



# **Riding the Consumer Wave**

## **Sistema FY2007 Results & Strategy**

Capital Markets Day  
London  
May 30, 2008

**Vladimir Evtushenkov**, Chairman of the Board of Directors  
**Alexander Goncharuk**, First Deputy Chairman of the Board of Directors  
**Alexei Buyanov**, Senior Vice President and Head of Finance and Investment  
**Anton Abugov**, First Vice President and Head of Strategy and Development

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# Introduction to Sistema



**VLADIMIR  
EVTUSHENKOV**

## Career in Sistema

- 2006: Chairman of the Board of Directors
- 2005: President
- 1995 – 2005: Chairman of the Board
- 1993 – 1995: President
- 1993: Founded Sistema

## Background

- 1990 – 1993: Chairman of the Moscow City Committee on Science and Engineering
- 1987 – 1990: Head of the Central Administration on Science and Engineering of the Moscow City Executive Committee

## Education

- 1980: Moscow State University, School of Economics
- 1973: D. Mendeleev Moscow Chemical Engineering Institute

# Sistema Strategy



## 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

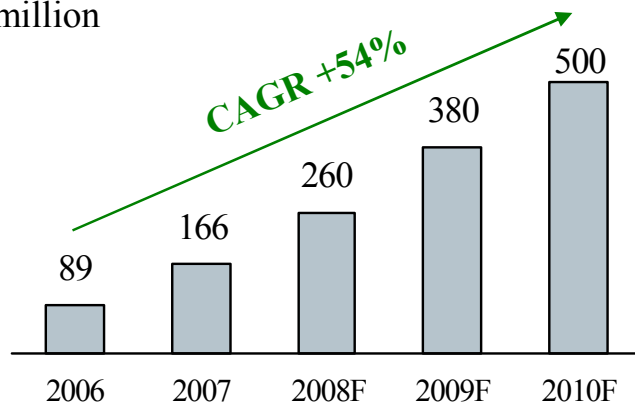
**Sistema creates value for its shareholders by investing in growing businesses and turning them into market leaders**

# Investment Opportunity: **SHYAM**



## INDIA MOBILE SUBSCRIBERS

million



## MARKET OUTLOOK

- Market size USD 30 billion in 2007
- Market grows 50% year-on-year
- Penetration 23% (March 2008), expected to reach 40% in 3-4 years

Source: TRAI, SOAI, AUSPI

## SISTEMA STRATEGY

- In Jan 2008 Sistema acquired for USD 58 million 51% in Shyam Telelink (STL), a provider of fixed-line and mobile (CDMA2000) telecommunication services in Rajasthan to 270,000 subscribers
- Strategic goal is to build a top 5 telecom operator in India by 2017
- 3-year network rollout plan to cover 70% of Indian state capital cities, highways and railroads
- Target 60 million mobile subscribers or 9% of the market by 2017
- Plan to invest USD 5 billion in network development in next 10 years

## DEVELOPMENTS

January 2008	STL receives Unified Access Telecommunication licenses for India
April 2008	STL received frequencies for CDMA operations in 15 telecom circles covering 900 million residents or 80% of the Indian population
May 2008	Construction of Pan-Indian CDMA network began

**Sistema is building a leading pan-Indian telecom company**

# Investment Opportunity: SVYAZ INVEST



## INVESTMENT CASE

- 25%+1 SI stake owned by Sistema
- USD 1.3 billion invested in December 2006
- USD 2.3 billion stake current valuation (SOTP)
- 77% ROI to date

## SISTEMA STRATEGY

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

## COMPANY RESULTS

	Revenue 2007, \$ m	Growth y-o-r
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

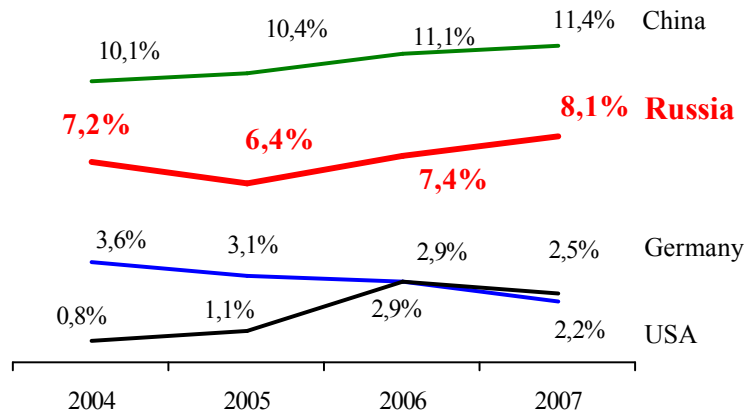
- June 2007 Privatization structure (based on the Rostelecom model) unfavorable to Sistema rejected by the Government
- Oct 2007 North-West Telecom sold 15% stake in Telecom Invest (owns 31% of Megafon)
- May 2008 New appointments at telecom regulator

**MRKs demonstrated strong operational results in 2007. We are still waiting for privatization, which will considerably strengthen our mobile and fixed line positions**



# Russian Macroeconomic Development in 2007

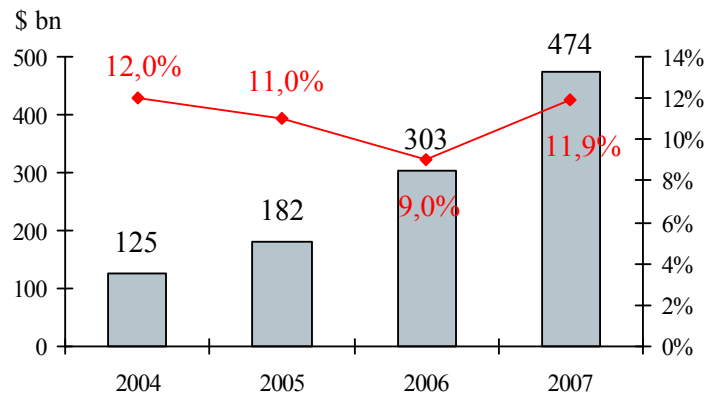
## REAL GDP GROWTH



## HIGHLIGHTS

- Russia is one of the world's fastest growing economies
- Favorable macroeconomic environment: oil prices have reached unprecedented highs, and the ruble is steadily strengthening
- Russia enjoys both a low level of foreign debt (external debt/GDP ~ 33%) and high monetary reserves (more than USD 530 billion)
- Inflation is increasing slightly but government expenditure is also increasing (USD 57 billion in 1Q2008)

## CBR RESERVES and INFLATION

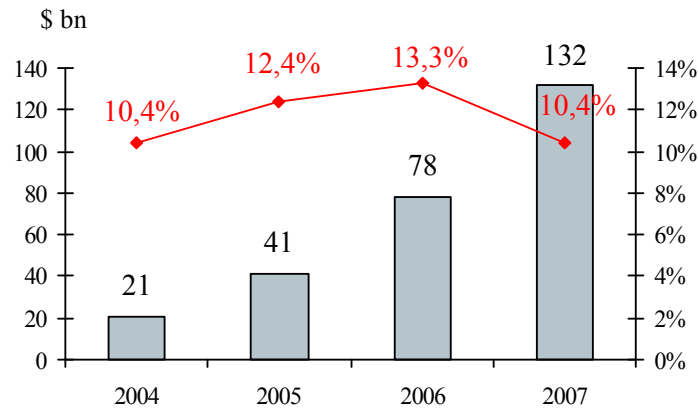


**A favorable macroeconomic environment for Sistema businesses**

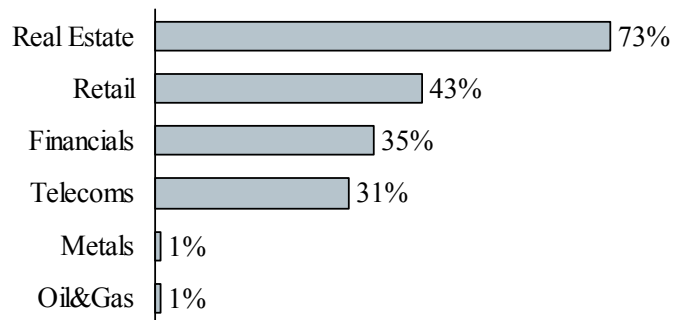
# Russian Consumer Market



## DISPOSABLE INCOME & CONSUMER LOANS



## ESTIMATED EARNINGS PER SHARE GROWTH 2008



## 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**





## Political Situation

- A new Russian President elected March 2008
- The new Kremlin administration is most likely to ensure a continuation of economic policy in order to guarantee uninterrupted economic growth
- The evolution in the regulation environment and in the prioritization of economic targets expected to support further economic growth
  - Improvement of financial market regulations to stimulate investment in the domestic market
  - Liberalization of tax policy and a decrease in VAT
  - Slowing down inflation
  - Focus on high tech, innovative industries
  - Upgrading state sector efficiency and developing private-public partnerships

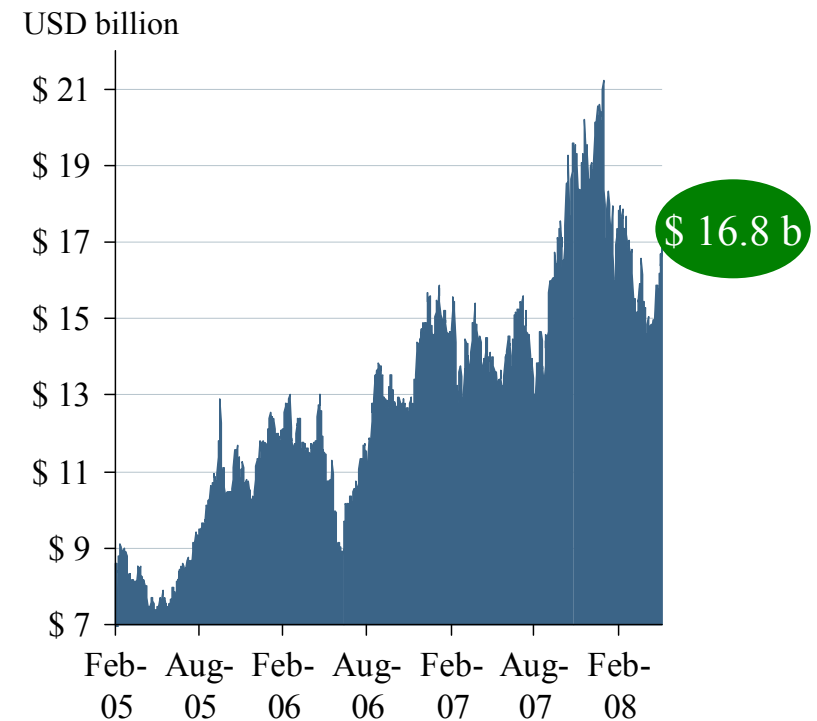
**Political stability and uninterrupted economic growth makes Russia a safe harbor for international investment**

# Sistema Profile



- The largest consumer-centric private sector company in Russia and the CIS
- Established in 1993, IPO in London in 2005
- **85+ million** consumers in Russia, the CIS and Europe
- **USD 13.7 billion consolidated revenues** (2007) or **34% growth**
- **USD 53 billion total capitalisation** of portfolio companies
- **USD 16.8 billion market capitalisation** of Sistema (SSA.L)
- Credit ratings BB- (S&P), BB- (Fitch), Ba3 (Moody's)

**Sistema Market Cap since IPO**



*\* as at 22.05.2008*

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

# Operational Results



**ALEXANDER  
GONCHARUK**

## Career in Sistema

- 2008 to the present : First Deputy Chairman of the Board of Directors
- 2006 – 2008: President; Member of the Board of Sistema, Sistema Telecom, Sitronics, Sistema-Hals, Sistema Mass Media
- 2003 – 2006: General Director of Concern Sitronics
- 1998 – 2003: President of Sistema Telecom
- 1995 – 1998: Vice President of Sistema
- 1998 and 2002-2003: Chairman of the Board, MTS

## Background

- 1991 – 1993 General Director of Insurance Company Leader
- 1987 – 1991: Senior officer at the Main Headquarters of the Navy

## Education

- 1987: Grechko Naval Academy
- 1978: Sevastopol Naval Engineering Academy



# Sistema Portfolio



*Established, publicly-held companies*

<p><b>Telecoms</b></p>  <ul style="list-style-type: none"> <li>• Wireless</li> <li>• GSM</li> <li>• Fixed-line</li> <li>• ILEC &amp; CLEC</li> </ul>	<p><b>Technology</b></p>  <ul style="list-style-type: none"> <li>• Telecom solutions</li> <li>• IT solutions</li> <li>• Microelectronic solutions</li> </ul>	<p><b>Real Estate</b></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><b>Banking</b></p>  <ul style="list-style-type: none"> <li>• Corporate banking</li> <li>• Retail banking</li> <li>• Leasing</li> </ul>	<p><b>Media</b></p>  <ul style="list-style-type: none"> <li>• Pay-TV</li> <li>• Content</li> </ul> <p>Movie production</p>	<p><b>Retail</b></p>  <p>Toys &amp; children goods retailer</p>	<p><b>Health Care</b></p>  <p>Private health care facilities</p>	<p><b>Radar &amp; Aerospace</b></p>  <p>Radar and communication solutions for B2G and B2B</p>	<p><b>Travel</b></p>  <ul style="list-style-type: none"> <li>• Tour operator</li> <li>• Hotels</li> <li>• Retail</li> </ul>	<p><b>Pharma</b></p>  <ul style="list-style-type: none"> <li>• Manufacturing</li> <li>• Distribution</li> </ul>
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*Strategic projects*

<p><b>Telecoms</b></p>  <p>Wireless in India    CDMA    Long-distance</p>	<p><b>Oil &amp; Petrochemicals</b></p>  <p>25%+ stakes (Bashkiria, Russia)</p>
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**A balanced portfolio of established and fast-growing business and strategic options**

## Sistema Major Initiatives in 2007



- 
- |                 |  |
|-----------------|--|
| <b>February</b> | • Sistema sells its stake in insurance company ROSNO to Allianz SE |
|-----------------|--|
- 
- |             |   |
|-------------|---|
| <b>June</b> | • Sistema strengthens its Healthcare business with acquisition of Medexpress, Russia's largest chain of private clinics |
|-------------|---|
- 
- |             |   |
|-------------|---|
| <b>July</b> | • Sistema reorganizes its Corporate centre's organisational structure |
|-------------|---|
- 
- |               |   |
|---------------|---|
| <b>August</b> | • Sistema creates a Banking Group following the acquisition of Dalkombank, one of the leading financial services providers in Russia's Far East |
|---------------|---|
- 
- |                  |   |
|------------------|---|
| <b>September</b> | • Sistema enters India's fast growing telecommunications market with the acquisition of the operator Shyam Telelink |
|------------------|---|
- 
- |                 |   |
|-----------------|---|
| <b>December</b> | • Sistema launches a long-term incentives program |
|-----------------|---|
- 
- |                 |  |
|-----------------|--|
| <b>December</b> | • Sistema decides to issue up to RUB 6 billion of non-convertible interest-bearing bonds |
|-----------------|--|
-

# Business Lines - Operational Results for 2007



*Wireless*

**12.5% growth** in active subscribers to **82 million**



*Fixed & Internet*

**102% growth** in active broadband subscribers to 743,000



*Real Estate*

**85% growth** in property portfolio value to **\$ 3.7 billion**



*Technology*

New technology of 0.18 microns microchip topological size launched



*Technology*

**128% growth** in value of portfolio of long-term business contracts to **\$ 5.7 billion**



*Healthcare*

Expanded from 2 to **26 clinics** in 2006



*Banking*

**90% growth** in number of retail offices to 227



*Retail*

**59% growth** in sales area to 174,000 sq.m.



*Travel*

**24% growth** in number of clients served (packaged tours)



*Media*

**17% growth** in Pay-TV subscribers to **1.75 million**

**Business lines delivered strong operational results in 2007**

# Top Management Appointments



## SISTEMA



**Vitaly Savelyev**  
1<sup>st</sup> Vice-president  
Head of Telecom Asset  
Management Division  
November 2007



**Anna Goldin**  
Vice President  
and General Counsel  
August 2007



**Sergey Boev**  
Vice President  
for Development of State  
Programmes and Non-Public Assets  
February 2008



**Gennady Frolov**  
Head of Corporate  
Communications  
January 2008

## TELECOM



**Sergey Pridantsev**  
Comstar UTS  
June 2007

## TECHNOLOGY



**Sergey Aslanian**  
Sitronics  
October 2007

## HEALTHCARE



**Vladimir Gurdus**  
Medsi  
June 2007

## MASS MEDIA



**Eldar Razroev**  
SMM  
July 2007

**New appointments at Sistema have further strengthened its top management team**



**ALEXEI BUYANOV**

## Career in Sistema

- 2002 to the present: Senior Vice President and Head of the Finance and Investment Group; Member of the Board of MTS, Sistema Telecom, MBRD, East-West United Bank, Sistema-Hals, Detsky Mir Center
- 1998 – 2002: Vice President of MTS
- 1996 – 1997: Vice President and First Vice President at Sistema-Invest
- 1994 – 1996: various positions at the Property Group

## Background

- 1992 – 1994: researcher at the Institute of Mechanics Problems (IMP) of the Russian Academy of Sciences

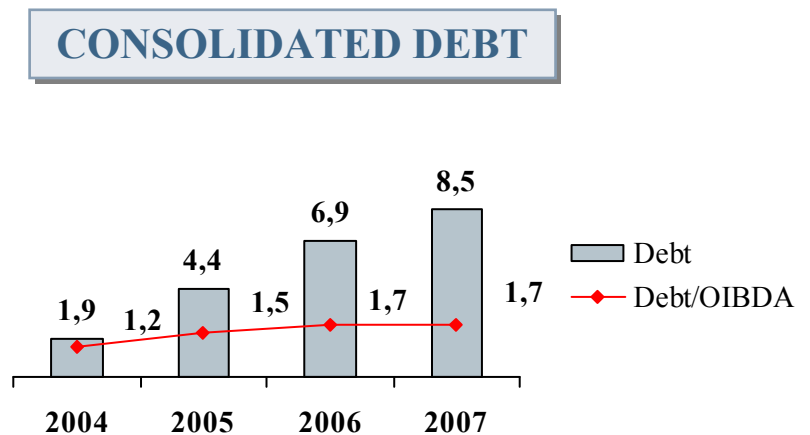
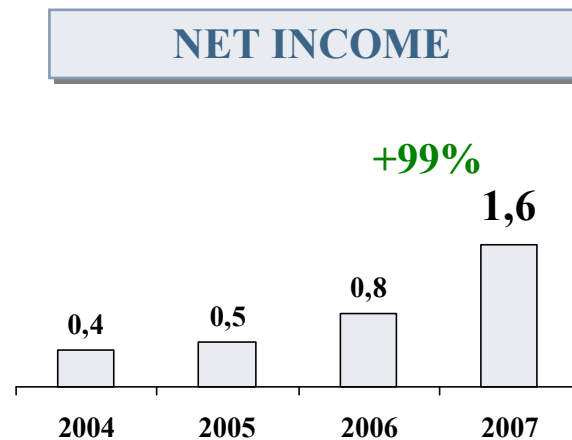
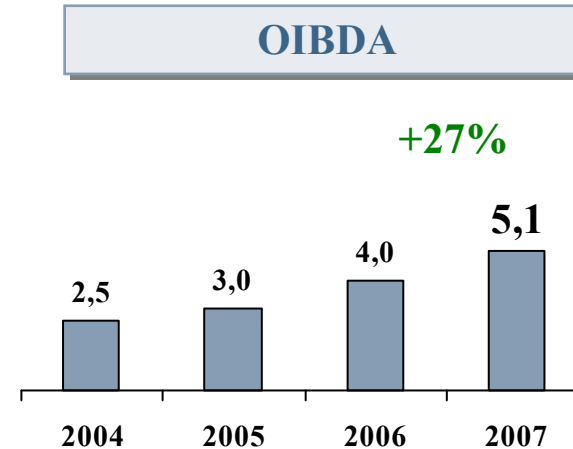
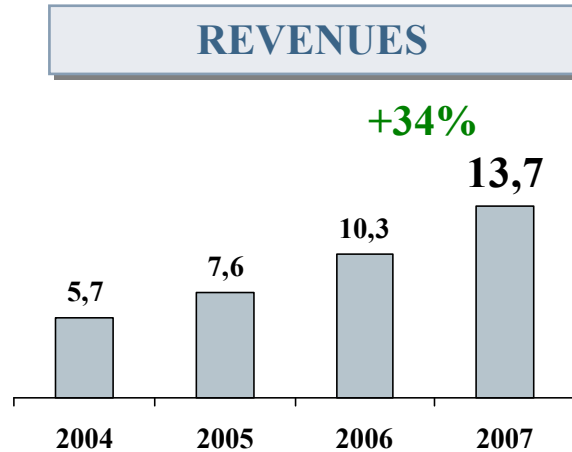
## Education

