



JOINT-STOCK FINANCIAL CORPORATION

**SISTEMA**

# **JSFC Sistema**

## **2Q 2008 Results**

September 17, 2008

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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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1. Highlights and management goals

2. Operational and financial results

3. Strategic outlook

*3.2 - 3.6 Privately-held companies*

4. Summary

5. Attachment

*5.1 - 5.4 Publicly-held companies*

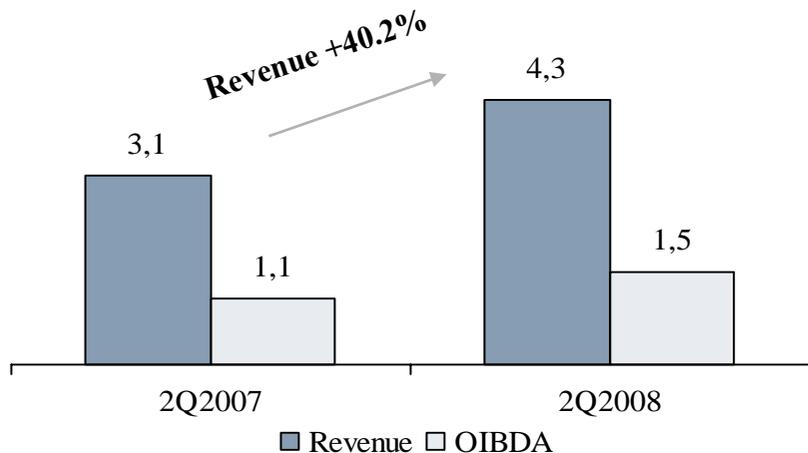
*5.5 – 5.7 Investment opportunities*



# 1.1 Highlights

## Consolidated financials

US\$ billion

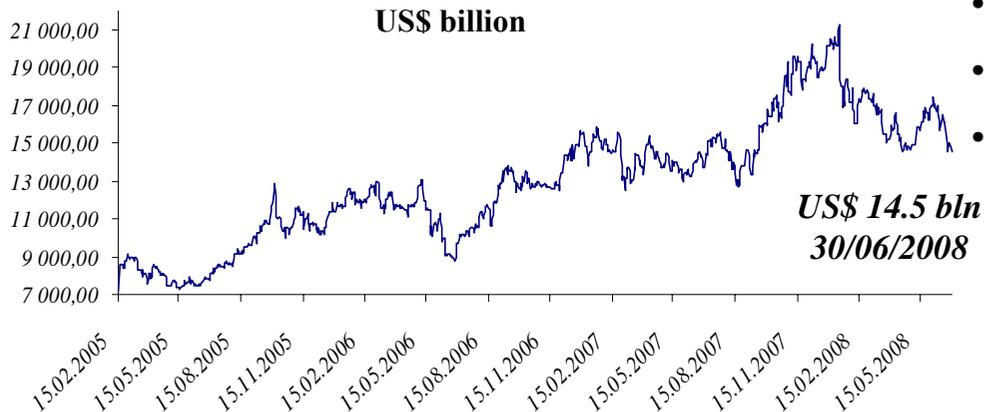


## 2Q 2008

- Appointment of Leonid Melamed as CEO and President of JSFC Sistema
- Placement of US\$ 613 mln syndicated loan
- Increase in Shyam Telelink’s stake to nearly 74%; Shyam Telelink was awarded spectrum in 19 circles
- Repayment of US\$ 350 mln Eurobond issue

## Market Cap since IPO

US\$ billion



## Recent developments

- Consolidation of 100% ownership in Dalcombank
- Adoption of new organizational structure
- Upgrade in S&P rating to “BB” with Stable outlook

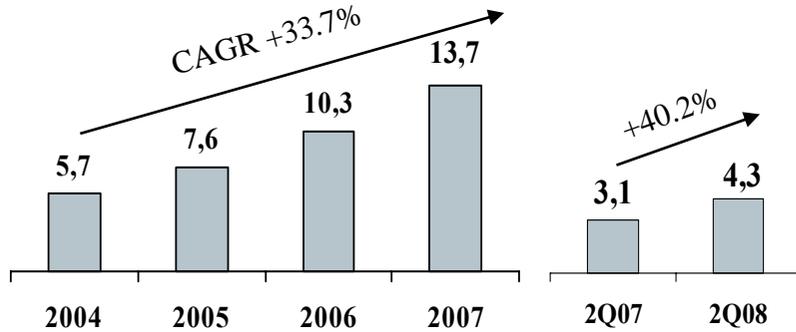
**Robust growth in consumer oriented businesses**



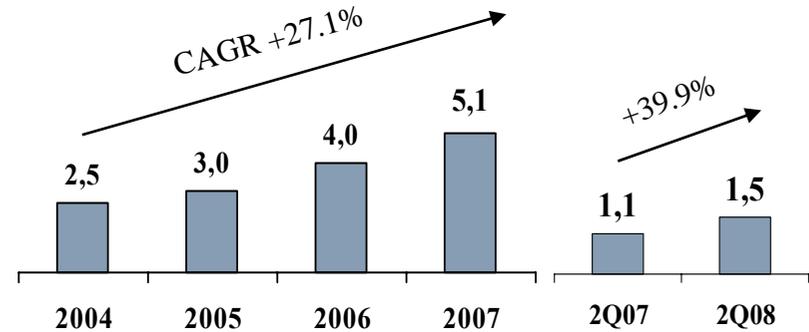
# 1.2 Financial Highlights

US GAAP, US\$ billion

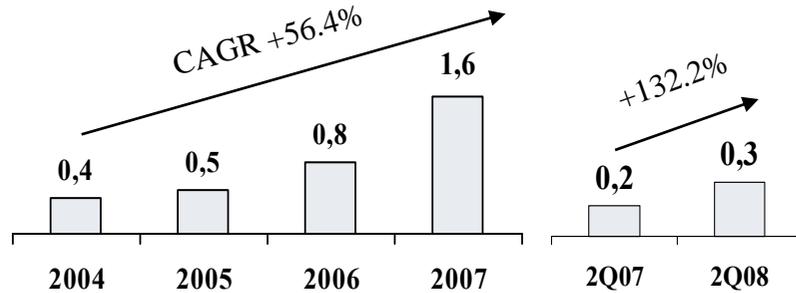
### REVENUES



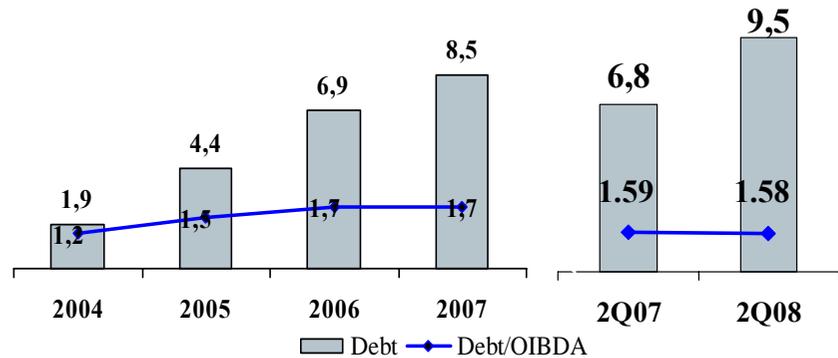
### OIBDA



### NET INCOME\*



### CONSOLIDATED DEBT



\* 2Q 2007 and 2Q 2008 - Income from continuing operations

**Accelerated growth whilst maintaining a sound financial position**

## 1.3 “5 X 5 > 25” Management Goal



### GOAL

*Return on Invested Capital (ROIC) - above 25% by the end of the next 5-year period and beyond*

### 5 TOOLS

#### **1. Increase value of ALL assets by:**

- Continuing to deliver robust and transparent financial results
- Demonstrating excellent management of assets, including through partnerships with leading companies
- Diversifying risks and attracting capital, including through established partnerships with market leaders

#### **2. Continue to follow strict fiscal discipline based on:**

- TSR and ROIC driven philosophy
- Transparent KPIs for all public and non-public companies

