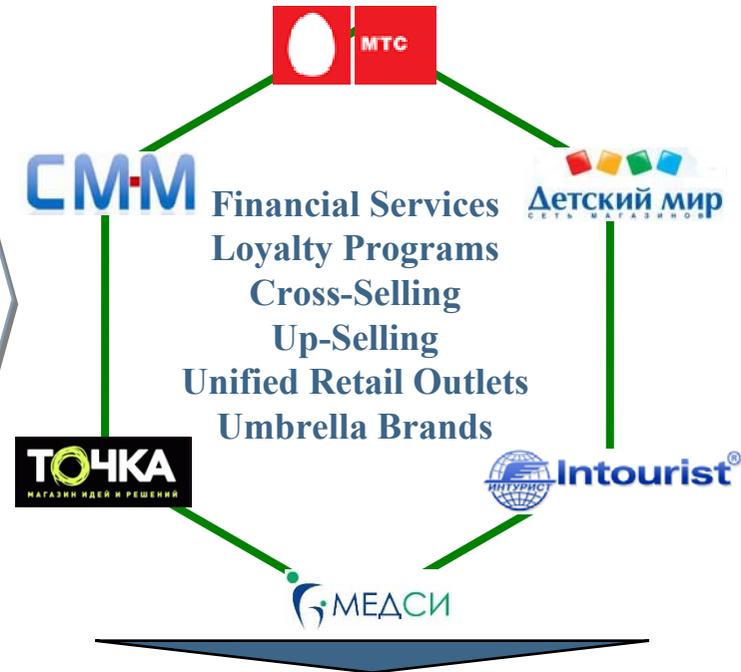
Financial services

Requirements

1. Integrated CRM systems
2. Loosening customer data disclosure restrictions
3. Clear and fair bonus setting rules
4. Loyalty program expertise from a partner

IN 3 YEARS TIME

Unified Sistema loyalty program



Considerable competitive advantage and strong boost to all Sistema's consumer businesses development

There are many ways to capitalize on Sistema's main asset - almost a hundred million client base. Creation of a sophisticated integral CRM system backed up by consumer financial services is one of the projects Sistema's management is currently focusing on

Summary



- Sistema is deliberately focusing on fast growing consumer centric industries which have been and will keep on demonstrating significant growing rates among other sectors of the Russian economy
- We invest a lot of capital and management efforts to grow our “Shoots of growth” which in turn demonstrate attractive returns and operational results
- Further development of consumer centric businesses and capitalizing on Sistema’s unique consumer client bases (strengthening cross-sell, packaged offers and other synergies) will add significant value in coming years

Thank you!