- 1992: Moscow Physics and Engineering Institute



# Sistema Consolidated Financials

US GAAP, USD billion



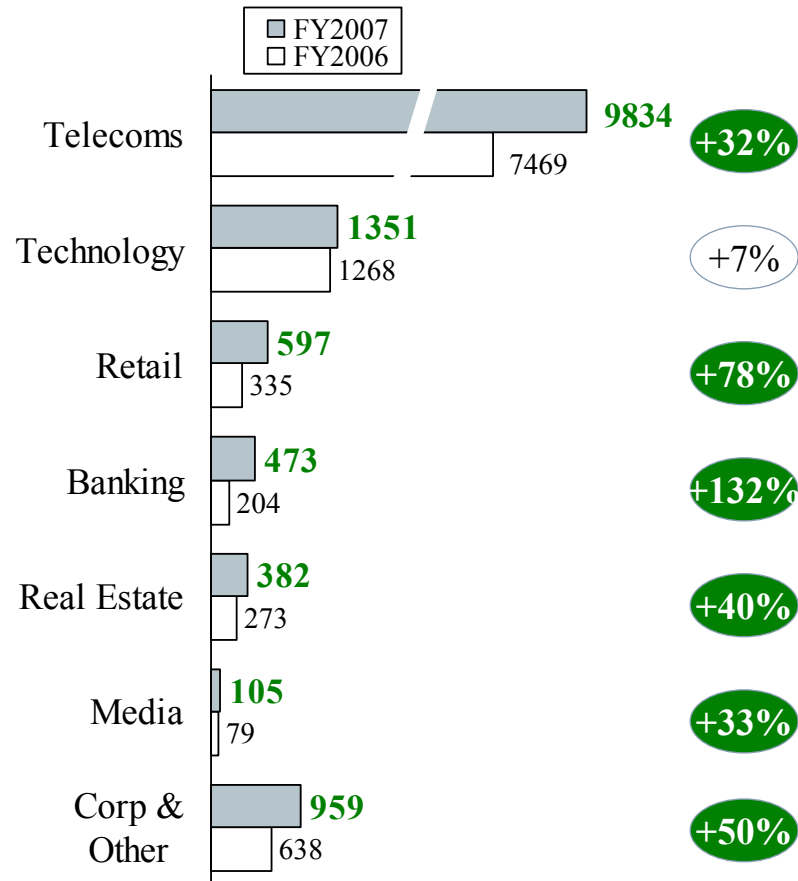
**Accelerated growth while maintaining a sound financial position**



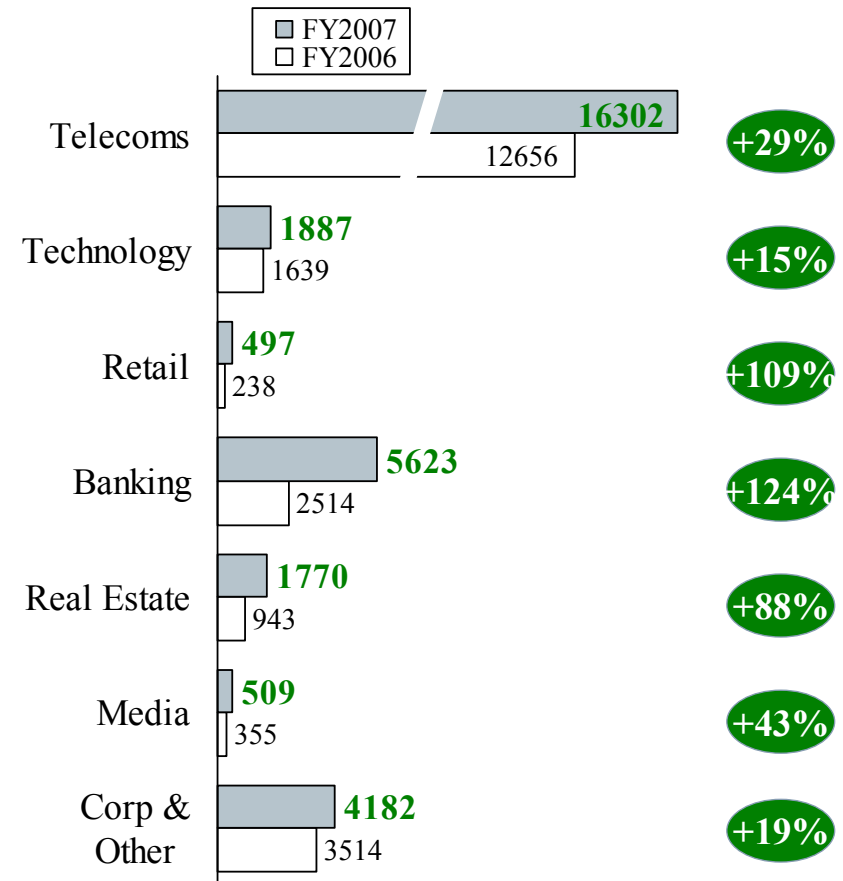
# Segment Analysis (1)

US GAAP, USD billion

## REVENUE GROWTH\*



## ASSETS GROWTH



\* Revenue net of intersegment transactions

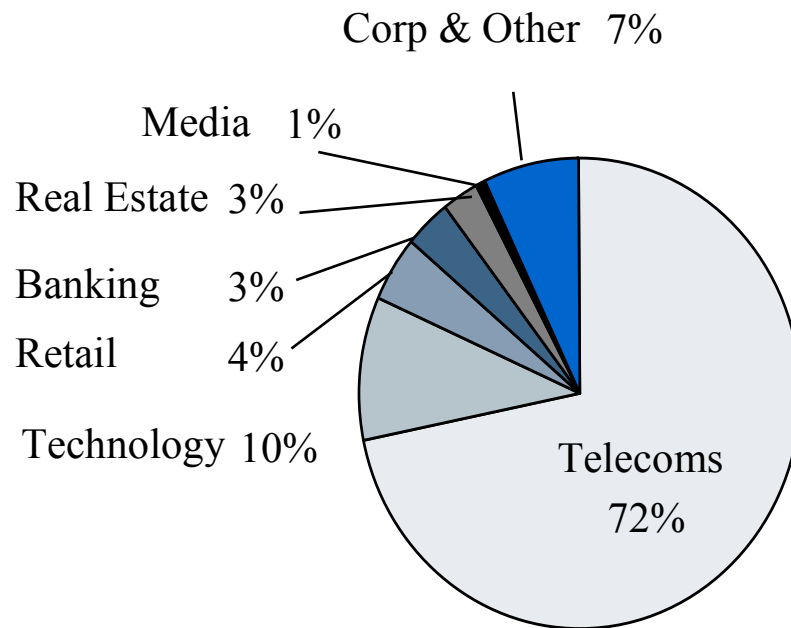
**In 2007 the majority of our business lines demonstrated double-digit revenue and assets growth**

# Segment Analysis (2)

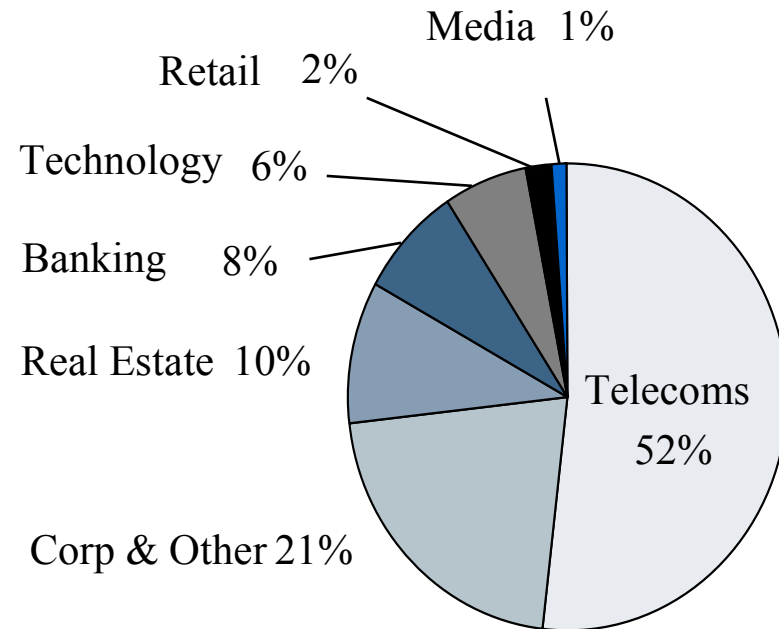
US GAAP



REVENUE\* (2007)



TOTAL DEBT (2007)



\* Revenue net of intersegment transactions

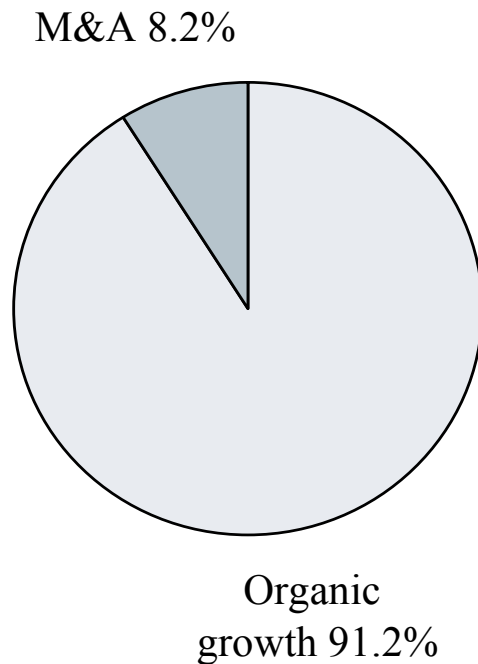
**Non-telecom businesses accounted for 28% of consolidated revenues; revenue breakdown is in line with debt allocation**

# Sistema results vs estimates

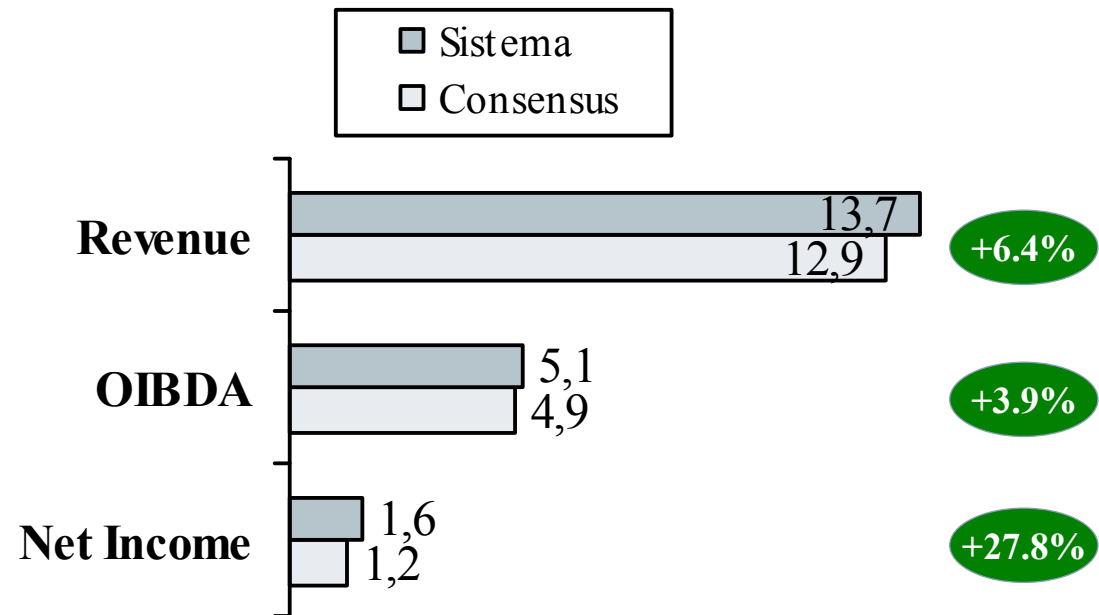
US GAAP



## REVENUE BREAKDOWN



## RESULTS VS ESTIMATES

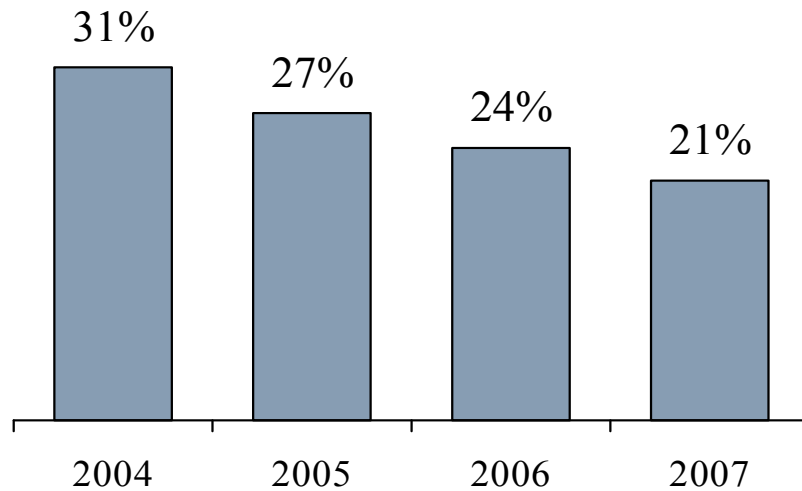


**Sistema results outperformed consensus estimates due to accelerated organic growth of non-public assets**

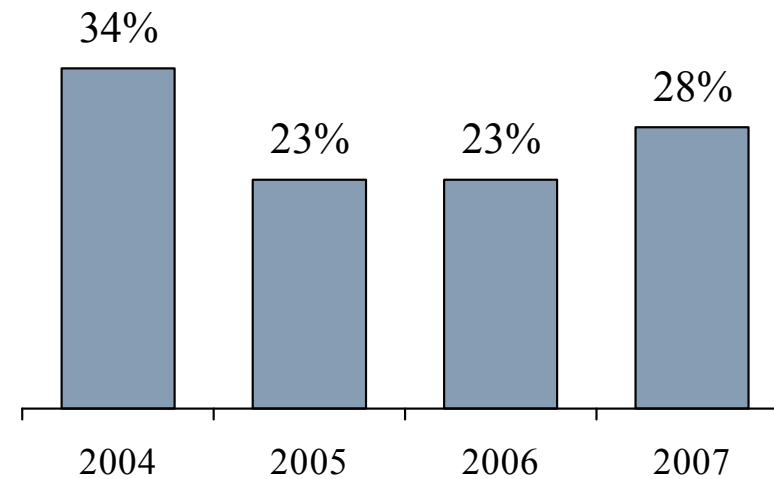
# Portfolio Management Indicators



## RETURN ON TOTAL ASSETS (1)



## RETURN ON EQUITY (2)



*Notes:*

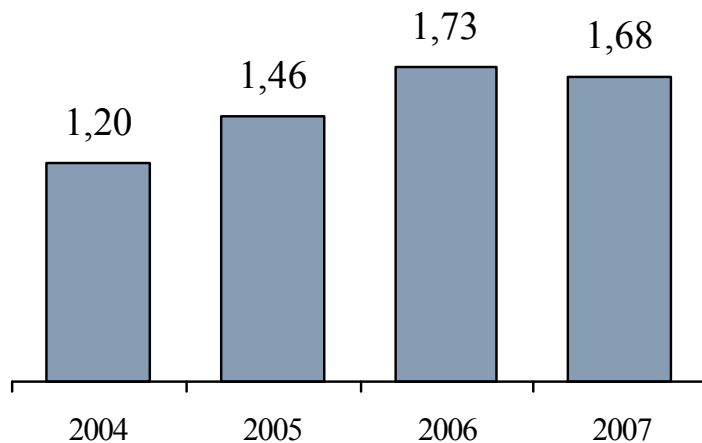
- 1. Calculated as OIBDA / Average Total Assets*
- 2. Calculated as Net Income / Average Book Equity*

**Effective use of assets and excellent indicators of corporate profitability**

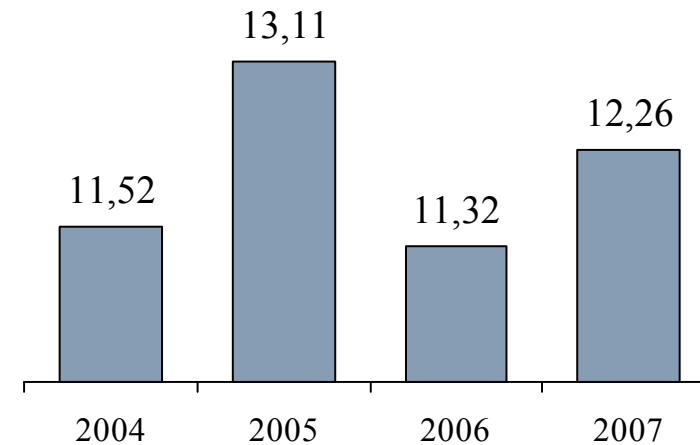
# Strong Financial Position



TOTAL DEBT/OIBDA



OIBDA/INTEREST EXPENSE










- Strong liquidity position
- Prudent approach to leverage
- Easy access and well established reputation in capital markets
- Credit profile confirmed by rating agencies
- Maturity profile matching the company's investment cycle

**Strong financial position confirmed by solid ratings**

# Credit Ratings



	S&P Fitch Moody's	BB- BB- Ba3	Positive Stable Positive	01/02/2007 19/07/2007 24/10/2007
	S&P Moody's Fitch	BB- Ba2 BB+	Positive Positive Stable	01/02/2007 09/10/2007 07/04/2008
	S&P Moody's	BB- Ba3	Positive Stable	01/02/2007 10/05/2007
	S&P Moody's	BB- Ba3	Positive Stable	01/02/2007 19/01/2006
	Fitch Moody's	B- B3	Stable Stable	14/02/2006 16/02/2006
	Fitch Moody's	B+ B1	Stable Stable	20/07/2007 14/12/2004
	Fitch Moody's	B+ B1	Negative Stable	13/05/2008 23/07/2007

# Strategy & Investment Opportunities



**ANTON ABUGOV**

## Career in Sistema

- 2006 to present: First Vice president and Head of the Strategy and Development Group; a Member of the Board of Sitronics, Svyazinvest, Sky Link

## Background

- 2003 – 2006: Managing Director at Rosbank
- 1997 – 2006: Strategy Adviser to Tatar-American Investments and Finance Group (TAIF)
- 1999: Adviser to RAO UES
- 1998 – 2002: Director of Corporate Finance at UFG

## Education

- 1998: National Economy Academy under the Government of the Russian Federation





## VISION

*A leading international consumer-centric corporation*

## STRATEGY

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# Sistema Portfolio Strategy