#### **3. Simplify the Group’s corporate structure**

#### **4. Demonstrate execution leadership in portfolio strategy management and asset management**

#### **5. Best in class in investor relations and corporate governance**



# 1.4 Sistema Portfolio

*Established, publicly-held companies*

<p style="text-align: center;"><b>Telecoms</b></p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <ul style="list-style-type: none"> <li>• Wireless</li> <li>• GSM</li> </ul> </div> <div style="text-align: center;">  <ul style="list-style-type: none"> <li>• Fixed-line</li> <li>• ILEC &amp; CLEC</li> </ul> </div> </div>	<p style="text-align: center;"><b>Technology</b></p> <p style="text-align: center;"><b>SITRONICS</b></p> <ul style="list-style-type: none"> <li>• Telecom solutions</li> <li>• IT solutions</li> <li>• Microelectronic solutions</li> </ul>	<p style="text-align: center;"><b>Real Estate</b></p> <p style="text-align: center;"><b>SISTEMAHALS</b> <small>DEVELOPMENT COMPANY</small></p>  <ul style="list-style-type: none"> <li>• Class A offices</li> <li>• Class A retail</li> <li>• Premium residential housing</li> </ul>
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*Fast-growing, privately-held companies*

<p style="text-align: center;"><b>Banking</b></p> <p><small>Moscow Bank for Reconstruction and Development</small></p>  <ul style="list-style-type: none"> <li>• Corporate banking</li> <li>• Retail banking</li> <li>• Leasing</li> </ul>	<p style="text-align: center;"><b>Media</b></p> <p><small>ADR «Система»</small></p>  <ul style="list-style-type: none"> <li>• Pay TV</li> <li>• Content</li> </ul>  <p>Movie production</p>	<p style="text-align: center;"><b>Retail</b></p>  <p>Тоys &amp; children goods retailer</p>	<p style="text-align: center;"><b>Health Care</b></p>  <p>Private health care facilities</p>	<p style="text-align: center;"><b>Radar &amp; Aerospace</b></p>  <p>Radar and communication solutions for B2G and B2B</p>	<p style="text-align: center;"><b>Travel</b></p>  <ul style="list-style-type: none"> <li>• Tour operator</li> <li>• Hotels</li> <li>• Retail</li> </ul>	<p style="text-align: center;"><b>Pharma</b></p>  <p><small>компания АDR «Система»</small></p> <ul style="list-style-type: none"> <li>• Manufacturing</li> <li>• Distribution</li> </ul>	<p style="text-align: center;"><b>Telecoms</b></p>  <p>Wireless in India</p>
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*Financial investments*

<p style="text-align: center;"><b>Telecoms</b></p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p>CDMA</p> </div> <div style="text-align: center;">  <p>Long-distance</p> </div> </div>	<p style="text-align: center;"><b>Oil &amp; Petrochemicals</b></p> <div style="display: flex; justify-content: space-around; align-items: center;">       </div> <p>25%+ stakes (Bashkiria, Russia)</p>
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**A balanced portfolio of established and fast-growing businesses**

# 1.5 Sistema Portfolio Strategy



## OBJECTIVE

*Realising accumulated potential: QUANTITY AND QUALITY*

### 1. FOCUSED PORTFOLIO STRATEGY

#### Development of Sistema Portfolio

- Focus on growth, increased efficiency levels and synergies within the Company
- Optimization of the existing portfolio structure by establishing strict financial targets for all subsidiaries
- Engagement of new partners in a number of projects to harness expertise and realise business potential

### 2. STRICT INVESTMENT POLICY

#### «5x5>25»

- Allocation of resources to:
  - sectors where Sistema is already present and demonstrated its competence – telecommunications and fast growing consumer sectors
  - the most profitable investment projects (IRR, TSR) with a short to medium term return on capital horizons (ROIC and Payback)
- Rationalization of the fair asset value of privately-held companies to the investment community

### 3. STRONG MANAGEMENT

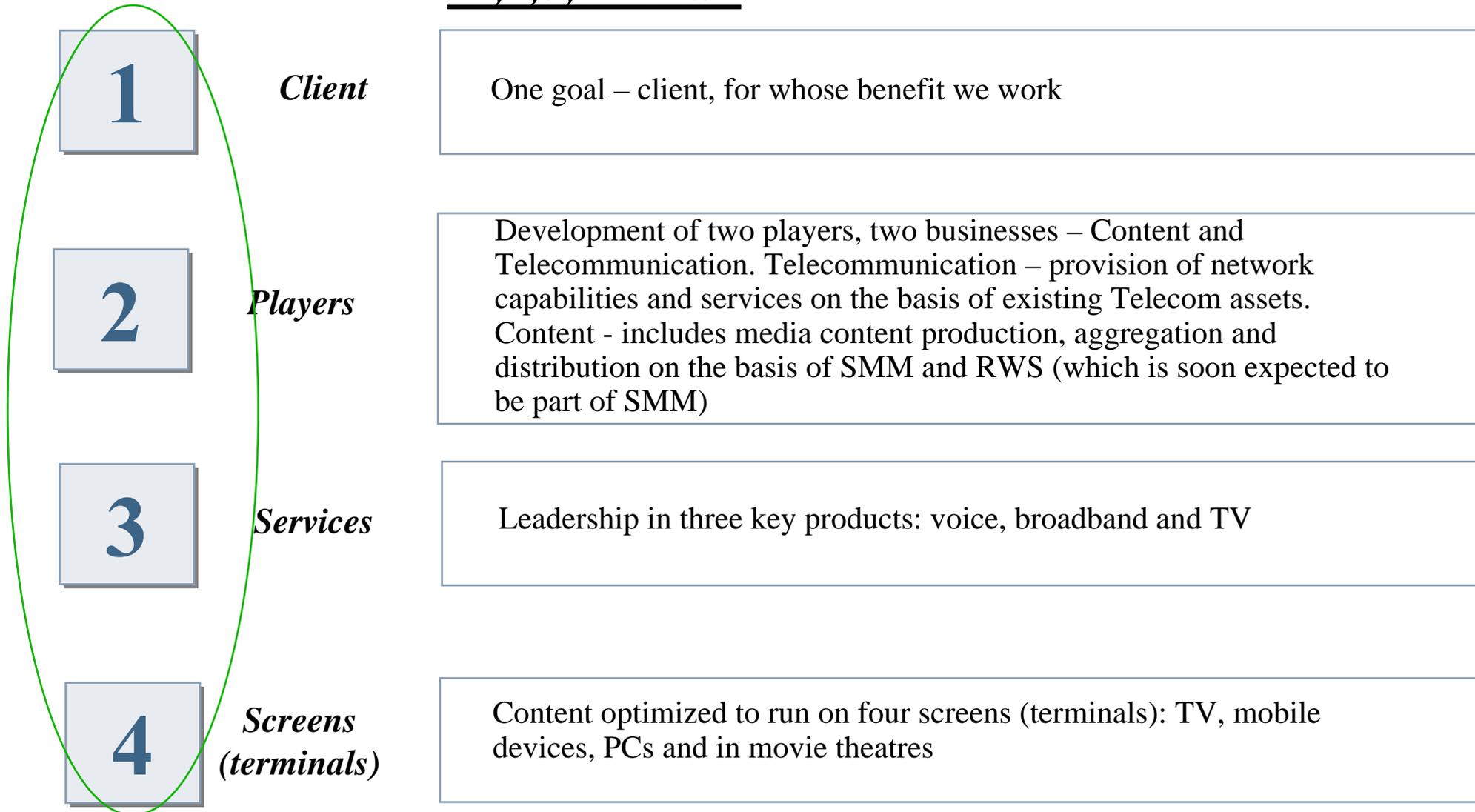
#### Organisational Structure and HR policy

- Introduction of matrix model
- Formation of three operating units – Telecommunications Assets, High Technologies and Industry, Consumer Assets – corporate expertise centres responsible for Sistema subsidiaries' operations
- HR policy aimed at hiring, developing and motivating managers to achieve better results
- Introduction of best corporate governance practices and maximising transparency levels