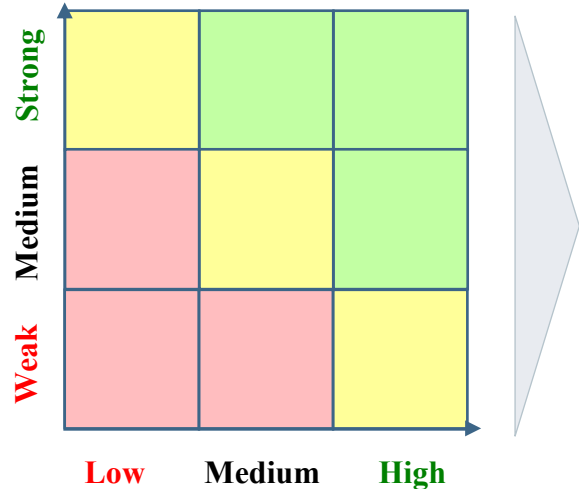


## PORTFOLIO MATRIX

## SISTEMA STRATEGY

### Company Competitiveness

- Market share
- Efficiency v. competition
- Competitive advantage



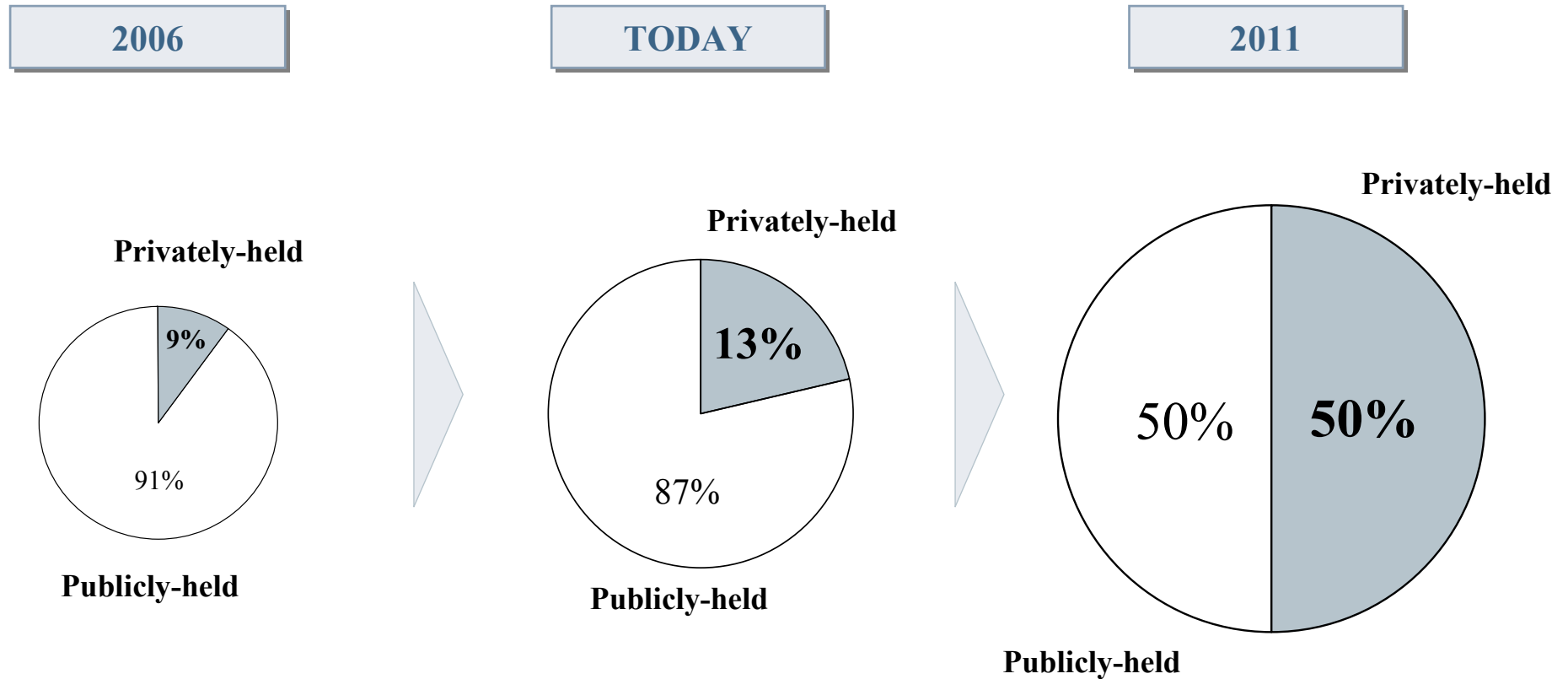
### Market Attractiveness

- Market size
- Market growth
- Competition

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











# Sistema Portfolio Transformation (Strategic Goal)




**Sistema aims to increase its share of fast-growing privately-held companies in the Portfolio in order to make Sistema's shares more attractive to investors**

## ‘Shoots of Growth’ Strategy Execution in 2007



	Revenue growth	Market position	Investments* USD million	M&A transactions
	367%	Top 1	19	Medexpress , American Hospital, Family Medicine Corporation
	114%	Top 27	77	Dalkombank, EWUB
	78%	Top 1	94	--
	60%	Top 3	693	--
	51%	Top 1	11	ROSSpetstechnmontazh
	39%	Top 1	345	DTN (\$167m), RTC (\$21m)
	38%	Top 1	24	Orient in 2008
	29%	Top 1	1540	K-Telecom (€310m), Uzdunrobita (\$250m), BashCell (\$38m)
	28%	Top 1	76	Minorities buyouts, Kursk/Oryol/Tambov
	0%	Top 1	234	--

 Privately held businesses \* Total sales (including intersegment transactions) \*\*Capex, US GAAP

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

# Riding the Consumer Wave



	Market 2007		Market outlook
	Growth	Size	
Retail Banking	<b>+50%</b>	USD 100 billion (Retail assets, Russia)	Retail assets USD 200 billion and retail assets-to-GDP 15% by 2010
Pay-TV	<b>+30%</b>	USD 0.7 billion (Russia)	38% and 8% penetration respectively in Moscow and regions by 2011, up from 18% and 4% today
Wireless	<b>+29%</b>	USD 18 billion (Russia)	136% penetration by 2011, up from 119% today
Retail (children goods)	<b>+20%</b>	USD 8.4 billion (Russia)	39% share of new formats by 2010, up from 24% today
Real Estate	<b>+20%</b>	4.8 million sq m (residential Moscow)	80 million sq.m. in Russia by 2010, up from 60 million. sq.m. today
	<b>+18%</b>	1.8 million sq m (retail Moscow)	+0.8 million sq.m. total area in 2008, up from 3.4 million
Broadband Internet	<b>+19%</b>	USD 3.1 billion (Russia)	83% and 12% penetration by 2011; USD 6.9 billion by 2012
Healthcare	<b>+13%</b>	USD 5.9 billion	USD 8.3 billion by 2010
Travel	<b>+11%</b>	USD 12 billion	USD 26 billion by 2011

**Sistema is taking advantage of increased consumer confidence and spending**

# Sistema's Competitive Advantage



**Client base**

**85,000,000**

**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**

# Sistema Loyalty Programs



## TODAY

Bilateral programs



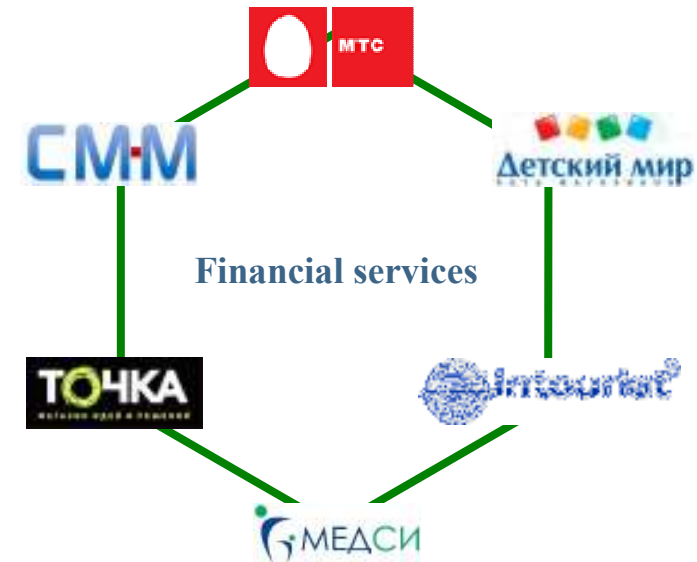
Financial services

## 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

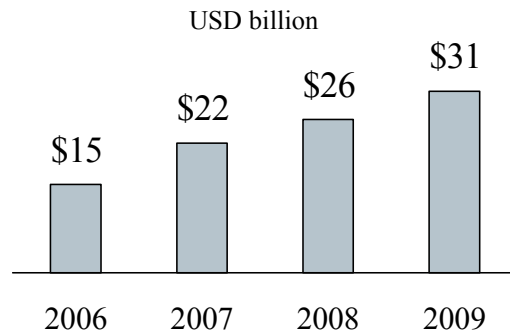


**Bilateral programs initially, followed by the creation of a unified Sistema program when all conditions are met**

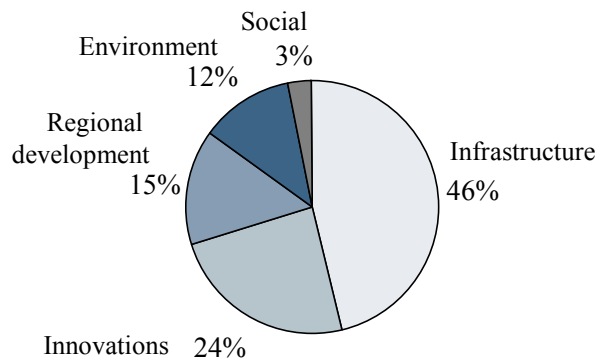


# Sistema State Partnerships and Programs

## STATE PROGRAMS



## PROGRAMS 2008



## SISTEMA PROJECTS TO DATE

Project	Sistema's role
National Crisis Management Centre	Construction of modern command and control centre for the Ministry of Emergencies
0.13-0.18 micron technology	Launch of the most technologically advanced production line of microchips in Zelenograd
GLONASS	Commercialization of Russian satellite navigation system

Sistema companies implemented an entire range of work from construction to communications and IT

Sitronics constructed and launched the first Russian 0.13-0.18 micron line having invested USD200 million in the plant

Sitronics and RTIS were major participants in several GLONASS linked projects

## POTENTIAL PROJECTS

Healthcare	Conversion of state clinics	General contractor & operator
National TV	Digitalization of TV	Network operator
Road	Toll road construction	General contractor & operator

**Increasing Government spending and State investment programs present additional business opportunities for Sistema businesses**



# Investment Opportunity: SVYAZ INVEST



## INVESTMENT CASE

- 25%+1 SI stake owned by Sistema
- USD 1.3 billion invested in December 2006
- USD 2.3 billion stake current valuation (SOTP)
- 77% ROI to date

## SISTEMA STRATEGY

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

## COMPANY RESULTS

	Revenue 2007, \$ m	Growth y-o-r
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 Privatization structure (based on the Rostelecom model) unfavorable to Sistema 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

**MRKs demonstrated strong operational results in 2007. We are still waiting for privatization, which will considerably strengthen our mobile and fixed line positions**

# 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 ~USD 600 million
- The current valuation (SOTP) of Sistema-Invest stakes is USD 1.9 billion (Sistema owns 67% of Sistema Invest)
- 56% ROI to date (annualized)

## COMPANY RESULTS

	Revenue 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%

## SISTEMA STRATEGY

- Looking for opportunities to increase our stakes to controlling 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 leader in petrochemicals in Russia

## DEVELOPMENTS

January 2007 Tax reductions for oil producers operating exhausted oil wells allowing Bashneft to save up to USD 180 million in 2007

2007 Net dividend payout of over USD 80 million

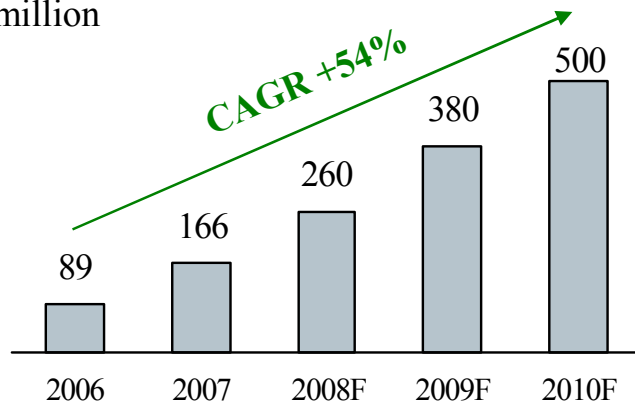
**To date an attractive financial investment; Bashkirian assets represent an excellent opportunity to create one of the leading oil and petrochemical companies in Russia**

# Investment Opportunity: **SHYAM**



## INDIA MOBILE SUBSCRIBERS

million



## MARKET OUTLOOK

- Market size USD 30 billion in 2007
- Market grows 50% year-on-year
- Penetration 23% (March 2008), expected to reach 40% in 3-4 years

Source: TRAI, SOAI, AUSPI

## SISTEMA STRATEGY

- In Jan 2008 Sistema acquired for USD 58 million 51% in Shyam Telelink (STL), a provider of fixed-line and mobile (CDMA2000) telecommunication services in Rajasthan to 270,000 subscribers
- Strategic goal is to build a top 5 telecom operator in India by 2017
- 3-year network rollout plan to cover 70% of Indian state capital cities, highways and railroads
- Target 60 million mobile subscribers or 9% of the market by 2017
- Plan to invest USD 5 billion in network development in next 10 years

## DEVELOPMENTS

January 2008	STL receives Unified Access Telecommunication licenses for India
April 2008	STL received frequencies for CDMA operations in 15 telecom circles covering 900 million residents or 80% of the Indian population
May 2008	Construction of Pan-Indian CDMA network began

**Sistema is building a leading pan-Indian telecom company**

# Sistema is a Visionary Investor



## VISIONARY INVESTMENTS



1996: Sistema acquires a 51% stake in an operator in **new GSM standard** for **under USD 20 m**



1996: Sistema acquires stake in Moscow's ILEC for **under USD 140 m**



2000: Sistema launches modernization program at **nearly bankrupt** Soviet-era technology facilities (**revenues USD 29 m**)

### Real estate

1994: Sistema invests in **first real estate reconstruction projects** in Moscow

### R&D labs

2000: Sistema acquires **two R&D laboratories** famous in the former USSR for communication technologies

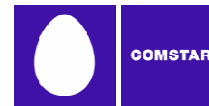


1997: Sistema acquires control of Soviet-era children goods flagship store in Moscow for **USD 20 m**

## LEADING BUSINESSES TODAY



The largest mobile phone operator in Russia and the CIS with **MCap of USD 33 bln** and **85 m subscribers**



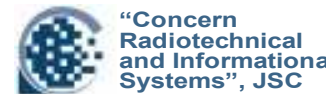
Leading provider of integrated telecommunication services in Russia with **MCap of USD 4.4 bln** and **5 m active lines**



Russia's leading hi-tech company with **revenues of USD 1.6 bln** in 2007 and offices in **30 countries**



Russia's leading developer with **MCap of USD 1.4 bln** and **portfolio value of USD 3.7 bln** (CW&SR January 2008)



One of the prime contractors of the Government with **portfolio value of USD 5.7 billion** (2008)



Russia's leading children goods retail chain with **100 stores in 49 cities** and a total sales area of **183,000 sq.m**

**Sistema's proven track record of visionary investments**



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Moscow Bank for  
Reconstruction and Development



# Capital Markets Day

## Moscow Bank for Reconstruction and Development

London

May 30, 2008

**Sergey Zaytsev**

Chairman of the Management Board

Moscow Bank for Reconstruction and Development

# 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.

Neither we, nor any of our respective agents, employees or advisors intend or have any duty or obligation to supplement, amend, update or revise any of the forward-looking statements contained in this presentation.

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



## Highlights

- **Top-30** Russian bank by **net assets** measured under RAS in 2007
- **Acquisition of Dalcombank**, one of the biggest banks in the Russian Far East, and **East-West United Bank** in Luxembourg
- **Full-service retail bank** with network all over Russia: MBRD – 161 offices and points of sale in 54 cities and towns; Dalcombank – 72 offices and points of sale in 30 cities and towns as of the end of March 2008
- Focus on **expanding retail banking** and **diversification of corporate banking**
- Revenues up **118%** to **USD 457\* million** & operating income up **180%** to **USD 223\* million** by the end of 2007
- Assets increased 2.5 times from 2006 to **USD 5.6\* billion** in 2007
- Rating Agencies confirmed issuer's default rating: Moody's – "**B1 Stable**" in January 2008 and Fitch – "**B+ Stable**" in February 2008
- Securitization of retail loan portfolio: completed car loans portfolio securitization of **USD 60 million** with ability to increase up to **USD 200 million**
- In March 2008 MBRD **successfully repaid USD 150 million** Eurobonds
- **Sound capital adequacy** in line with industry standards
- **Experienced management team**

*Note: \* Bank Group: MBRD, EWUB and Dalcombank*

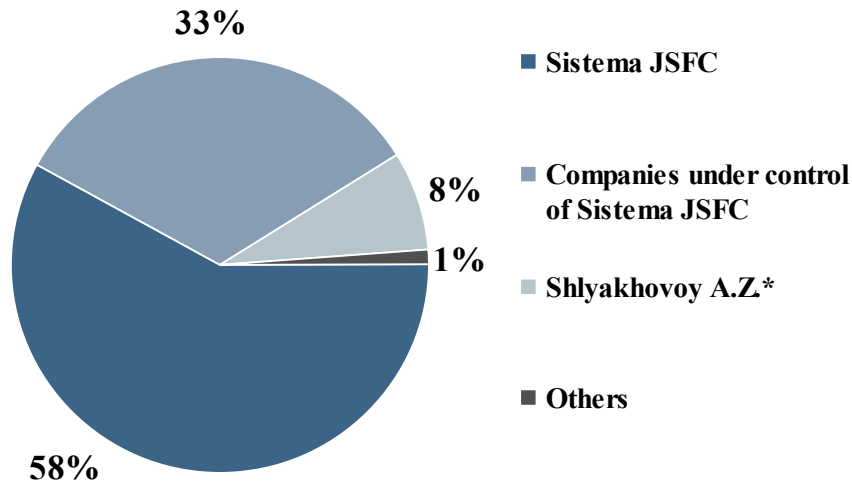
**Fast growing bank with focus on retail and regional development**





# Ownership and Business Structure

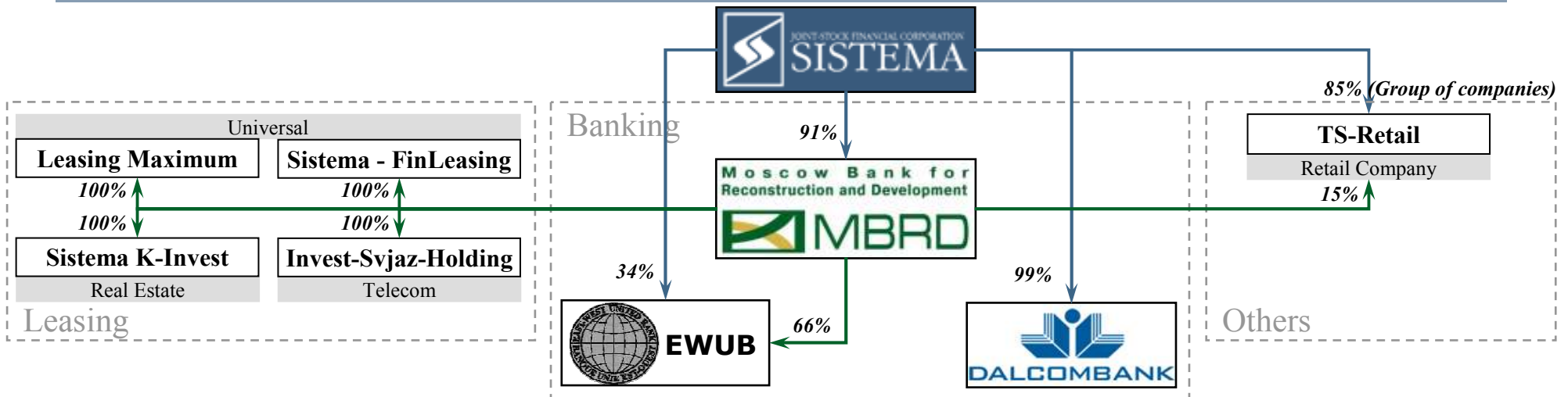
## Ownership



Note: \* under agreement of Dalcombank acquisition

- JSFC Sistema owns 58% of MBRD's shares and exercises control over **91%**
- Sistema is **key client** and **strategic partner** of the bank: lending to and investing in the projects, payroll services, cash management and consulting services
- MBRD has been very **successful** in retaining the loyalty of Sistema companies

## Subsidiaries



# Impressive Growth Story



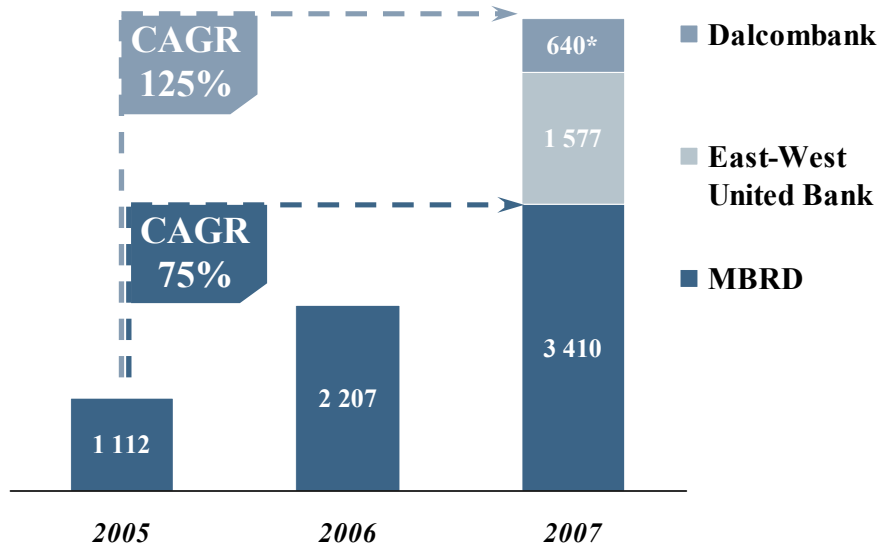
## Main Achievements

- **Growing retail share** in loan portfolio structure
- Retail loan portfolio increased **2.8 times** in 2007
- Total assets increased **2.5 times** in 2007
- In January 2008 MBRD **won** "The Fastest Growing Company" Award and "Dynamics & Efficiency in Retail Banking" Award in April 2008

## M&A Activity

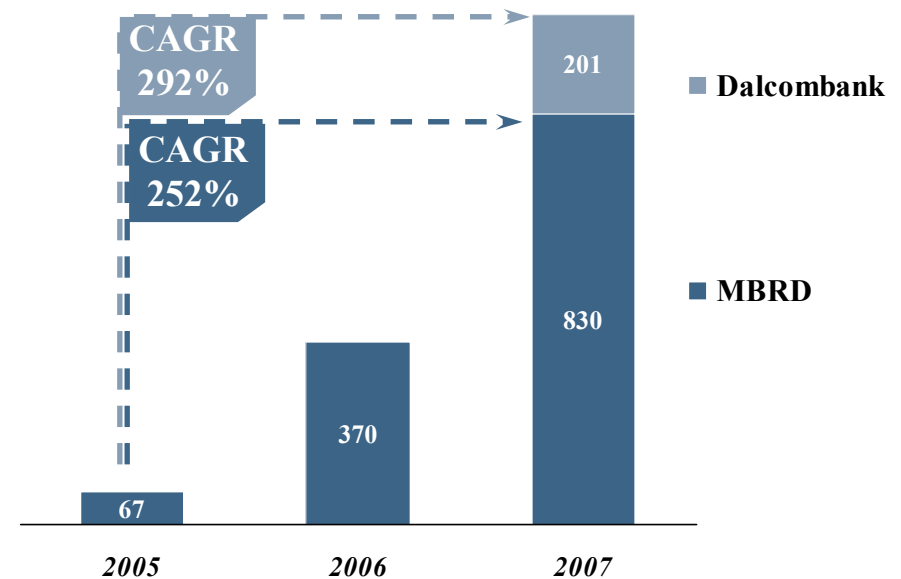
- **Acquisition of Russian regional banks** with leading positions in retail banking in their regional markets
- Selective **acquisition** of banks in **the CIS**
- **Acquisition** of a **European bank** to diversify services for wealthy clients

## Assets of the Banking Group (USD million)



Note: \* Non-consolidated as of 31.12.2007

## Retail Loan Portfolio (USD million)



**Rapid growth of key businesses both organically and through M&As**



# Dalcombank Overview

## Highlights

- **TOP-3** by retail loans and individual deposits in Khabarovsk and Amur regions
- **8** branches, **39** additional offices, **18** teller offices and **7** loan centres in **6** Far Eastern regions
- **72 POS** in **30** cities and towns of Eastern Siberia and the Far East
- ATM network consists of **160** terminals

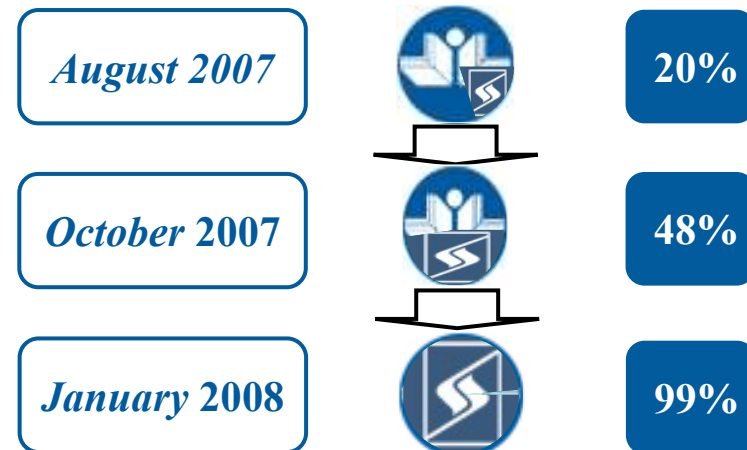
## Financial Performance

USD million	2007	2006	2005
<b>Assets</b>	<b>694</b>	475	365
<i>Retail Assets</i>	<i>201</i>	<i>136</i>	<i>69</i>
<b>Capital</b>	<b>35</b>	19	12
<b>Operating Profit</b>	<b>57</b>	14	6
<b>Net Income</b>	<b>9</b>	5	4
<b>Number of POS</b>	<b>72</b>	60	52

## Acquisition

- **In line with approved M&A strategy** to build one of the leading Russian banks
- MBRD will **buy** Sistema's **stake** of Dalcombank during **2008**
- **Integration** into MBRD by the end of **2009**
- Ongoing **consolidation** into a **single entity**
- **Further expansion** as of MBRD's strategy

### Build up of Sistema participation



**The acquisition of Dalcombank is in line with the MBRD development strategy**

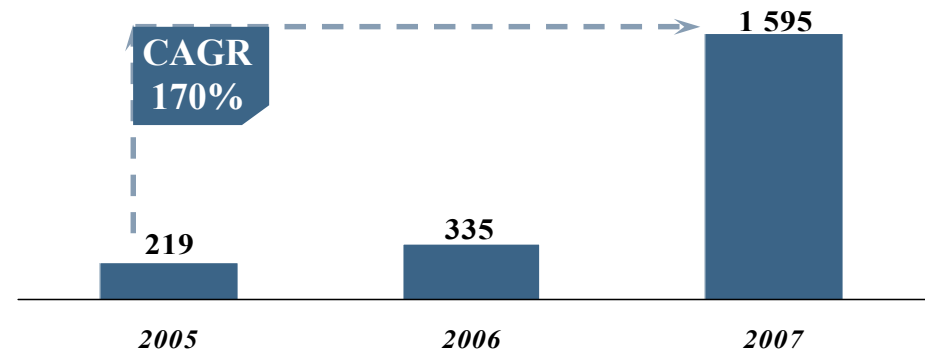


# East-West United Bank Overview

## Highlights

- Established in **1974** as the **first bank** of the Soviet Union in Benelux
- Nowadays the bank focuses on providing **private banking** and **wealth management** services
- The bank's assets as of December 31 2007 more than quadrupled– from USD 335 million to **USD 1,595 million**

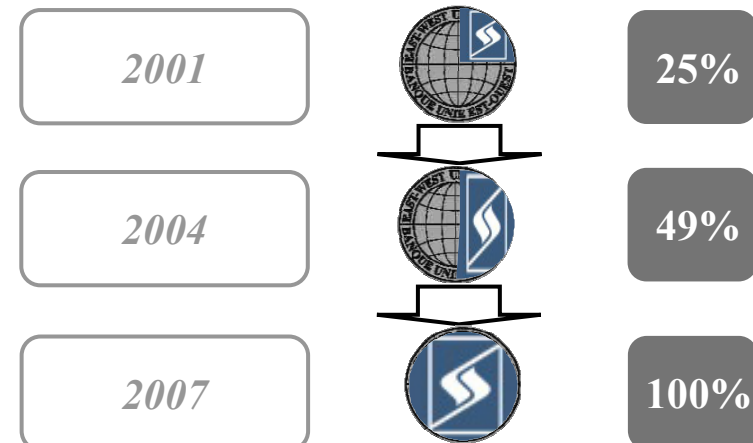
## Assets (USD million)



## Acquisition

- In 2001 Sistema JSFC bought **25%** of EWUB under agreement with Vneshtorgbank
- Sistema gradually increased its stake, which reached **49%** in 2004
- In December 2007 the holding got **control** over **100%** of EWUB: Sistema owns 34%, MBRD – **66%**

### Build up of Sistema participation



**Diversification of services to wealthy clients through acquisition of European bank**

# Financial Highlights



USD million	YE 2007*	Growth rate	YE 2006	Growth rate	YE 2005
<b>Selected Balance Sheet data</b>					
Total assets	5,010	127%	2,207	99%	1,112
Total liabilities	4,709	129%	2,054	110%	978
Total shareholder equity	301	97%	153	15	134
<b>Selected Income statement data</b>					
Net interest income	115	117%	53	89%	28
Non-interest income	42	40%	30	150%	12
Net income	38	153%	15	114%	7
<b>Selected Financial Ratios</b>					
ROE	17.09%		10.05%		5.38%
ROA	1.08%		0.88%		0.71%
Cost / Income	68.53%		73.09%		75.72%
Bad loans** / Loan portfolio	1.27%		1.55%		0.37%
Capital adequacy	13.38%		13.67%		13.90%

\* According to MBRD's consolidated accounts. Dalcombank is consolidated as a part of Sistema JSFC

\*\* Overdue more than 90 days

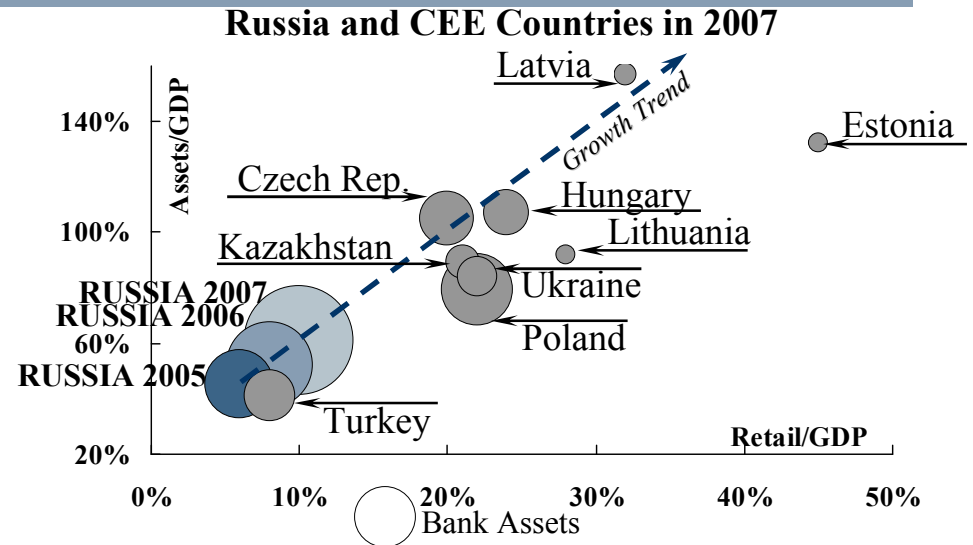
**Significant improvement in profitability ratios with acceptable bad loans ratio**

# Economy & Banking Sector in Russia



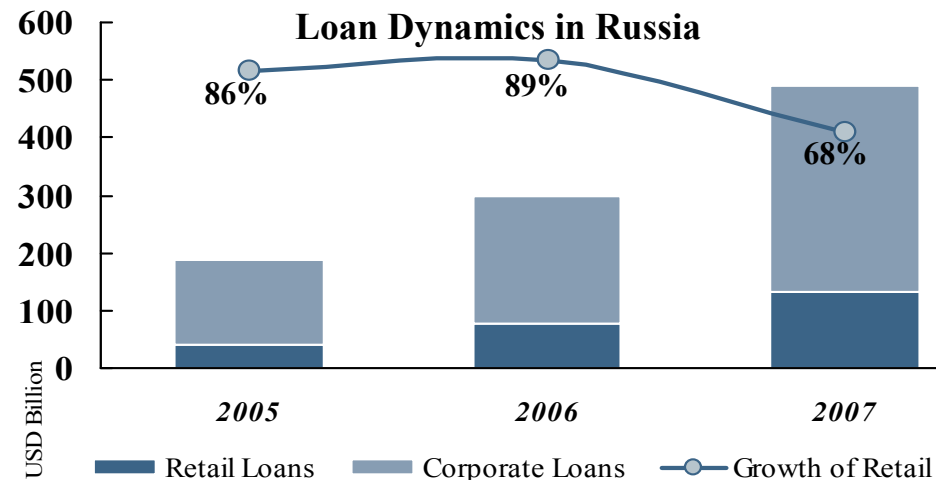
## Macro Performance

- The Russian banking sector benefits from Russia's **economic boom** as the additional wealth filters down to the rest of the economy
- Russia lags behind CEE in market's saturation - **huge growth potential** of banking sector in near future



## Banking Sector

- 11 large **M&A** deals in the Russian banking sector totaling more than **USD 4 billion**
- **Growing foreign presence** in Russian retail banking
- Groups already **active** in Russia: UniCredit, SG, Raiffeisen, Citigroup, Intesa, Barclays, HSBC, Santander, KBC
- Groups **entering** Russian market: BBVA, EFG Eurobank, Erste Bank



**Ongoing intensive growth in bank assets, particularly in the retail business**

# Subprime Crisis & Russian Banking Market



## Overview

**Cost increase and decrease** of available credit resources



**Decline of inflow of foreign funds**



**Liquidity deficit** in the Russian banking sector

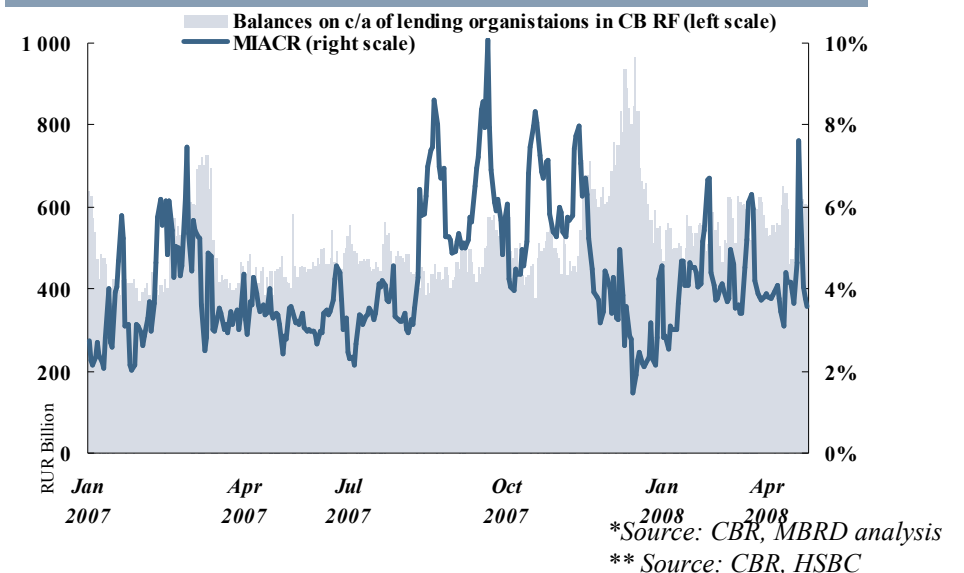
## Trends in Banking Sector

- **Excess of short-term liquidity** – overnight rates are at a level of 3-4%
- Remaining **shortfall of mid- and long-term liquidity**
- **Intensified banking activity** in domestic market
  - **Increase of retail deposit rates**
  - **Placement of debt instruments** in domestic market
  - **Growing usage of alternative financial instruments** (syndicated loans)

## Actions of the Authorities

- Widening of the lending programs secured by **pledge of securities (REPO)**
- **Broadening of the list of assets** eligible for Lombard loans of the Central Bank
- **Borrowing window** from the CB RF with **guarantees** of TOP-50 lending institutions
- Authorities **support** Russian banks through the Central Bank and some state corporations

## Indices of the Russian Banking Sector

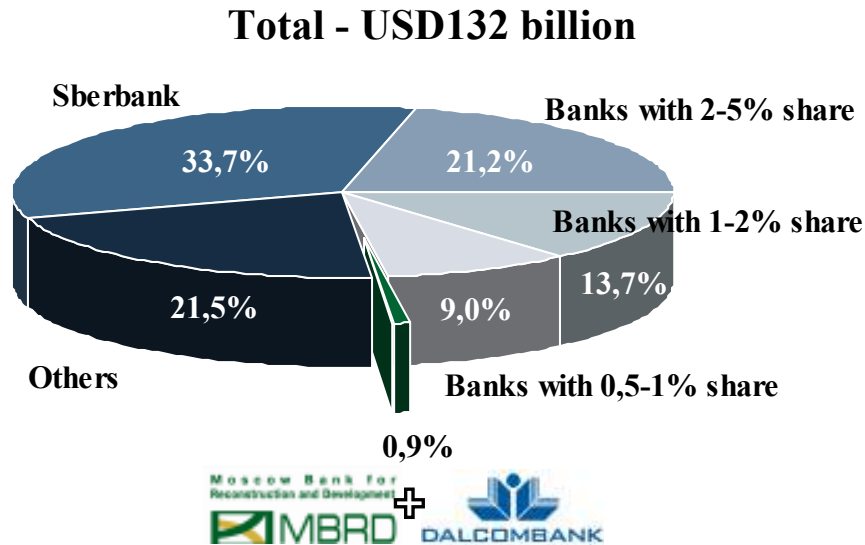


**Russian financial market is more stable due to support received from authorities and banks** 47



# Competitive Environment

## Retail Banks' Market Share as of Jan 1 2008\*



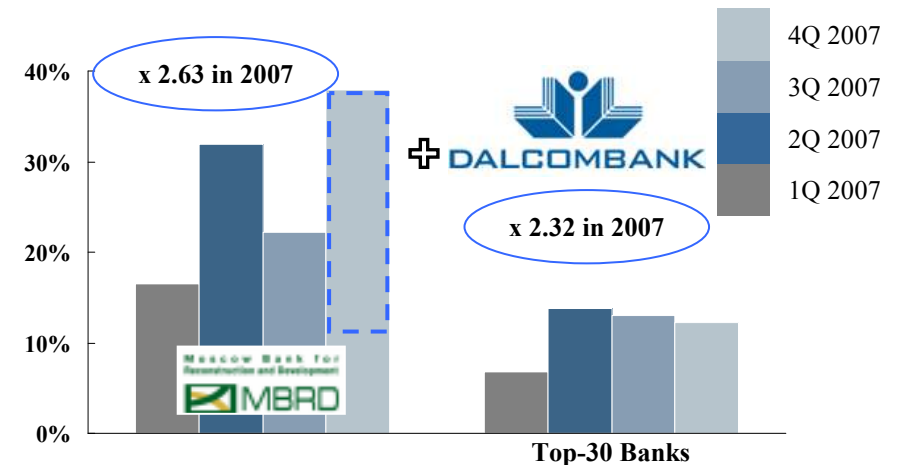
**7 banks** (except Sberbank) with shares over 2% of the retail market