# 1.6 Development of the Telecom and Media assets structure



## “1,2,3,4” Plan



**We plan to simplify ownership structure and enhance management efficiency of Telecom and Media assets**

# 1.7 Telecommunications Assets: Strategic Priorities



## Domestic Markets (Russia and the CIS)

- Develop and simplify management and ownership structure
- Coordinate cooperation between companies to maximise synergies
- Potential M&A in domestic markets to strengthen leading positions

## International Markets

- Sistema to implement Shyam Telelink project to gain significant share in the Indian market with a high growth potential. Will consider attracting strategic partners in the medium to long term.
- Analyse the possibility of MTS entering international markets. Focus strictly on projects which create value and synergies

## 1.8 Media Assets: Key Products



### Production

- Produced more than 170 hours of content (movies, TV series, etc.) since January 2008
- RWS' library includes approximately 216 hours of content as at September 2008
- 5 own TV Channels

### Aggregation

- More than 100 contracts with media-content developers
- Contracts with world leading players - Disney, Sony Pictures, Paramount, Warner – to provide video-on-demand

### Distribution

- More than 750 contracts with local cable TV providers
- Total audience of TV-channels - more than 10 million subscribers
- Own Internet-TV portal

**Key activities of the Content player include content production, aggregation and distribution over a number of platforms**

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## 2.1 Operational Growth in 2Q 2008

### Growth in operations, y-o-y



**16.4%** growth of active subs to 86.94 million



**85%** growth of active BB subs (895,000 vs. 484,000)



**41.1%** retail outlets growth from 146 to 206



**1200%** growth - 26 clinics vs. 2



**43%** retail space growth to 189,000 sq. m.



**16.7%** growth of number of customers to 217,000



**5.9%** growth number of households covered (3.6 mln vs. 3.4 mln)

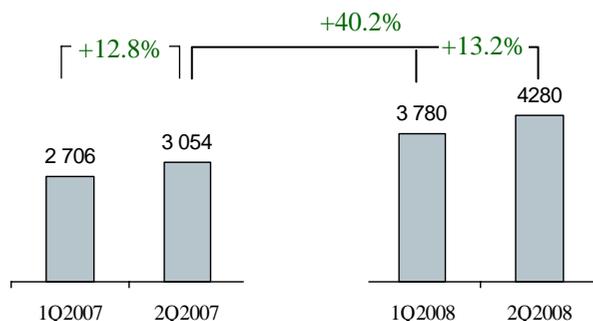
**Consumer centric businesses demonstrate impressive growth in 2Q 2008 in absolute terms**

## 2.2 Consolidated P&L and Balance Sheet

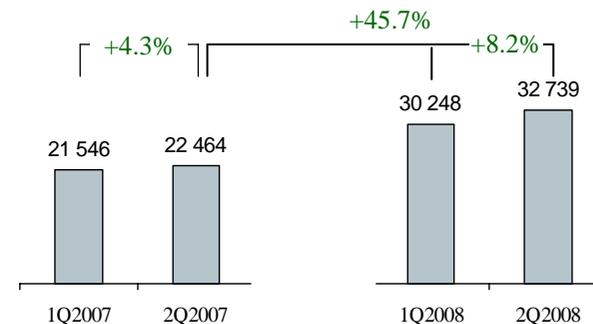


US\$ million

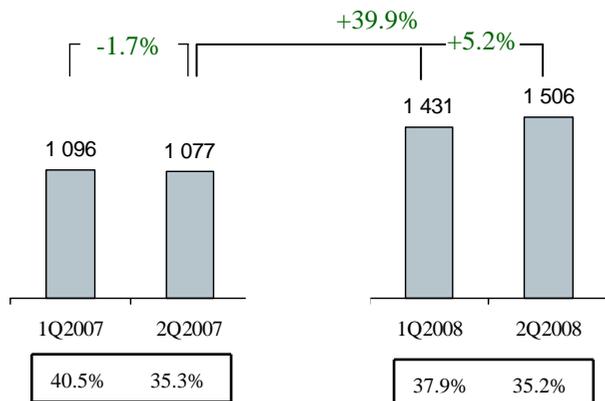
### Revenue



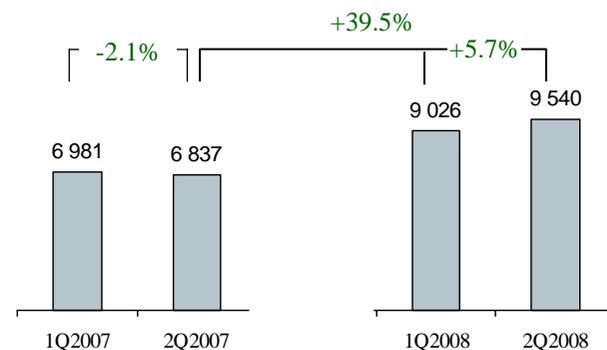
### Assets



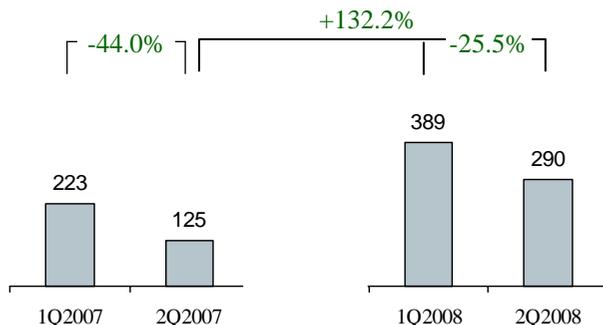
### OIBDA and margin



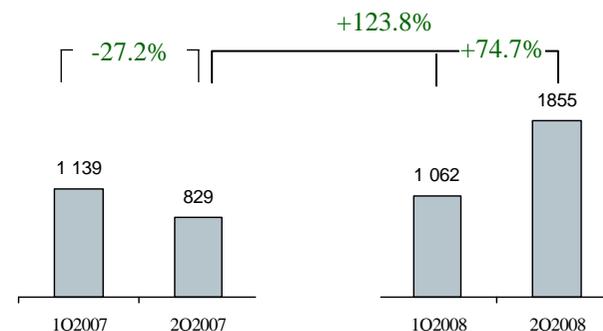
### Total debt



### Net Income/Income from continuing operations



### Cash

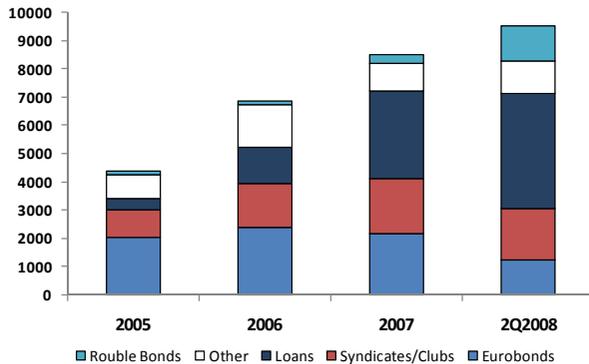


**Sistema's results were up in 2Q08 y-o-y following healthy organic growth and successful M&A deals**

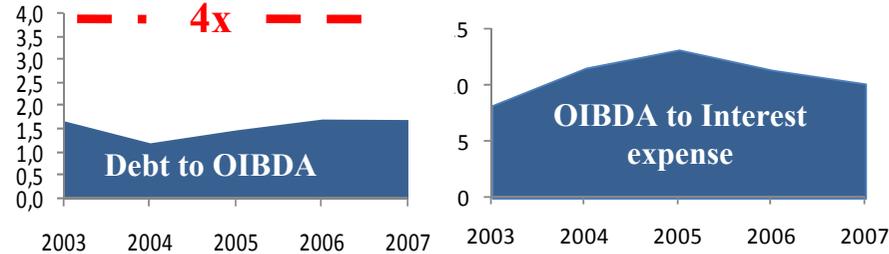
## 2.3 Sistema Consolidated Debt Profile and Metrics



### Total Debt (\$ mln)

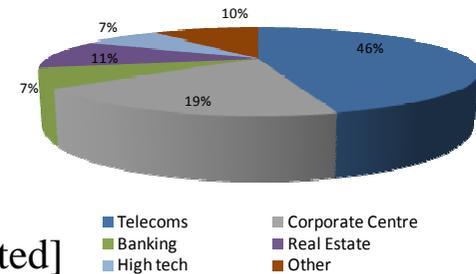


### Major Credit Metrics



- Total Debt/OIBDA not exceeding 4x [consolidated]
- Total Debt/Dividends not exceeding 4x [Sistema standalone]

### Debt allocation across assets, 1H2008



### Commentary

- Company's leverage and interest coverage metrics remain robust. Main loan covenants: Management targets to keep the leverage at much more conservative levels of around 2.1x.
- Rolling 12 months debt maturities are comfortably covered by own cashflows, both on Group and Sistema TopCo level.
- Sistema's stand-alone debt stands at manageable level of US\$ 1,2bn: major repayments fall into 2010 and 2011.