\* Source: CBR, MBRD analysis  
 \*\* Source: Rosbusinessconsulting  
 § MBRD & Dalcombank  
 §§ Source: CBR, MBRD analysis

## MBRD in Ratings\*\*

	2005	2006	2007
Net assets	34	31	30\$
Retail bank (assets)	51	31	20\$
Mortgages	17	16	10
Car loans	-	22	13
Credit cards	-	-	14

## Retail Portfolio Dynamics§§ (% yoy)



**In a fragmented market MBRD is growing faster than its competitors**



# Strategy of the Banking Group in Russia



## Goal

- To establish a **commercial bank** focused on the **retail business**
  - **TOP-15** Russian bank in terms of **assets**
  - **Return on Equity (ROE)** – not less than **25%**



## Strategy

- **Focus on the retail business:** priority products that can be securitized
  - Credit cards, car loans and mortgages
- **Expansion of office network and client base** through **acquisition** and **integration** of several regional banks in 2008-2009
- **Increase** of the share of **"light" offices** in distribution channels



## Targets for 2010

- Market share – **3%** in 15 regions (TOP-5)
- **Share of retail loans** – **50%** of the loan portfolio
- **Clientele** – over **1 million** individuals
- **Self-service terminals network** – over **2,000** devices

**The Russian segment of the Banking Group is to become one of the leading players through a focused retail strategy implemented organically and through M&As**



# Unique financial products for Sistema consumers



Client base

85,000,000

4,000,000

500,000

200,000

Client and spending data

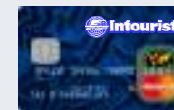
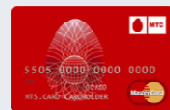
Shift from price competition to service competition

Improving people's understanding of finance

Moscow Bank for Reconstruction and Development



Credit & loyalty cards enjoying discounts from Sistema consumer products



• Loans to mobile subscribers

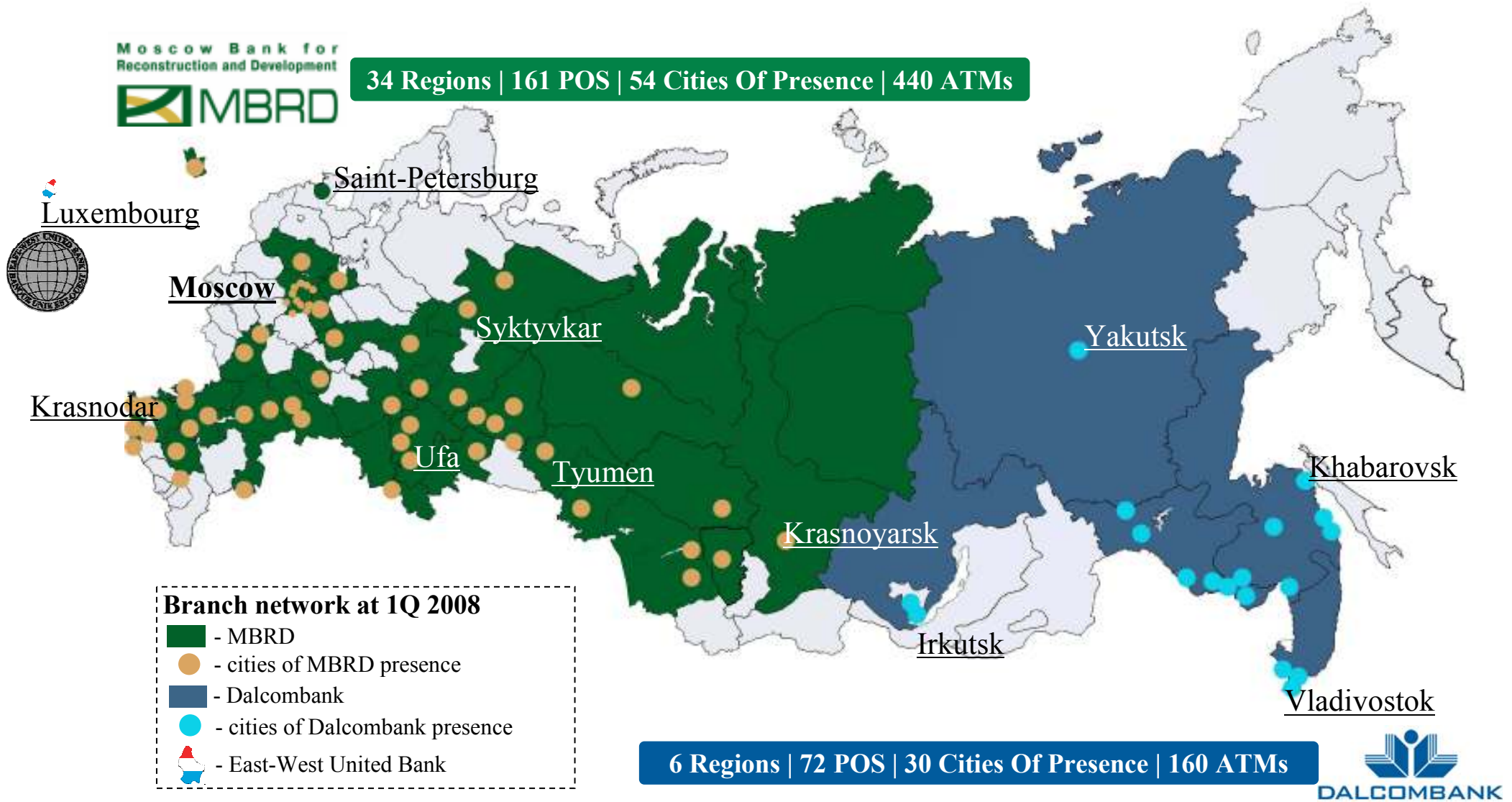
• Retail loans

• Travel loans

• Health care loans

**Working together with consumer businesses MBRD will be able to offer targeted financial products**

# Regional Development in Russia and Abroad



**MBRD regional strategy is implemented according to predetermined criteria both organically and through M&A deals with regional banks**

# Future Development



- Additional opportunities of bank **development** through **expansion** into the CIS:

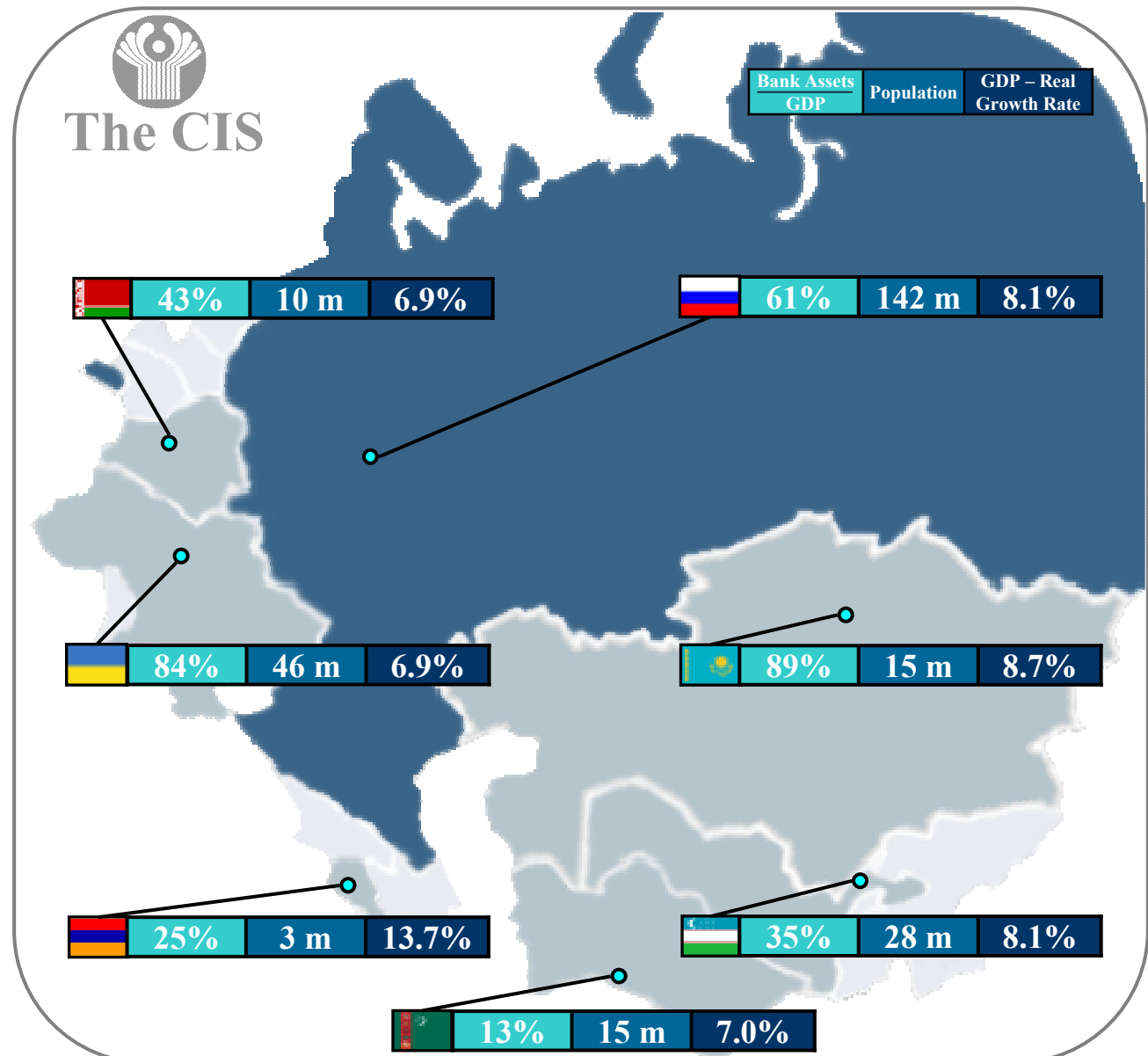
## High priority

-  Belarus
-  Uzbekistan
-  Armenia

## Low priority

-  Ukraine
-  Kazakhstan
-  Turkmenistan

- The main aim is to occupy **leading positions** on local markets
- **Selective approach** to M&A deals in the CIS depending on market development and presence of Sistema Group



**MBRD is considering entering the CIS market made up of more than 100 million people**

## Conclusion



Russian banking is firmly on a **stable growth path** despite financial crises abroad

Moscow Bank for Reconstruction and Development aims to **reach TOP-15** by 2010

Strategy is to develop a **universal commercial bank** focusing on **retail products that can be securitized**: bank cards, car loans and mortgages

MBRD will grow both **organically** and through **M&As** with regional banks in Russia and selective deals in the CIS

**Dalcombank's acquisition** is in line with the M&A strategy of MBRD



**M o s c o w B a n k f o r  
R e c o n s t r u c t i o n a n d D e v e l o p m e n t**



## **HEADQUARTERS**

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# Capital Markets Day 2008

## Detsky Mir (Children's World)

London

May 30, 2008

Maxim Entyakov

Chief Executive Officer

Detsky Mir (Children's World)

# Disclaimer



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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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# Business Profile



## **Largest retailer in the children's goods market in Russia**

- Combined revenue of US\$ 335.3 million in 2006 (year-on-year growth 62%) and US\$ 597.2 million in 2007 (year-on-year growth 78%)
- 100 Detsky Mir stores in Russia as of 23<sup>th</sup> May 2008 with total retail space of 183,000 sq.m. in 49 cities across 40 Russian regions
  - 2 stores were closed in St. Petersburg (acquired in M&A process) in 2007 due to opening of new outlets in more promising shopping centers in the same area
  - 1 store in Ukraine will be opened during 1H2008 - first retail outlet outside Russia

## **Strong shareholder support**

- Financing of organic growth (\$50 million equity contribution in 2007)
- Cross-selling opportunities with other Sistema companies

## **One of the most recognized brands in Russia and the CIS**

- Unique trade mark, associated with children's goods since 1957. Total brand recognition is about 93%, and spontaneous awareness – 58%\*
- Specialized children's stores are chosen by 90% of customers and 55% of customers prefer to shop in one place\*\*
- The Detsky Mir brand is acknowledged by Rospatent as a nationally recognized brand in Russia

## **Best practices in corporate governance**

- US GAAP reporting since 2005
- Independent directors; Board Committees
- Completion of assets restructuring

\* ACNielsen

\*\* RBC, ROMIR Monitoring

**A strong brand, efficient sustainable growth, and high standards of corporate governance**

# Overview of the Russian Market



## Favorable Macroeconomics

- Disposable income growth forecast (~12% p.a.)
- Retail spending growth forecast is for 12-15.7% between 2006 and 2010
- Share of household expenditure on groceries went down from 45.9% in 2001 to 30.2% in 2007 and continues to decrease
- Volume of Russian retail market in 2007 was estimated at \$392 billion; non-food products account for 56% of the market

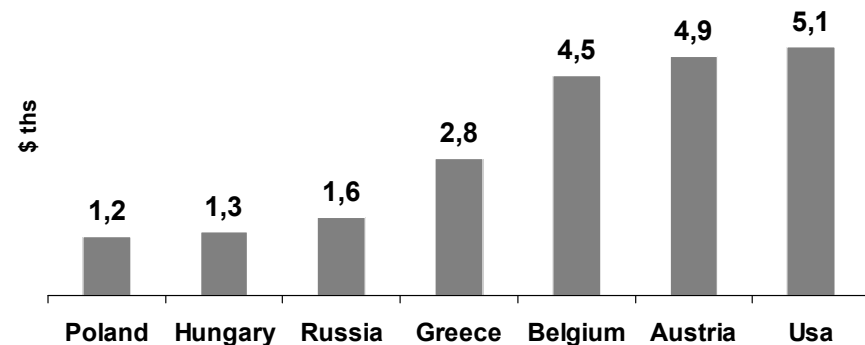
## Real Disposable Income vs. Real GDP Growth



## Retail market potential

- The development of modern retail formats and the decreasing share of non-organized retail will be key drivers for retail growth
- Average growth rates of TOP-50 Russian retailers exceeded 40% in 2007
- Retail turnover per capita in Moscow 2.5-3 times higher than in regions
- Russian regional market has great potential but lags behind the retail turnover per capita levels in Eastern Europe
- According to the GRDI index Russian retail has the second best potential in the world

## Retail Turnover per capita, 2007



Sources: Rosstat, Factiva, UFG, EIU, Renaissance Capital, AT Kearney, RBC, Euromonitor, Kommersant

**The Russian retail market is realizing the potential of one of the biggest markets in Europe**

# Competitive Environment



## Key market statistics in 2007\*\*

- The population of children aged under 14 is 20.9 million (15% of Russian population) with \$250 average annual expenses per child in small cities, \$900-1100 in cities with a 1+ million population and \$1300 in Moscow
- Total children's goods market in 2007 was \$8.5 billion, or 23-25% of the Russian children's goods retail market
- Detsky Mir is a market leader with ~30% of the total organized children's goods market

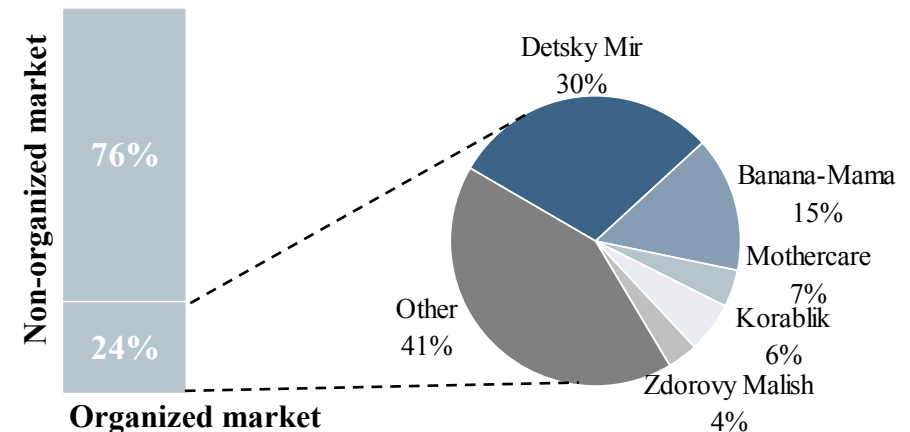
## Market potential of children's goods

Russia's continued economic growth and stability encourages Russians to have more children after more than a decade of falling birthrate

- In 2007 the birth rate in Russia increased by 8.7%
- Growth of organized children's market is not less than 20%; growth rate in regional markets exceeds growth in Moscow
- Share of modern retail formats is expected to double in next 5 years
- Expansion into Ukraine would add a new market of 45 million people

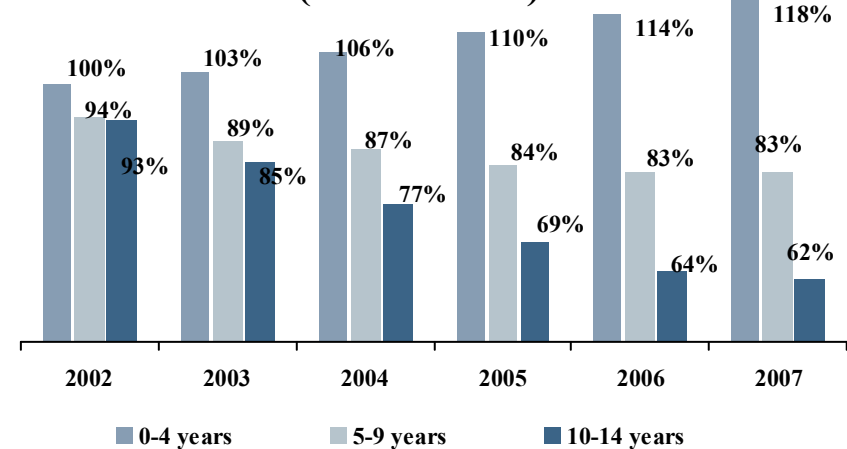
\*\* Source: Rosstat, segment: urban population 2001=100%