**Sistema's robust financial performance along with moderate financial policy and solid credit fundamentals underpinned recent S&P credit rating upgrade to "BB" level.**

## 2.4 Credit Ratings



S&P	BB	Stable	28/08/2008
Fitch	BB-	Stable	19/07/2007
Moody's	Ba3	Positive	24/10/2007



S&P	BB	Positive	28/08/2008
Moody's	Ba2	Positive	09/10/2007
Fitch	BB+	Stable	07/04/2008



S&P	BB	Stable	28/08/2008
Moody's	Ba3	Stable	10/05/2007



S&P	BB	Stable	28/08/2008
Moody's	Ba3	Stable	19/01/2006



Fitch	B-	Stable	14/02/2006
Moody's	B3	Stable	16/02/2006



Fitch	B+	Stable	20/07/2007
Moody's	B1	Stable	14/12/2004



Fitch	B+	Negative	13/05/2008
Moody's	B1	Stable	23/07/2007



## 2.5 Strengthening Leadership Positions of Public Companies

### 2Q 2008

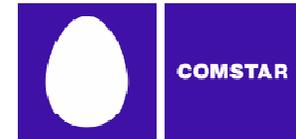
#### MTS

- Revenues up 33.9% y-o-y to US\$ 2,635 million
- OIBDA up 32.5% y-o-y to US\$ 1,349 million
- OIBDA margin 51.2%



#### Comstar UTS

- Revenues up 10.1% y-o-y to US\$ 417.3 million
- OIBDA reached US\$ 159.3 million
- OIBDA margin 38.2%



#### Sistema-Hals

- Revenues reached US\$ 85.5 million
- OIBDA loss narrowed to US\$ (4.5) million



#### Sitronics

- Revenues up 46.9% y-o-y to US\$ 481 million
- OIBDA reached US\$ 25.9 million
- OIBDA margin 5.38%



**Sistema continues to grow its core assets**

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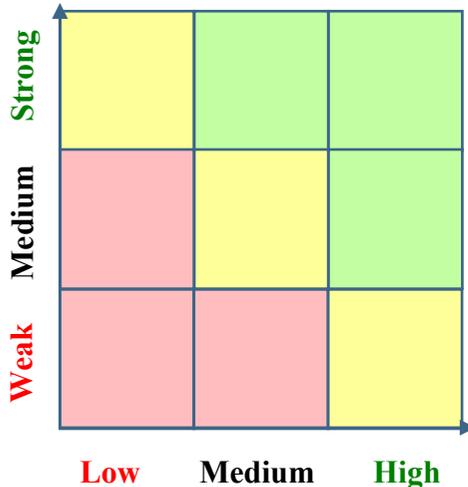
# 3.1 Sistema Portfolio Strategy



## PORTFOLIO MATRIX

### Company Competitiveness

- Market share
- Efficiency v. competition
- Competitive advantage



### Market Attractiveness

- Market size
- Market growth
- Competition

## SISTEMA STRATEGY

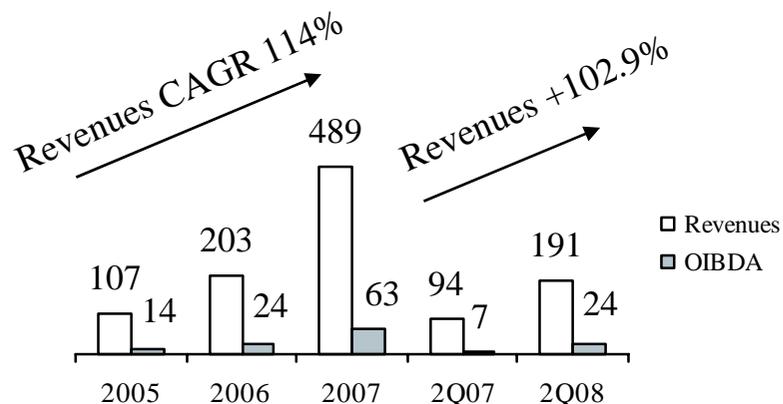
	PORTFOLIO	BUSINESS
	<b>INVEST</b>	Strengthen leadership, pay dividends
	<b>INVEST</b>	Strengthen leadership, regional development, broadband
	<b>INVEST/ FIND PARTNER</b>	Sale of certain projects, investments in other projects with partners
	<b>INVEST</b>	Organic growth, expansion in CIS, explore new opportunities in retail
	<b>INVEST/ FIND PARTNER</b>	Focus on retail banking, regional development, M&A
	<b>INVEST/ RESTRUCTURE</b>	Content and infrastructure separation. Content development: "4 screens concept"
	<b>INVEST</b>	Fast development (organic & M&A) potentially with partner
	<b>INVEST/ RESTRUCTURE</b>	B2G and B2B prime contractor, secure stable long-term contracts
	<b>INVEST/ FIND PARTNER</b>	Focus on core capabilities, group integration, new products
	<b>INVEST/ FIND PARTNER</b>	Grow aggressively in Outbound and Domestic markets
	<b>INVEST/ FIND PARTNER</b>	Develop with strategic partner, review strategy

**Portfolio Matrix demonstrates Sistema's flexible investment approach**

## 3.2 Banking: MBRD Results and Outlook



### Revenues and OIBDA (US\$ mln)



### Major Developments in 2Q 2008 and beyond

- Obtained EUR 40 million syndicated loan
- Retail Loan Portfolio exceeded US\$1 bln as of July 14, 2008 (including securitised assets) thus showing a 143% increase compared to 2007
- Entered TOP 10 Russian banks by volume of originated mortgages in 2007

### Market Trends, Sistema's Reaction and Portfolio strategy

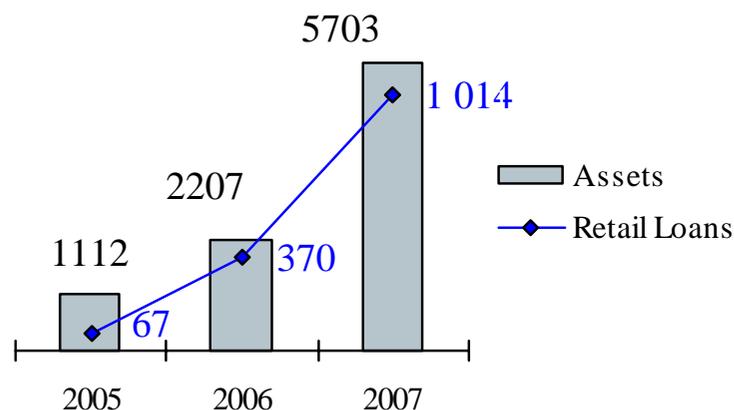
#### Market trends

- The financial markets tension led to liquidity concentration mostly in state controlled banks and largest banks with foreign capital
- Mortgage securitizations have significantly contracted leading to considerable increase of mortgage interest rates and interest rates in general
- Medium sized regional banks were hit most of all