## Market share of key players\*



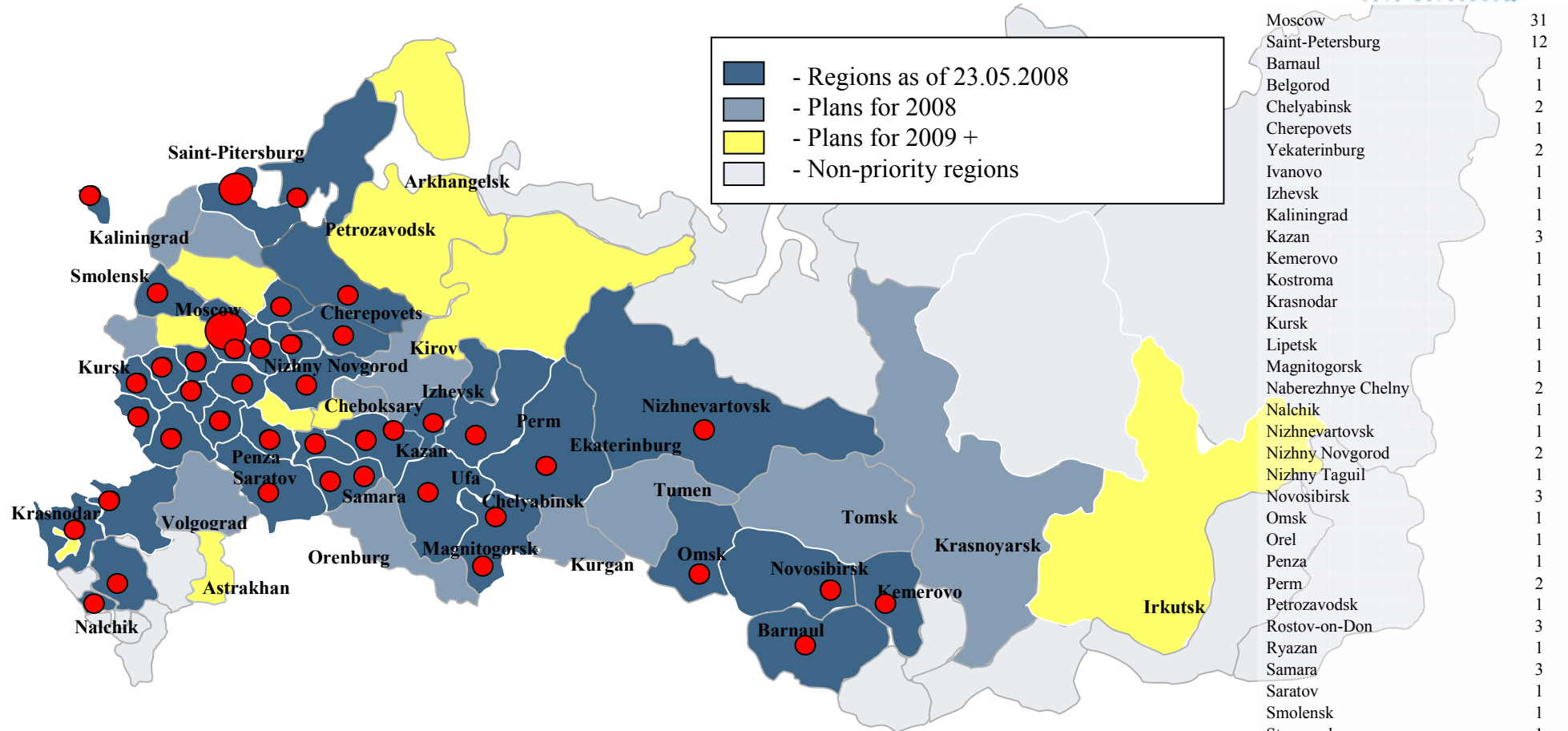
\* Source: Company, Deutsche UFG, RenCap, Rosstat, RBC, ROMIR Monitoring.

## Growth dynamics in children's age groups (2001=100%)



**Children's goods is a promising and fast growing segment of the Russian retail market**

# Regional Development in Russia



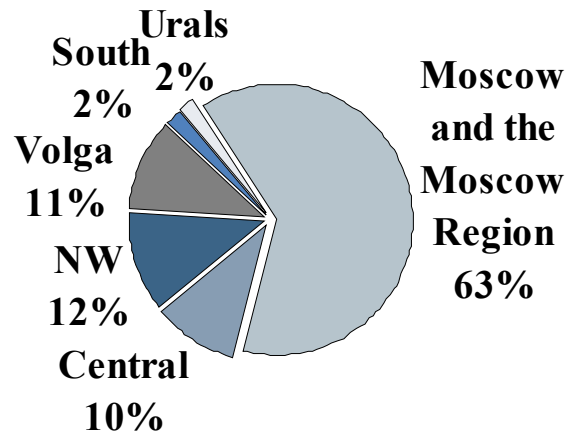
- As of May 2008 the Detskiy Mir retail chain operates in 49 cities across 40 Russian regions, covering 3/4 of the Russian population and with 80% of total Russian retail sales

**In 2008 Detskiy Mir plans to expand into at least 50 Russian regions (60% of Russian regions)**

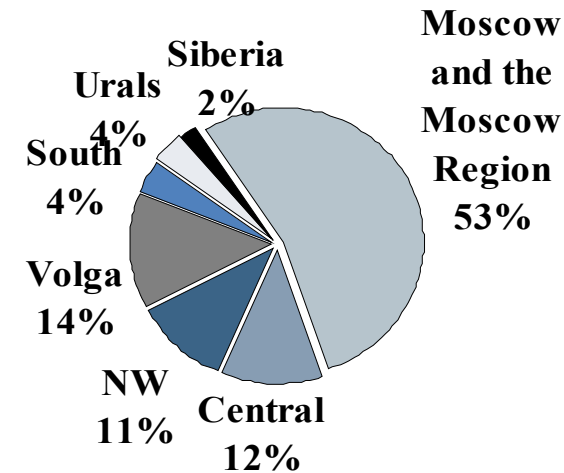
# Business Description and Operational Overview (1)



Retail revenue geography in 2006



Retail revenue geography in 2007



## Exploiting market growth – regional expansion

- In 2007 the Detsky Mir retail area increased by 60% to 174 000 sq.m.
- In 2007 Detsky Mir expanded its footprint in 13 new cities in 11 new regions
- In 2008 Detsky Mir will open its 1<sup>st</sup> store outside Russia in Ukraine
- In 2009 Detsky Mir plans to expand into the CIS market

## Support of regional development

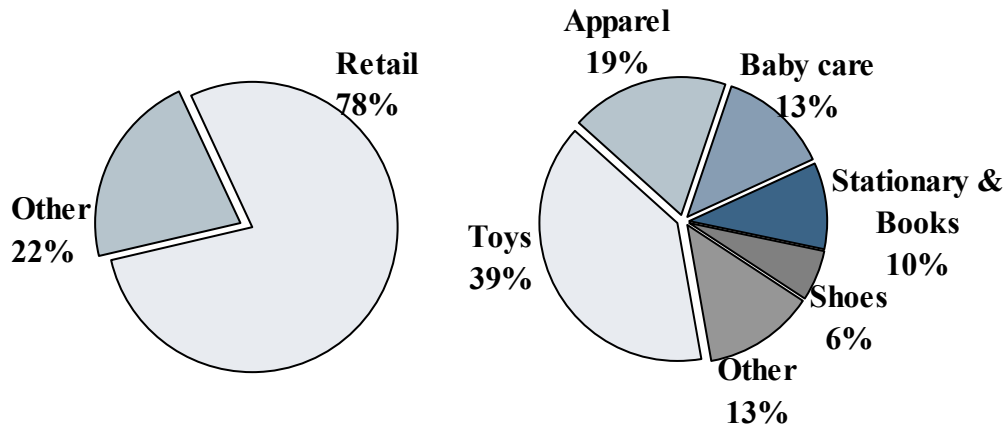
- 11 regional trading representative offices each connecting 5-15 outlets providing for more efficient management
- Own distribution center covering 31 stores in Moscow and the Moscow Region and 69 stores outside Moscow
- Reorganization of logistic chain for more efficient expansion into regions

## Retail revenue diversification into the Russian regions

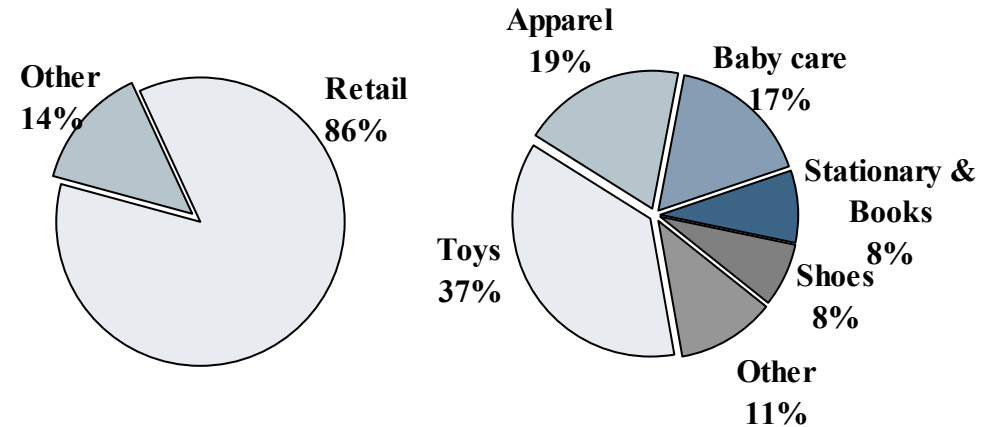
# Business Description and Operational Overview (2)



Revenue 2006



Revenue 2007



## Retail operations

- Development under one brand in three basic store formats ensures flexibility of operations
- Over 70 000 items
- Average SKUs – 25-30 per sq.m.
- Average check \$29.6 (year on year growth 24%)
- Top quality goods and superior service
- Focus on fast growing target audience (middle income families)

## Service functions

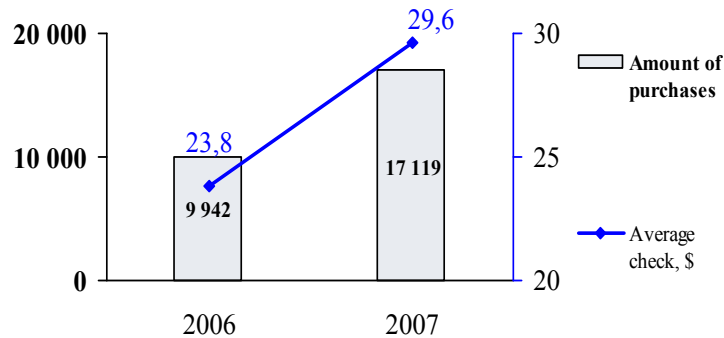
- Importing – operator C-Toys**
  - Wholesale operations: exclusive brands, pricing power over suppliers, market watch
  - Purchasing technology, external logistic network
- Logistics network**
  - In 2007 new trade representative office was opened in Germany; new trade representative office will open in 2008 in Hong Kong

**Increasing share of retail revenues in total sales**

# Loyalty

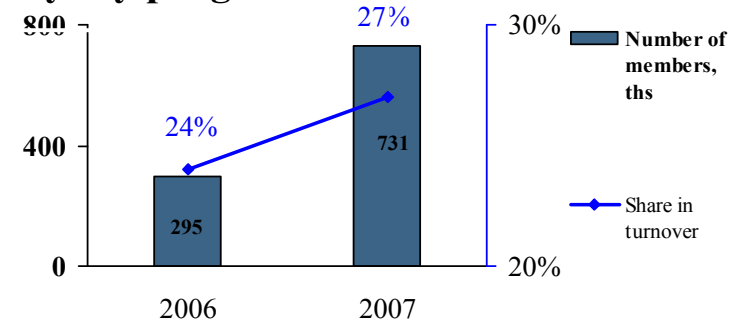


## Clients' base



- Rapid growth of customer base and number of purchases
- More than 17 million transactions in 2007

## Loyalty program



- Expansion of the network improves client loyalty, and increases the size of client groups

## Existing program

- Detsky Mir 3 level discount program
  - 3 levels of discounts
  - Additional bonuses on 3<sup>rd</sup> level of the program
- Average check within club program 54% higher than average check of the network
- Co-brand project “Detsky Mir – Visa – MBRD” in Moscow

## Evolution of the existing program

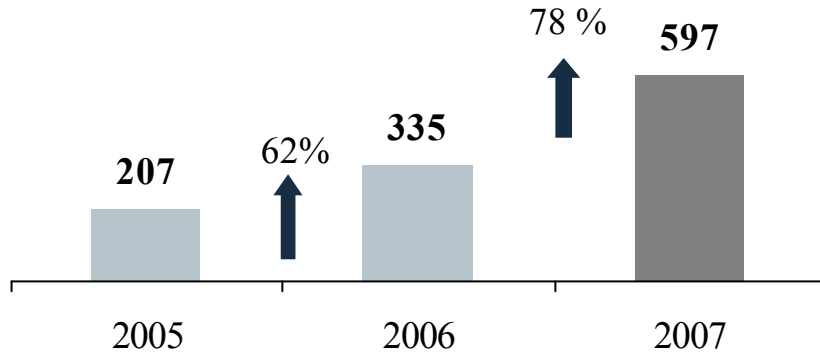
- Switch to bonus based loyalty program
  - Step back from price competition
  - Transfer from transactional business to relationship business
- Possibility of participating in bonus programs together with other Sistema companies
- Use of Detsky Mir product lines to indemnify bonuses
- Implementation of CRM program
  - Efficient targeting
  - High rate of reference

**Loyalty program supports strong leadership position**

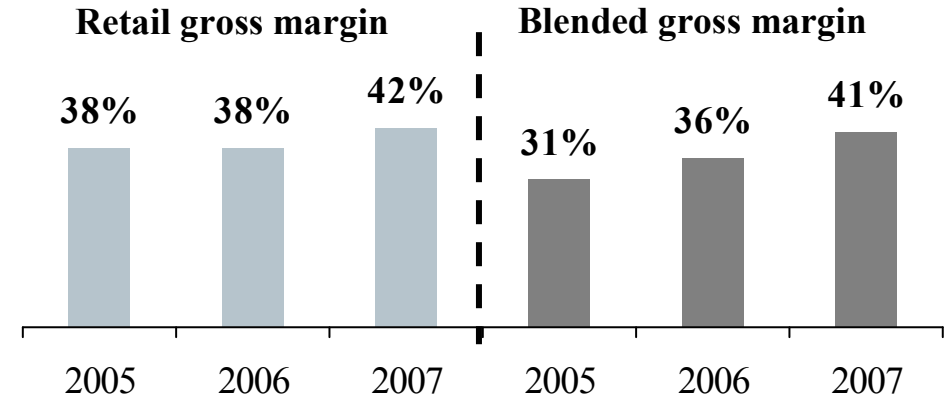
# Financial Highlights (1)



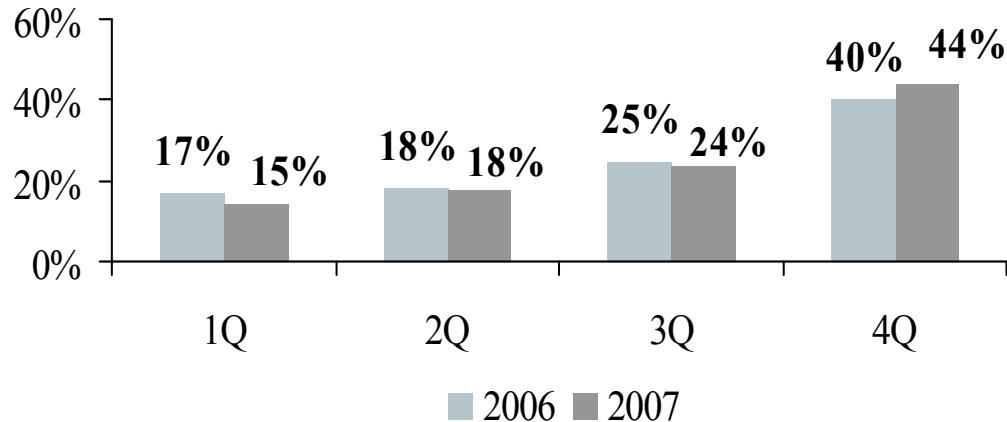
**Revenues (USD million)**



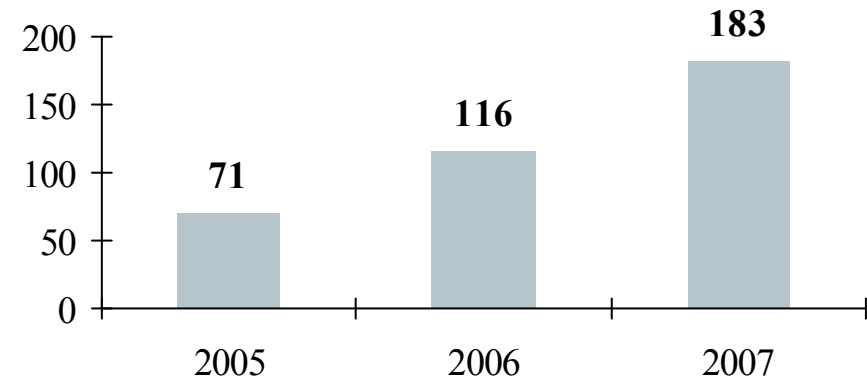
**Gross margin**



**Seasonality of revenues in 2006 and 2007**



**Total Debt (USD million)**



**Sustainable growth and increasing profitability of operations**



## Financial Highlights (2)



### Efficiency

- Significant increase in gross margin due to purchasing structure optimization
- Rapid development of retail chain puts pressure on OIBDA margin

### Shareholder support

- Sistema contributed \$50 million to support organic growth in 2007

### Comfortable level of debt

- Acceptable interest coverage ratio
- Well-balanced capital structure

### Improved bottom-line performance

- Oracle Retail ERP system is being implemented for efficient resource allocation
- Implementation of trade finance
- Debt restructuring in 2007 to reduce interest expense from 11% to 8.5% and increase maturity

US GAAP, \$ million *	2005 FY (audited)	2006 FY (audited)	2007 FY (reviewed)
<b>Combined P&amp;L Account</b>			
Sales	207.5	335.3	597.2
Gross Profit	64.9	119.2	247.1
<i>Gross Margin</i>	<i>31%</i>	<i>36%</i>	<i>41%</i>
OIBDA	11.5	20.9	36.1
<i>OIBDA Margin</i>	<i>5.5%</i>	<i>6.2%</i>	<i>6.0%</i>
Net Income	3.8	4.9	6.4
<b>Combined Balance Sheet</b>			
Total Assets	147.2	238.1	497.0
Total Debt <sup>(1)</sup>	71.1	116.1	183.0
Net Debt <sup>(2)</sup>	33.1	92.0	140.0
Shareholder's equity	25.3	36.3	100.7
<b>Key Ratios</b>			
OIBDA / Net interest expense	7.2x	2.6x	2.4x
Debt to Capital <sup>(3)</sup>	0.7x	0.8x	0.6x

<sup>(1)</sup> Includes capital lease obligations <sup>(2)</sup> Total Debt less C&CE and ST investments

<sup>(3)</sup> Capital is Total Debt plus Shareholder's Equity

\* Numbers may differ insignificantly from consolidated financials of Sistema JSFC due to a later audit date of Detsky Mir Group

## Shareholder support and efficient management

# Strategy



## Mission

- Create the largest and most efficient supermarket retail chain in Russia and the CIS for children and teenagers

## Strategy

- Focus on larger store formats in the priority regions of Russia and the CIS
- Provide customers with the widest and the most attractive range of products and services - unique in each local market
- Proactive marketing policy
- Improve business efficiency through the implementation of new purchase technology and the introduction of an ERP-system

## Goals

- Operational: To achieve maximum coverage in the key market
  - A 20% market share in Russia in the long term
  - Establish presence in majority of cities with a population over 150 000 in priority regions of Russia
  - Strong market position in Ukraine and the CIS
- Marketing: Establishing solid long term competitive advantages
  - Increasing store attractiveness for customers via new trade concept developed by FITCH
  - Development of loyalty program and CRM implementation
  - Wide range of goods, new exclusive brands
  - Development of Private Labels
  - Wide range of services and high level of customer service