#### Sistema's reaction and Portfolio strategy

- MBRD tailored its portfolio structure towards shorter maturity products and significantly toughened its borrower requirements
- Partnerships in certain product lines (e.g. banking cards) either via JVs or minority stakes are under consideration

### Total assets and retail loans (US\$ mln)

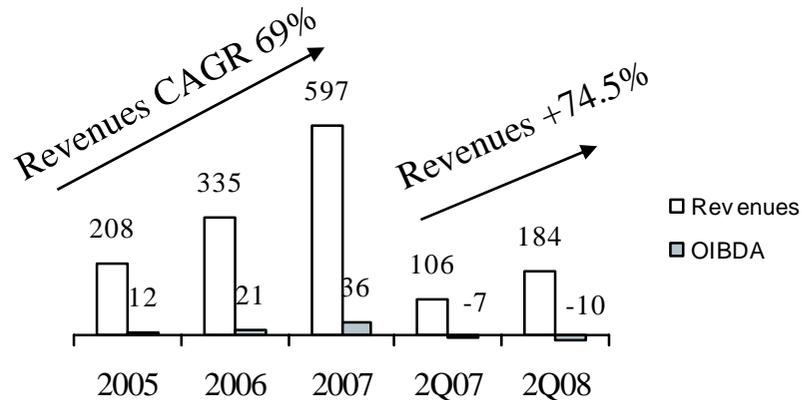


**Strong growth in 2Q 2008 with good outlook**

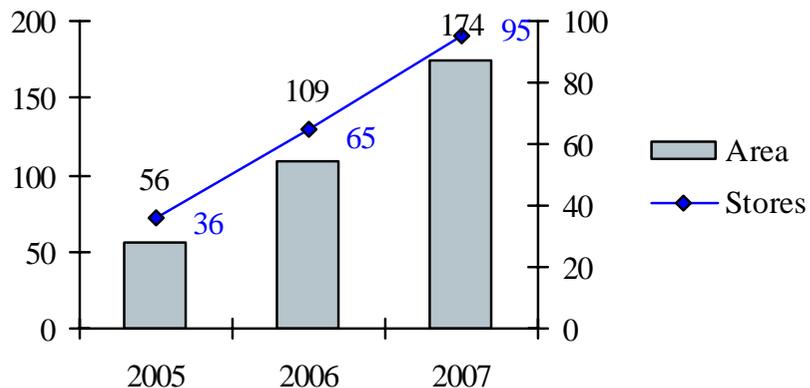
## 3.3 Retail: Detsky Mir Results and Outlook



### Revenues and OIBDA (US\$ mln)



### Sales area ('000 sq.m.) and number of stores



### Major Developments in 2Q 2008 and beyond

- Obtained US\$ 20 million trade line from Deutsche Bank
- Signed a US\$ 50 million syndicated loan agreement
- Closed the store on Lubyanka Square for reconstruction and restoration
- The network of retail outlets amounted to 113 in total as of 17 September, 2008, with the aggregate retail space more than 193 thousand sq. m.

### Market Trends, Sistema's Reaction and Portfolio strategy

#### Market Trends

- A number of retailers (especially in food, consumer electronics, cellular) are impacted by tension in financial markets due to use of expensive short term debt to finance working capital

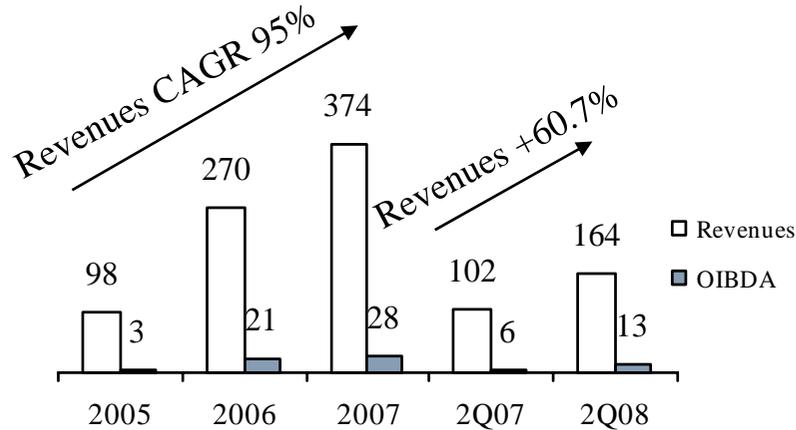
#### Sistema's reaction and Portfolio strategy

- Detskiy Mir has secured long term financing which enables it to continue to grow steadily and achieve good bargaining power with suppliers
- Active analysis of new retail opportunities to take advantage of the situation

**Detsky Mir has improved its profitability and is focused on delivering results and investing in new development opportunities**

# 3.4 Travel: Intourist Results and Outlook

## Revenues and OIBDA (US\$ mln)



## Major Developments in 2Q 2008 and beyond

- Acquired Orient, one of the leading inbound tour operators in Russia
- Raised US\$ 50 million loan from Raiffeisen Bank
- Signed a Memorandum of understanding with Tver administration for development of local travel

## Market Trends, Sistema's Reaction and Portfolio strategy

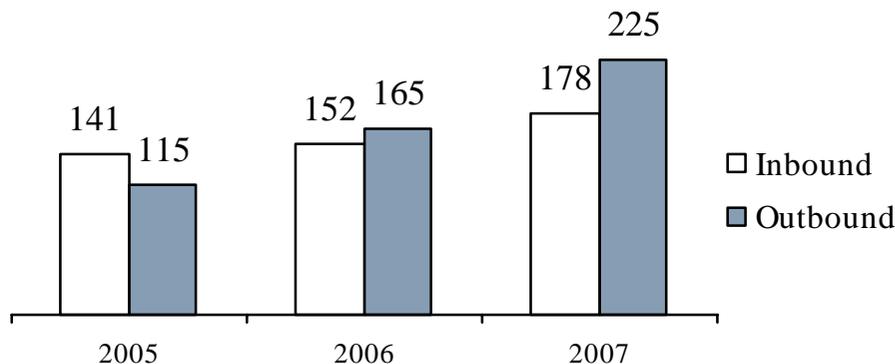
### Market Trends

- Outbound and domestic travel markets are keep on growing
- Growth in air fuel costs by 40-50% led to increase in competition and slight margin decline among tour operators
- Last year Turkish boom led to significant shortage in hotel rooms

### Sistema's reaction and Portfolio strategy

- In response to shortage in hotel rooms in Turkey, Intourist took under management 'Justiniano' hotel chain and secured over 2,500 rooms for its strategic destination
- Increased sales of tours to Egypt with moderate price growth
- Continue to consider joint development of fast growing outbound and domestic segments with a strong strategic partner

## Number of Tourists Serviced ('000)

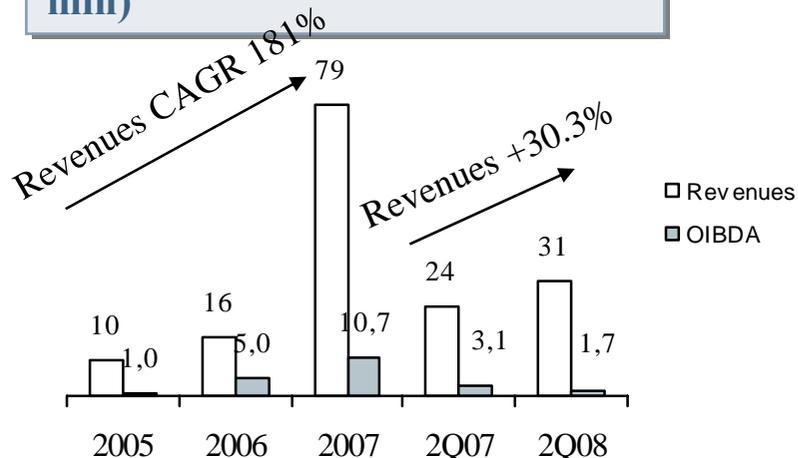


**Intourist is proactively applying its operational strategy to succeed in tough competitive situation and show profitable growth and market share gains**

# 3.5 Health Care: Medsi Results and Outlook



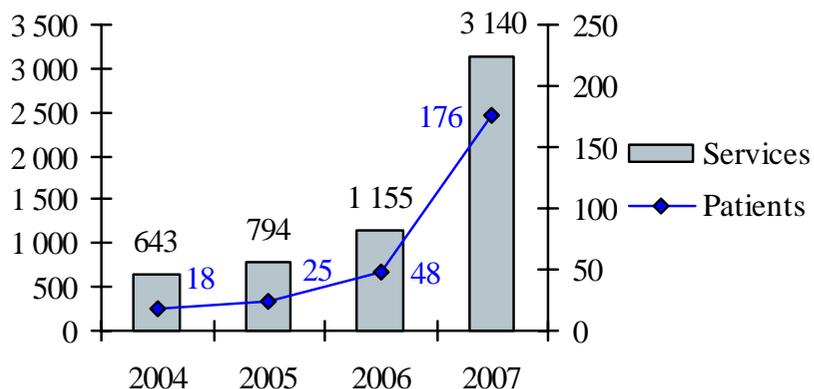
## Revenues and OIBDA (US\$ mln)



## Major Developments in 2Q 2008 and beyond

- Network of healthcare facilities has increased to 26 medical centers
- Revenues increased by 30.3% y-o-y in 2Q 2008 to US\$ 31 mln
- Medsi II clinic is recognized by major insurance companies as the best Moscow clinic for children

## Services ('000) and patients ('000)



## Market Trends, Sistema's Reaction and Portfolio strategy

### Market Trends

- Market (US\$ 5-8 bln, with Moscow accounting for 35%) grew more than 20% year-on-year
- Top 5 largest clinic operators have less than 3% market share

### Sistema's reaction and Portfolio strategy

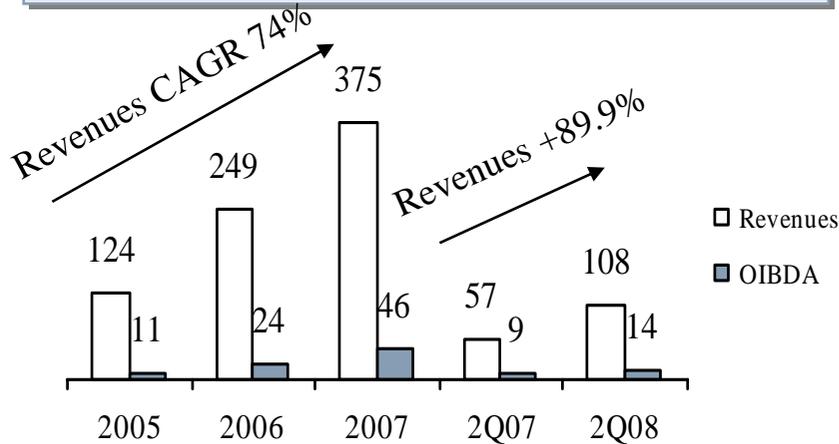
- Development of a leading private healthcare services company in Russia with comprehensive medical care
- National healthcare services brand creation
- Acquisition of well-run competitors and consolidation of the market

**Medsi is uniquely positioned to take advantage of the growth in paid healthcare services market**

# 3.6 Radars and Aerospace: RTI Results and Outlook



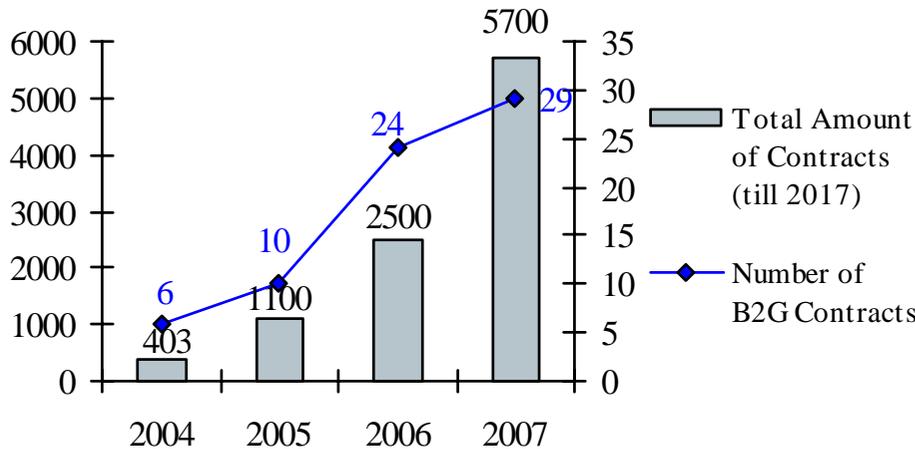
## Revenues and OIBDA (US\$ mln)



## Major Developments in 2Q 2008 and beyond

- Concern ranked 11th among top 20 Russian MIC companies in 2007
- Acquired 74.9% of WATT DRIVE Group's (Austria)
- Appointed Sergey Tischenko as President and CEO
- Started implementation of the Center for Management in Crisis Situations project as a main contractor of the Ministry of Emergencies (along with Sitronics)

## B2G Contract Portfolio to 2017 (US\$ mln)\*



\* 2007-2017 State Arms Development Program

\*\*CRTIS estimates

## Market Trends, Sistema's Reaction and Portfolio strategy

### Market Trends and Positioning

- US\$ 850 mln market in defense data, communication and navigation systems with growth of 10-14% annually\*\*
- Monopoly supplier of strategic missile defense solutions (radar technology)

### Sistema's reaction and Portfolio strategy

- Capitalize on more than 60 years of defense R&D experience in radar and aerospace technologies
- Expand expertise in large scale federal projects like GLONASS
- Invest in developing leading edge products and solutions

**RTI will continue to capitalize on its R&D expertise, implementing complex B2G projects and focusing on the cutting edge R&D for new markets**

# 3.7 Competitive Advantage of Consumer Oriented Companies



<b>Client base</b>	<b>90,000,000</b>	<b>4,000,000</b>	<b>500,000</b>	<b>200,000</b>
<b>Valuable client data</b>	<ul style="list-style-type: none"> <li>Residential address</li> <li>Spending on mobile</li> <li>Travel destinations (via roaming)</li> </ul>	<ul style="list-style-type: none"> <li>Residential address</li> <li>Children</li> <li>Spending on goods</li> </ul>	<ul style="list-style-type: none"> <li>Residential address</li> <li>Travel spending</li> <li>Preferred destinations</li> </ul>	<ul style="list-style-type: none"> <li>Residential address</li> <li>Spending on medical services</li> </ul>
<b>Brand recognition</b>	<b>90%</b>	<b>93%</b>	<b>98%</b>	

**Sistema' companies provide services to the largest consumer base in Russia and the CIS. Management is focused on creating significant additional value in its customer base**

# Agenda



1. Highlights and management goals

2. Operational and financial results

3. Strategic outlook

*3.2 - 3.6 Privately-held companies*

4. Summary

5. Attachment

*5.1 - 5.4 Publicly-held companies*

*5.5 – 5.7 Investment opportunities*



## 4.1 QUANTITY AND QUALITY: Key Messages

- ***Sistema demonstrated strong financial and operating results in the second quarter of 2008***
  - Revenues increased by 40.2% year-on-year to US\$ 4.3 billion
  - OIBDA up 39.9% year-on-year to US\$ 1.5 billion
- ***Total Debt / OIBDA ratio stood at 1.58 as of June 30, 2008***

In August 2008, Standard & Poor's rating agency has upgraded Sistema's corporate rating from “BB-” to “BB” level with a Stable outlook
- ***Development of the existing portfolio structure***
- ***Simplifying the Group's management structures***

Three new operating units have been created – ‘Telecommunications Assets’, ‘High Technologies and Industry’ and ‘Consumer Assets’
- ***Development of Telecom and Media assets structure and ownership***