**Established leader in children's goods retail in Russia**



# Conclusion

## Management team

- Focus on long-term retail business growth
- Track record of strong and efficient business growth

## Growing market

- Stable economic growth in Russia
- Target audience increase

## Lease-based operating model

- High store location flexibility
- Low investment costs - superior return on equity
- Faster expansion - market barrier for new market entrants
- High maturity of lease contracts (7 to 10 years); lower operational risk

## Capital structure

- In 2008 Detsky Mir finances its organic growth through debt capital
- In 2007 Detsky Mir received a \$50 million equity injection from Sistema to finance organic growth

## Strong financial discipline

- Automated budget control introduced
- Structured system of decision making
- Optimized capital structure

**A winning low risk business model with a superior return on equity**

## Contacts



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# **Capital Markets Day 2008**

## **VAO Intourist**

London

May 30, 2008

Alexander Arutyunov

President

VAO Intourist

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## Highlights

- **Internationally recognized brand since 1929**
- **Turnover increased 53% in 2007 year-over-year reaching USD 517 million**
- **Revenue increased almost 40% in 2007 year-over-year reaching USD 374 million**
- **More than 800,000 tourists in 2007**
- **In 2007 consolidated 100% of Riviera and Skyway tour operators and 5\* Savoy Westend Hotel (Czech Republic )**
- **In 2007 Intourist became the largest Russian tour operator for second successive year\***
- **Member of a number of international organizations**



\*-published by the financial newspaper Kommersant in conjunction with information agency Tourinfo

**VAO Intourist is the leading multi profile holding company in Russia's tourism and travel industry**

# Strategy



## Strategic goals

- Becoming travel and tourism market leader in the Russian Federation and CIS
- Reaching the Top-10 on the European market by 2010



## Main strategic tasks

- Building a vertically-integrated holding
- Development of retail chain and turning the Intourist brand' into the leading retail brand for travel and tourism throughout Russia and the CIS
- Partnership with a large international player

### Tour operating

- 20% inbound market share
- 15% outbound market share

### Retail sales

- Development of the largest retail chain with the strongest brand throughout Russia and the CIS

### Accommodation

- Control of rooms for tour operating needs
- Developing the Intourist Hotels Group into a world class hotel operator

### Transport services

- Supplying tour operator needs in air travel

**Synergy between key business units will allow us to become a Top-10 industry leader by 2010**

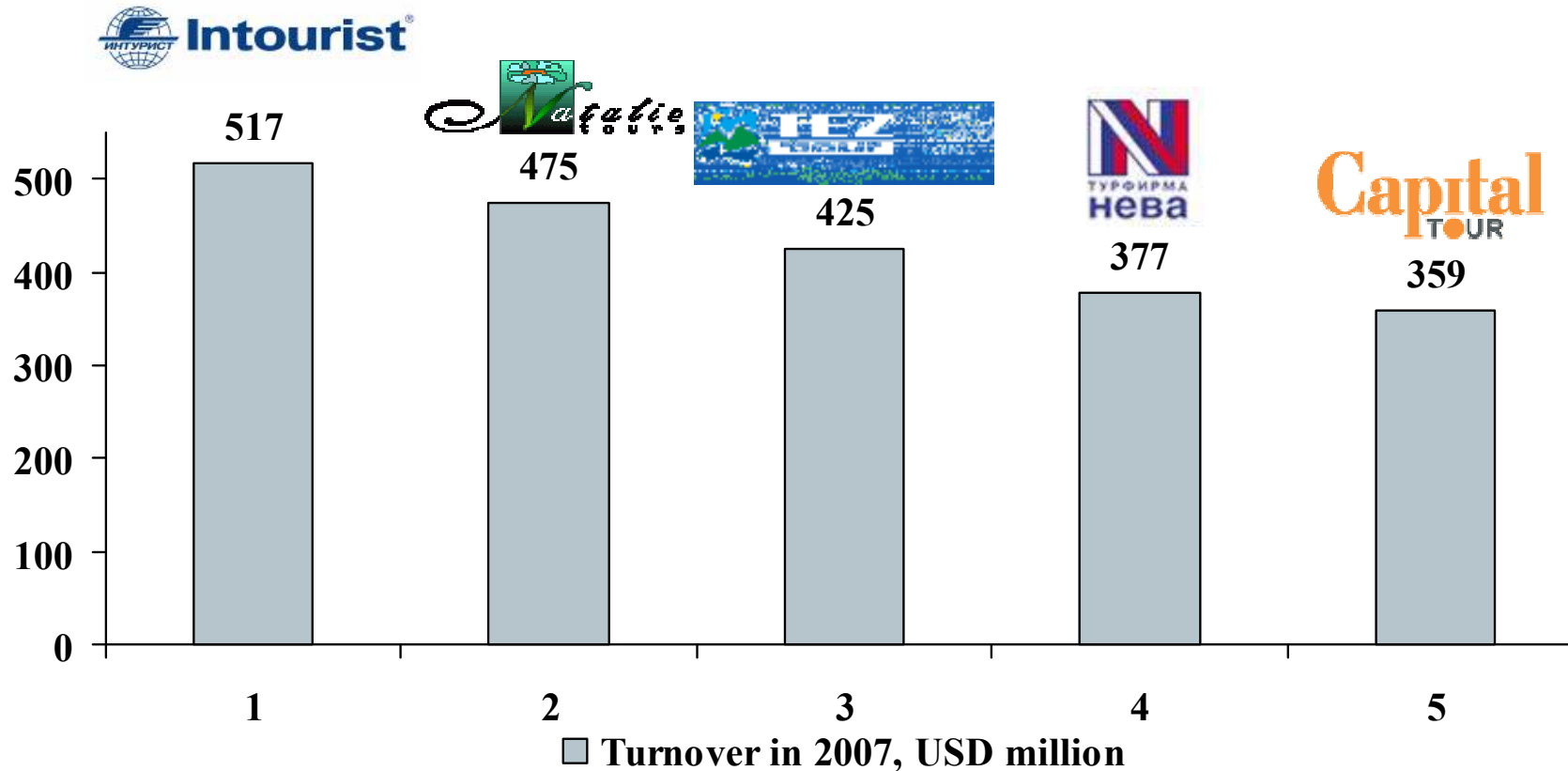


# Corporate Structure



**VAO Intourist is a vertically-integrated tour operator controlling all elements of the product value chain**

# Russian Travel Industry



\*-published by financial newspaper Kommersant in conjunction with information agency Tourinfo

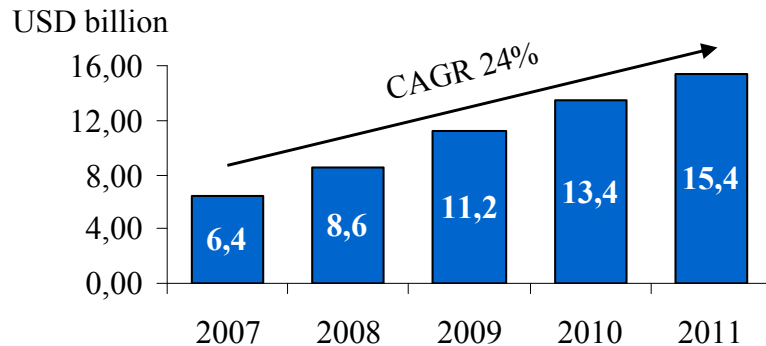
**In 2007 Intourist was the largest Russian tour operator for the second successive year**

# Outbound Operating Market Overview

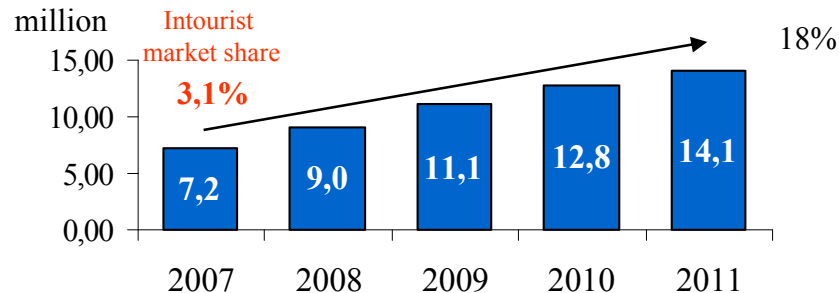
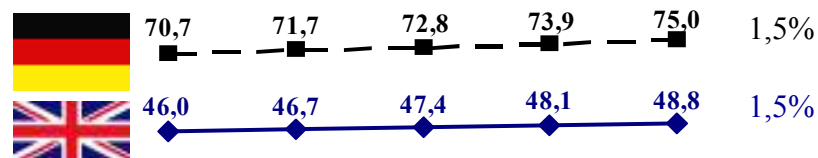


## Segment estimate and growth projection

### Segment growth forecast, USD billion\*



### Market size, million tourists\* CAGR



\*Russian Federal Statistic Authority, [www.visitBritain.com](http://www.visitBritain.com), Statistisches Bundesamt Deutschland, VAO Intourist estimates

## Segment growth drivers and Intourist's strategy

### Segment description and growth drivers

- Market consolidation, pushing out small and medium-sized players
- In 2007 Intourist consolidated 100% shares of outbound operators on the Riviera and Skyway mass and sub-mass markets
- In 2007 Intourist prepared M&A acquisition project of leading internal tour operator (Orient)
- Key to success will be acquiring blocks of rooms in the most popular hotels at an optimum price and forming an alliance with an air charter company
- The main segment growth driver is people's increasing level of disposable income
- The Russian market grows much faster than European markets

### Intourist's strategy

- Organic growth of the current product lines boosted by the development of a retail chain
- Strengthening our position on the Egypt and Turkey markets
- Developing sub-mass European directions
- Potential M&As with tour operators having the best technologies and access to the best hotels
- Expanding operations into CIS countries

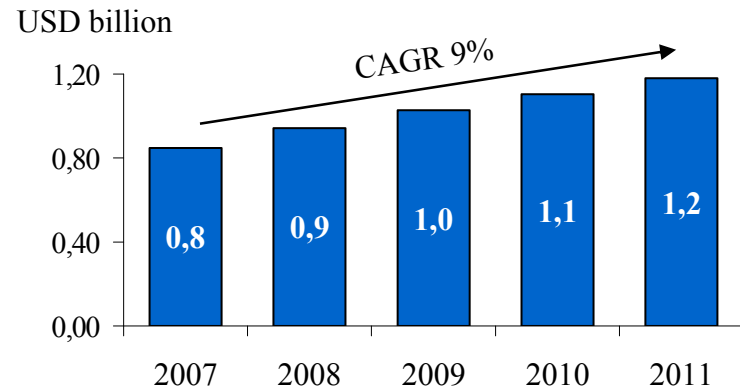
**In the next few years Intourist will focus on the most lucrative Outbound segment with the aim of becoming the #1 player on the market - significantly ahead of competitors**

# Inbound Operating Market Overview

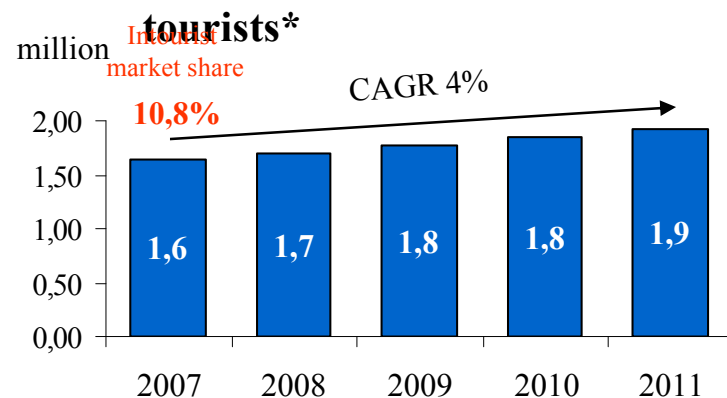


## Segment estimate and growth projection

### Segment growth forecast, USD billion\*



### Market size, million.



\* Russian Federal Statistic Authority, VAO Intourist estimates

## Segment growth drivers and Intourist's strategy

### Segment description and growth drivers

- Segment dominated by top 3 players with Intourist #1, owning the Cosmos and Pekin hotels in Moscow
- Access to good quality hotels (3-4\*) is the key competitive advantage
- The main segment growth drivers
  - Social and political stability in the RF
  - Business travel development
  - Infrastructure development (new hotel and airport construction)

### Intourist's strategy

- Acquiring more hotels under management (apart from Cosmos and Pekin in Moscow) in major tourist destination cities
- Launching new products like Karelia, Altai and own train on the trans-Siberian railway
- Partnerships and alliances with other players

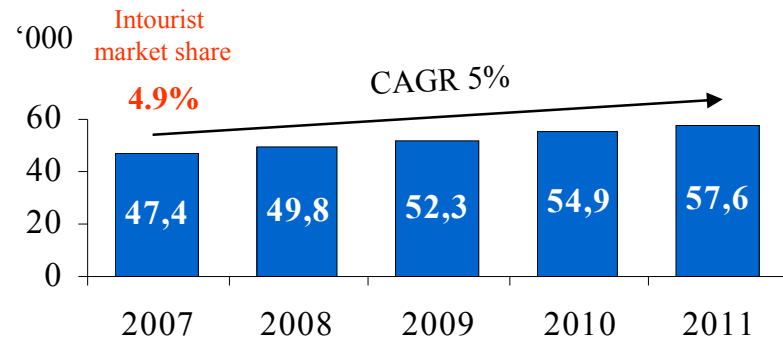
**Intourist plans to retain its number one position and significantly increase its market share, at the same time growing faster than the market**

# Intourist Hotels Group Overview



## Intourist Hotels Group Market Estimate

### Russian 3-star hotels market, '000 rooms



## Segment growth drivers

- Increase of Russian tourist and business streams
- Room deficit in Russian tourist and business centers (Moscow, St. Petersburg, Krasnodar territory, cities with over one million people)
- Low level of competition between hotel chains in the 3\* segment (hotel chains controlling 20% total room fund in Russia, multinational hotel chains operating in the 4\* and 5\* segment)

## Intourist's hotel management

### Intourist Hotels Group strategy

- Increasing room fund control on main inbound and domestic destinations (3\*) and outbound destinations (5\*) of tourist streams for supplying Intourist tour operator business
- Hotel business development based on: construction of new hotels, engaging hotels on a management/lease basis, increase in management company competence
- Intourist Hotels Group manages own hotels, as well as hotels having independent owners
- Constructing new hotels in tandem with strategic partnerships (JV Corinthia-Intourist)
- Intourist currently realizing 3 construction projects in Russia (Altai Republic) and abroad (Italy and Syria)

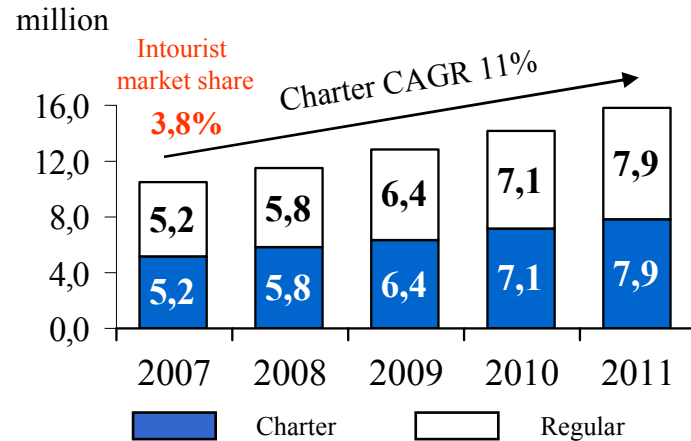
**Intourist Hotels Group is a rapidly developing business line helping Intourist to attain higher margins and profitability, with a further opportunity to become a sizable world class hotel management company**

# Intourist Market Overview – other aspects



## Russian air flights market

### Number of passengers carried abroad (million)



## Segment growth drivers

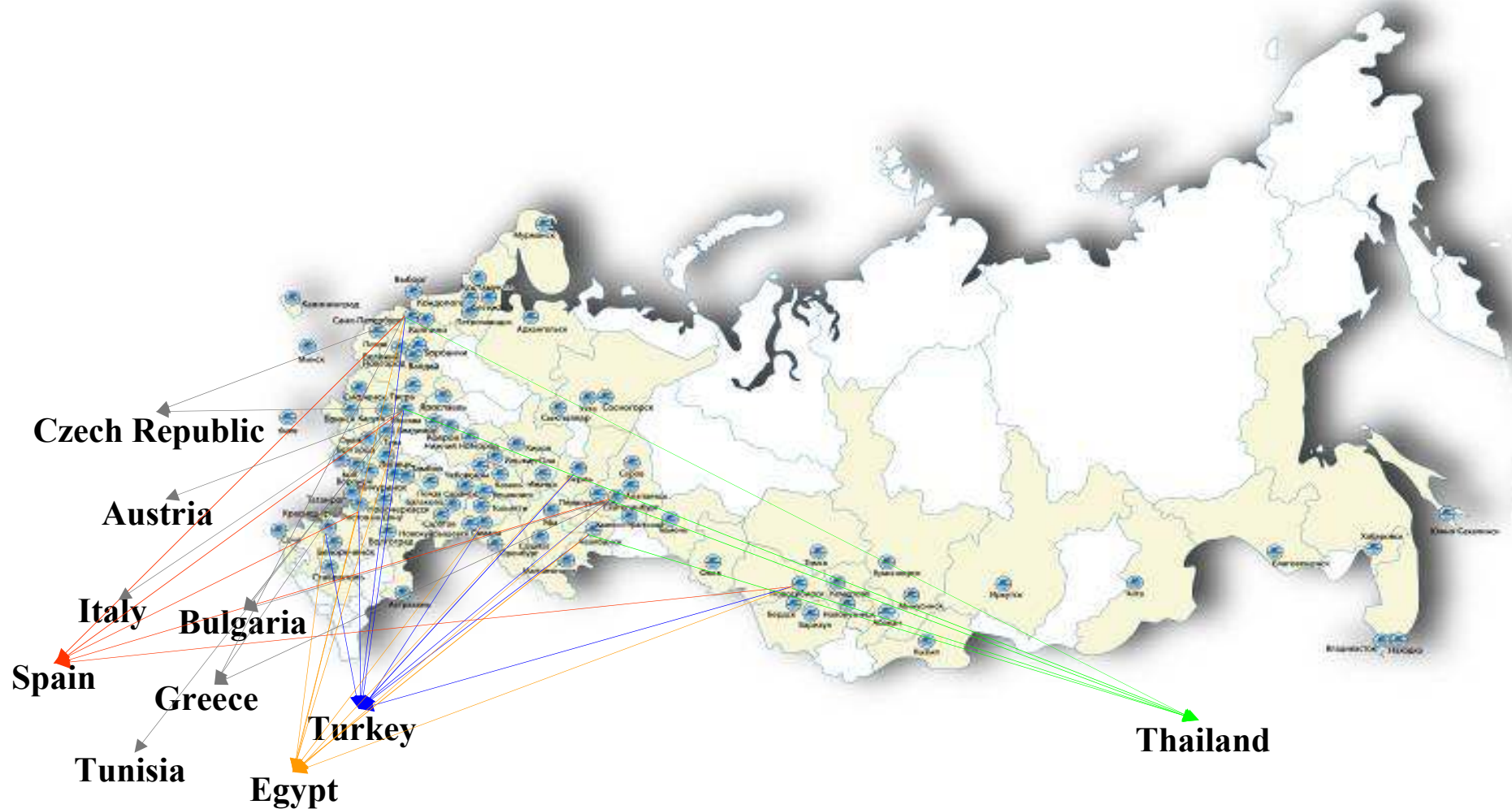
- Increase of outbound stream from Russia
- Market consolidation (since 1996 the number of air-carriers has decreased by more than 50%)
- A shortage of modern aircraft hampers the development of the Russian air carrier market