Developing the Content and Telecom players

# Agenda

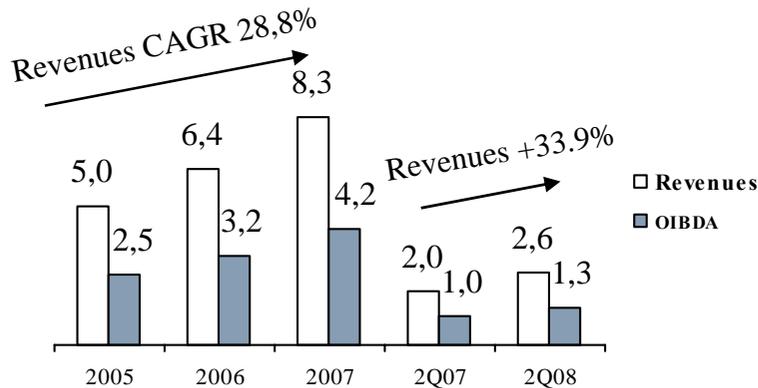


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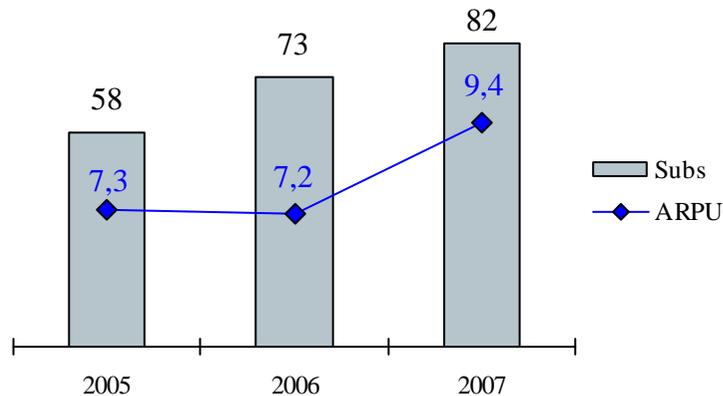
# 5.1 Mobile: MTS Results and Outlook



## Revenues and OIBDA (US\$ bln)



## Subscriber Base (mln) and ARPU (US\$)



## Major Developments in 2Q 2008 and beyond

- Mr. Mikhail Shamolin named as President and CEO of MTS
- Launch of 3G in Russia with commercial availability in St. Petersburg, Kazan, Sochi, Nizhny Novgorod and Yekaterinburg
- RUB 10 billion bond placement 1.7x oversubscribed
- S&P upgraded MTS's rating from "BB-" to "BB" with Positive outlook
- Signed the deal with Apple
- Received "BB+" rating from Fitch Ratings with Stable outlook
- Consolidated subscriber base reached 86.94 million users at June 30, 2008

## Market Trends, Positioning and Strategic Outlook

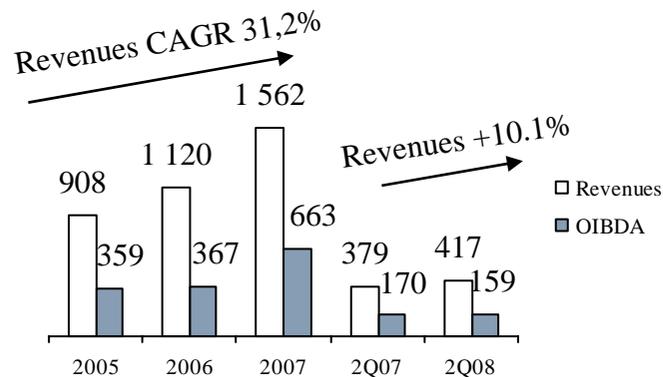
- Aggressive marketing strategies adopted to support new brand
  - New tariff structures to reflect the introduction of calling party pays in Russia
  - Expansion of value-added services portfolio
- #1 or #2 operator in each of its markets of operation
- Adoption of 3 + 2 strategy in September 2007:
  1. Capture growth potential in core markets
  2. Value creation in developing markets
  3. Development of mobile broadband in the CIS
  - +1. Cost efficiency
  - +2. MTS Group development

**Delivering more for its customers, shareholders and employees**

## 5.2 Fixed line: Comstar UTS Results and Outlook



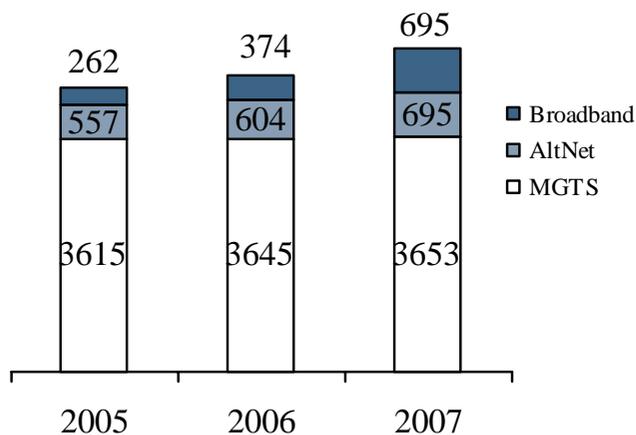
### Revenues and OIBDA (US\$ mln)



### Major Developments in 2Q 2008 and beyond

- ACCESS in August initiated the process of exercising its put option
- Acquired Ural Telephone Company and 100% of Interlink Group in Ryazan
- Started the consolidation of Comstar-Direct
- Obtained licenses in 4 Russian regions (in total 38 regions)
- Launched the integrated office for customer support in Moscow
- S&P upgraded Comstar's rating from "BB-" to "BB" with Stable outlook
- Obtained country and area codes

### Number of Subscribers ('000)



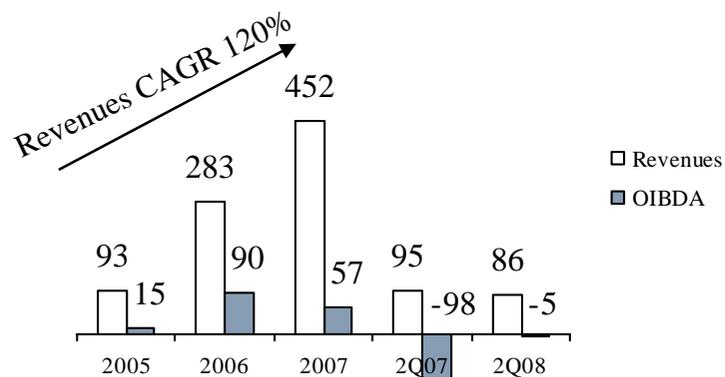
### Market Trends, Positioning and Strategic Outlook

- The leading combined fixed-line telecommunications company in Moscow
- Owner of "last mile" access to 3.6 million Moscow households with 97% market share
- Number 1 residential broadband provider in Moscow
- Integrated operator providing full spectrum of fixed-line services to corporates
- Owner of 25% + 1 share in state-owned Svyazinvest national fixed line incumbent

**Solid base in Moscow with good potential to expand into the regions**

## 5.3 Real Estate: Sistema-Hals Results and Outlook

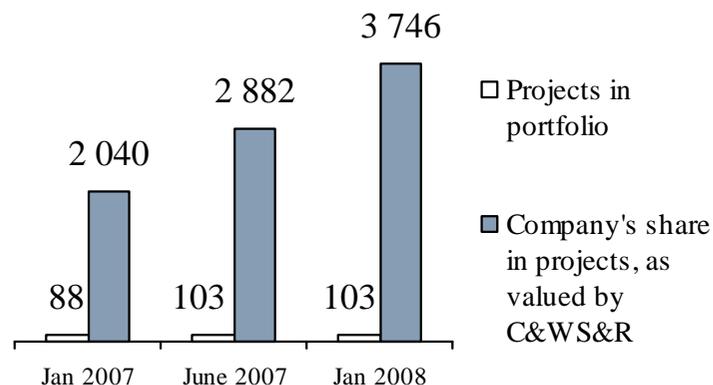
### Revenues and OIBDA (US\$ mln)



### Major Developments in 2Q 2008 and beyond

- Sergey Shmakov has been appointed as President of Sistema Hals
- Fitch Ratings confirmed “B+” credit rating for Sistema Hals
- Building first stage of world class movie studio in St. Petersburg
- Moody’s confirmed “B1” rating

### Sistema-Hals portfolio value (US\$ mln)



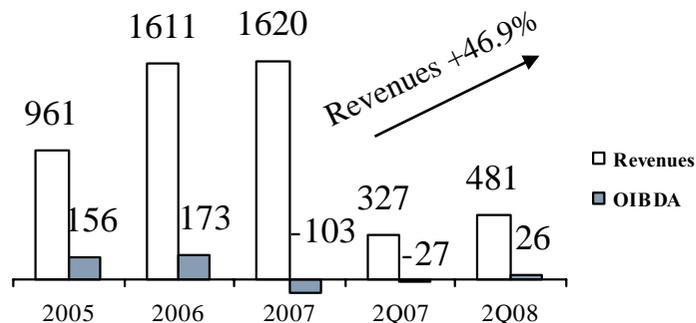
### Market Trends, Sistema’s Reaction and Portfolio strategy

- Increase in credit rates led to a considerable number of delays in construction (commercial real estate, forward-sold residential premises are relatively better, just stagnating)
- A large number of unfinished premises are put on sale at reduced prices
- Sistema Hals is streamlining its portfolio and preparing for sale a number of projects to improve Sales and OIBDA
- Certain projects will be executed in partnerships

**Sistema-Hals plans to optimize its asset structure will focus on priority projects**

## 5.4 Technology: Sitronics Results and Outlook

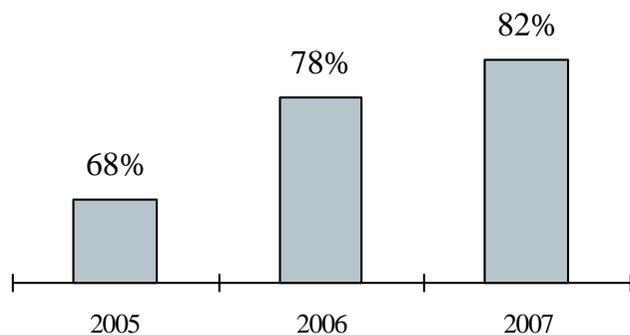
### Revenues and OIBDA (US\$ mln)



### Major Developments in 2Q 2008 and beyond

- Intracom Telecom, a part of Sitronics, has signed a EUR150 million bond loan agreement
- Sitronics appoints Marina Zabolotneva as Chief Financial Officer
- Intracom Telecom, a part of Sitronics, signed a contract with Shyam Telelink to supply radio relay equipment
- Intracom Telecom, a part of Sitronics, signed a contract with Syrian Wireless Organization to create wireless telecommunication network in Syria
- Sitronics signed a Memorandum of understanding with Tatarstan administration

### Sales Outside of Sistema Group



### Market Trends, Positioning and Strategic Outlook

- The pipeline of contracts remains strong in 2008
- Despite customer and industry pressures in 2007 the Company reversed the trend and is positioned for further consolidation of its leading position in the Russian technology industry, development of new products and technologies, and international expansion

**SITRONICS reversed the trend and is positioned for further growth and business gains**

## 5.5 Investment Opportunity:

**SHYAM**

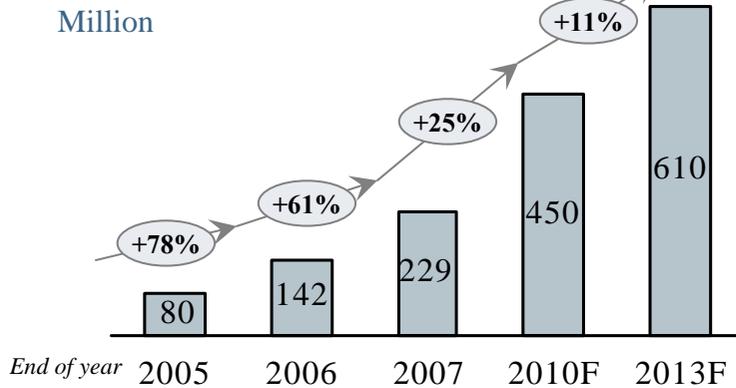


### INDIA MOBILE SUBSCRIBERS

Mobile Penetration

7% 13% 20% 38% 50%

Million



### MARKET OUTLOOK

- Market size US\$ 30 billion in 2007
- Mobile Penetration only 23% (March 2008), expected to reach 50% in 2013
- Average 7.3 million net additions per month in 2007
- Rapid growth expected in Indian mobile market to more 600 million in 2013

Source: TRAI, SOAI, AUSPI

### SISTEMA STRATEGY

- Sistema acquired approx. 74% in Shyam Telelink (STL), a provider of fixed-line and mobile (CDMA 2000) telecommunication services in Rajasthan with 270,000 subscribers
- 3-year network rollout plan to cover 70% of Indian state major cities, highways and railroads
- EBITDA positive in 2012
- 5-7% contribution to Group's revenue by 2012
- Target 35 million mobile subscribers or 7% market share by 2012

### DEVELOPMENTS

January 2008	STL receives Unified Access Telecommunication licenses for India
May 2008	Construction new CDMA network in Rajasthan as the first stage of future pan-Indian network began
Aug 2008	STL received frequencies for CDMA operations in all 22 telecom circles that gives pan-Indian coverage
Aug 2008	STL selects two equipment vendors for its pan-Indian network rollout

**Sistema is diversifying its core telecommunications business to capture double digit growth opportunities after 2012**

## 5.6 Investment Opportunity:



### INVESTMENT CASE

- 25%+1 Share stake owned by Sistema
- US\$ 1.3 bln invested in December 2006
- US\$ 2.3 bln stake valuation (SOTP)\*
- 77% ROI to date\*

\* As at July 2008

### SISTEMA STRATEGY

- Participate in Svyazinvest privatization
- Restructure the business
- Create the largest Russian triple-play telecom company

### COMPANY RESULTS

	Revenues 2007, US\$ m	Growth Y-o-Y
NW Telecom	984	30%
Central Telco	1334	23%
Volga Telco	1194	31%
Uralsvyazinform	1581	24%
Southern Telco	804	22%
Siberian Telco	1409	27%
Far Eastern Telco	595	49%
Rostelecom	2500	10%

### DEVELOPMENTS

June 2007 Unfavorable to Sistema privatization structure on the basis of Rostelecom was rejected by the Government

Oct 2007 North-West Telecom sold 15% stake in Telecom Invest (owns 31% of Megafon)

May 2008 New appointments at telecom regulator

**Companies demonstrated strong operational results in 2007. Awaiting privatization with the goal to strengthen considerably our position in mobile and fixed line segments**

## 5.7 Investment Opportunity: Bashkirian Assets



### INVESTMENT CASE

- Blocking stakes in 5 oil and petrochemical plants and 1 distribution company acquired by Sistema-Invest in late 2005 for ~ US\$ 600 mln
- The current valuation (SOTP) of Sistema-Invest stakes is US\$ 1.9 bln (Sistema owns 67% of Sistema Invest)
- 56% ROI to date (annualized)

### SISTEMA STRATEGY

- Looking for opportunities to increase our stakes up to controlling interest to create a vertically integrated oil company
- Strengthening of cooperation with Nizhnekamskneftekhim (current supplier of ethanol for Ufaorgsintez)
- Potential alliances with other players and creation of a leading petrochemicals company in Russia

### COMPANY RESULTS

	Revenues 2007, \$ m	Growth Y-o-Y
Bashneft	3560	-4%
Ufaneftekhim	513	9%
Ufa NPZ	401	-1%
Novoil	417	-7%
Ufaorgsintez	325	23%
Bashkirnefteproduct	607	33%

### DEVELOPMENTS

January 2007	Reduction of taxation on oil producers operating exhausted wells allowing Bashneft to save up to US\$ 180 mln in 2007
2007	Dividends payout of over US\$ 80 mln after taxes

**An attractive financial investment. Bashkirian assets are an excellent opportunity to create one of the leading oil and petrochemical companies in Russia**



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