## Intourist charter broker business

- the major business of the Intourist Transport Service currently consists of charters consolidation and supplying regular transport facilities
- Air charter makes up nearly half the cost of an average tour price
- A current severe shortage in Russia of modern aircraft increases the bargaining power of air companies and lowers tour operators' margins
- Access to aircraft is a major success factor for tour operators when there is a shortage of modern aircraft
- Intourist Transport Service is a leading charter consolidator in Russia
- The main destinations of charter programs: Turkey, Egypt, Tunisia, Greece, Montenegro, and India
- 8 Russian cities and Kazakhstan (CIS) are covered by charter programs
- Intourist cooperates with major players on the Russian air-carrier market: Aeroflot, Atlant-Souz, Transaero, S7, Krasair

**Successful development of retail and air charter business will help Intourist to control the whole value chain of the travel business and strengthen the tour operating business**

# Regional development of tour operating, retail sales divisions, and major outbound tourism destinations



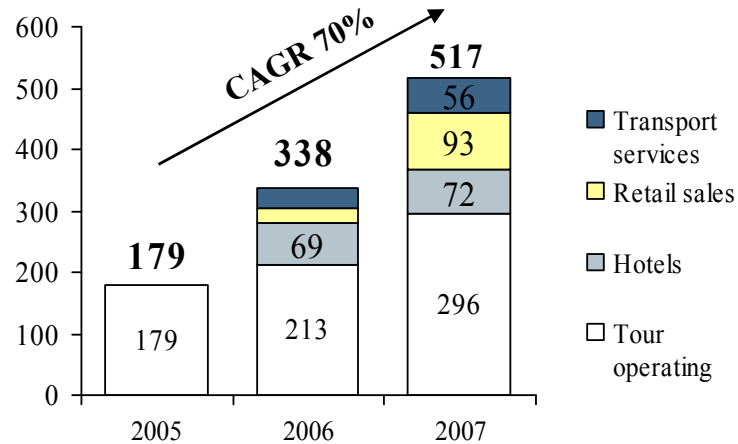
**The retail sales division operates 386 outlets in over 120 cities across 80 Russian regions**



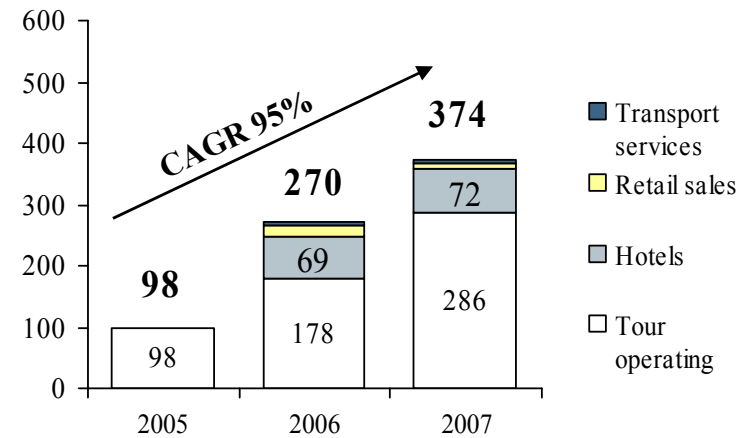
# Financial Highlights



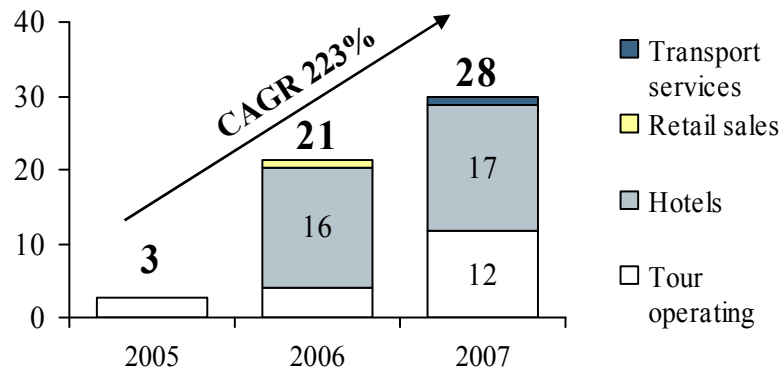
**Turnover by divisions, million USD**



**Revenue by divisions, million USD**



**OIBDA by divisions, million USD**



	2006	2007	%
Turnover	338	517	153%
Revenue	270	374	138%
OIBDA	21	28	133%
OIBDA margin	7.8%	7.5%	n/a
Net income	9	16	170%

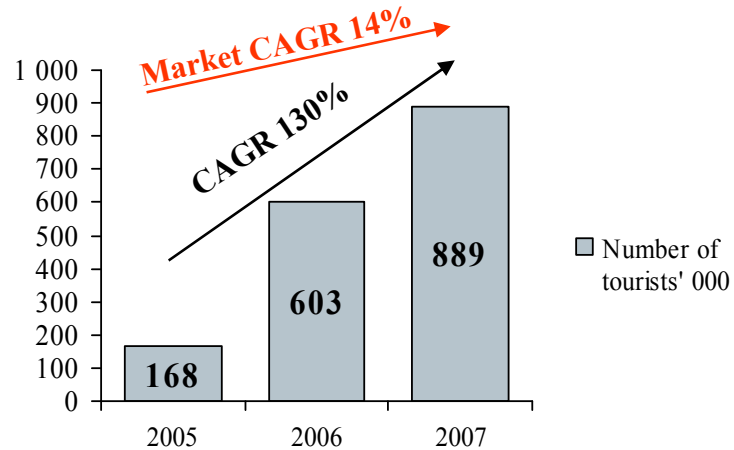
**The major contributor to turnover and revenue growth is the tour operating division, while the main contributor to growth in OIBDA is the hotel division**



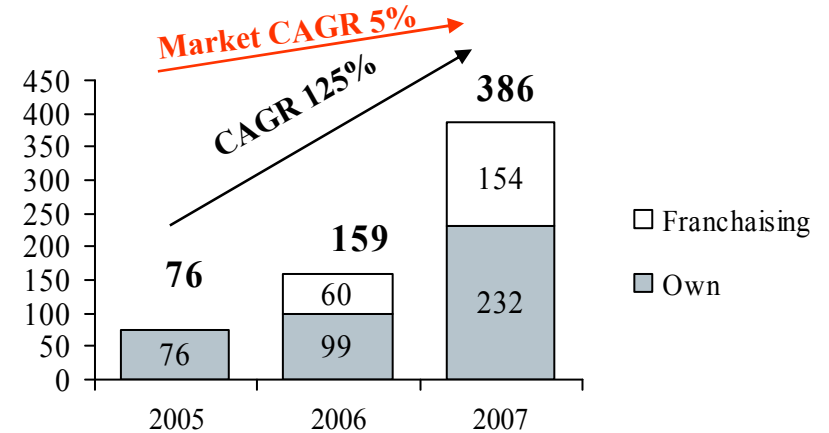
# Operational Highlights



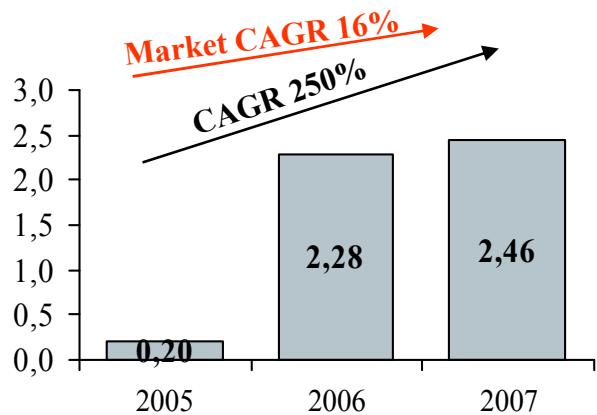
**Number of tourists, '000**



**Retail outlets**



**Number of rooms '000**



**In each segment where Intourist operates it grows faster than the market**

**Considerable growth in operational results in 2007 was due to organic growth**



## Customer Loyalty

### Clients' base

- Retail 888 683

### Brand's strength

- Intourist is the oldest and best known travel company in Russia, operating for 79 years

**NPS 32%**

### Market pressure

- Rapid growth of the outbound tourism market leads to increased competition, where the key task is not only gaining new customers, but retaining existing ones.



### Development of Independent Providers:

- Cross-selling and cross discounting programs with major Russian banks with well developed chain of branches across the country.

### Development of Financial Services

- Co-branding credit VISA cards with MBRD
- Promotion company together with Stream-internet (the product of SMM)

### Own programs:

- Maintaining a database of returning clients and providing incentives to them

**Intourist, as part of its focus on increasing customer loyalty, plans to develop additional loyalty programs**



## Conclusion – Investment Case

- Intourist is the oldest and the most well known travel company in Russia, operating for 79 years
- A focused management structure has helped the company in 2007 to be market leader in the Russian tourism industry, and demonstrate a number of favorable financial indicators (a turnover increase of 53%, an increase in revenue of 38%, OIBDA 33%, a net profit increase of 70%)
- Intourist is currently striving to create a fully integrated tourism group making full use of intragroup synergies: tour operating, retail chain, hotels, and transport. This approach allows the group to develop high quality products at the most competitive prices for the client
- As leader on the Inbound segment and among the Top5 on the Outbound segment, Intourist is focusing on the latter and has ambitions to become the undisputed leader in all segments by 2010, maintaining high profitability by controlling hotels and developing own retail chain. In 2008 Intourist expects to continue growing faster than the market and to serve more than 1 million tourists

**VAO Intourist will achieve by 2010 a range and efficiency of business that is comparable to leading European companies**

# Contacts



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# Capital Markets Day 2008

## Healthcare Services Division

London  
May 30, 2008

Vladimir Gurdus  
President  
JSC Medsi Group

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# Highlights

## History

- 1996 – Privatization of well known Intourist Clinic in Moscow by Sistema, foundation of Medsi (out-patient clinic for adults)
- 2004 – Restructuring leads to a 60% increase in clinic's floor space
- 2005 – Foundation of Medsi II (out-patient clinic for children) in partnership with the Moscow government
- 2006 – Foundation of management company Medsi Group for consolidation of Sistema's medical assets

## Major Developments in 2007 and 2008

- Acquisition of American Hospital Group
- Acquisition of Medexpress Company
- Acquisition of Family Medicine Corporation
- President hired
- New clinic format developed
- Medsi II clinic is recognized by major insurance companies as the best Moscow clinic for children
- Construction of major extension of the flagship Medsi multi-profile clinic and diagnostic center
- Acquisition of 2 fitness centers
- Acquisition of 2 wellness centers
- Foundation of Medsi Fitness

**Organizational, personnel and financial factors can all contribute to successful business development**

# Business Description and Operational Overview (1)

## Assets

### Business

- Out-patient services for adults and children
- Medical consulting and services in the home
- Lab Diagnosis services
- Emergency and ambulance services in Moscow
- Medical Assistance in Russia

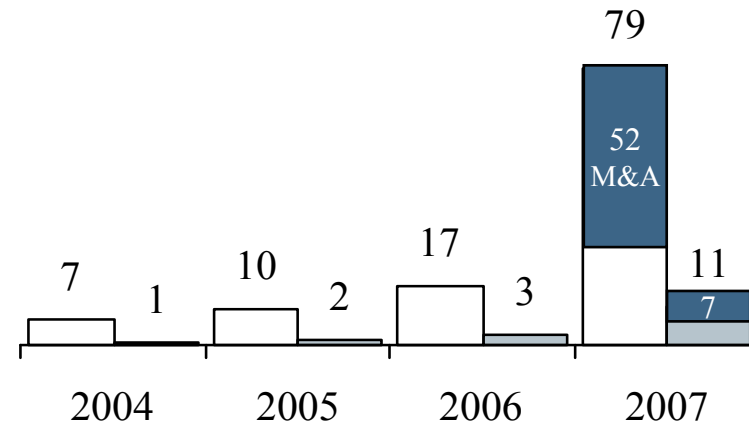
### Moscow - 14 clinics

- 2 out-patient clinics for adults
- 2 out-patient clinics for children
- 1 family clinic for VIPs and foreign
- 9 family medical centers

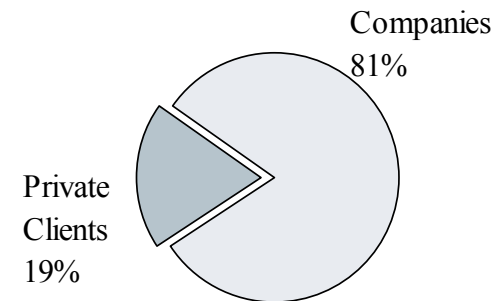
### Regions - 13 clinics

- St Petersburg, Nizhnevartovsk, Nizhny Novgorod, Volgograd, Ryazan, Barnaul, Ulyanovsk, Pyatigorsk and Bryansk

## Revenues and OIBDA (\$ mln)



### Revenue Breakdown in 2007

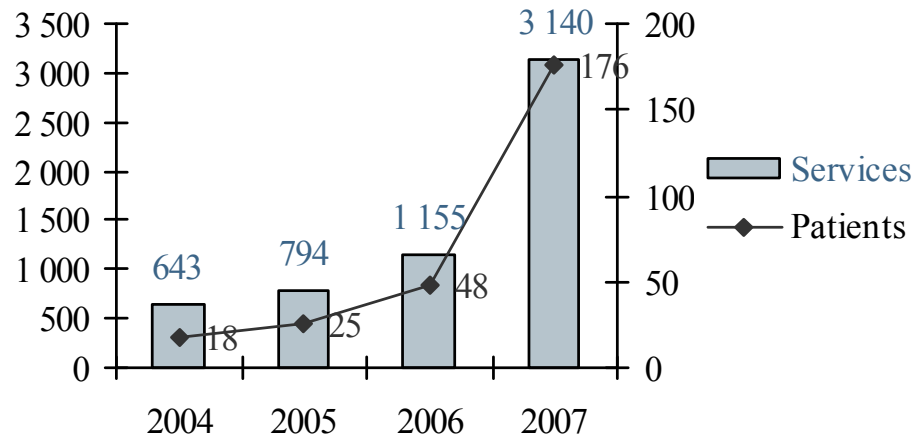


**Medsi Group represents one of the fastest growing healthcare service businesses in Russia**



## Business Description and Operational Overview (2)

### Services ('000) and Patients ('000)

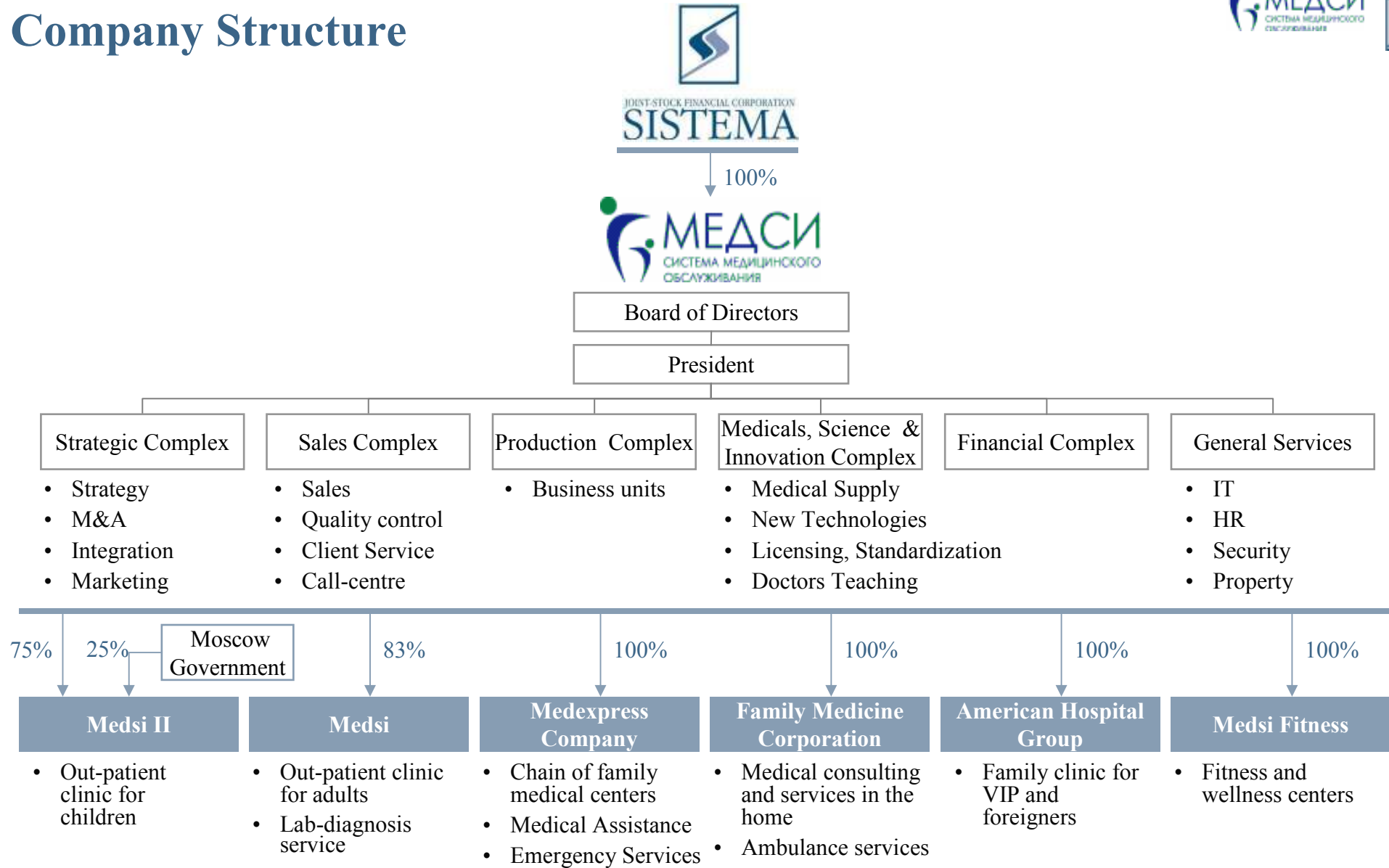


### Advantages

- The well-known brand Medsi
- Net Promote Score (NPS) launched in every clinic every quarter
- The biggest private polyclinic network in Russia
- Best financial results in sector
- Proficient staff
- Unified system of management
- Established business with all major insurance companies
- Established PPP
- Medsi II - the best health centre for children (insurance company reviews)
- Best medical consulting and services in the home in Moscow (client reviews)
- Implementation of innovative technologies

**The Medsi Group will secure fully-fledged paid private services for prophylactic treatment, diagnosis and the treatment of illnesses**

# Company Structure



**The Healthcare division's assets are currently in the process of being integrated into the Medsi Group holding structure**

# Financial Highlights



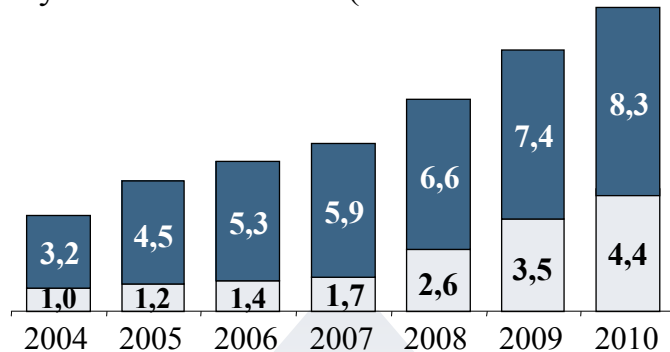
US GAAP (USD m)	Revenue			OIBDA			Net Income (Sistema) *		
	2006	2007	Growth	2006	2007	Growth	2006	2007	Growth
<b>Medsi Group</b>	-	0.02	-	-0.57	-1.81	-	-0.43	-1.84	-
<b>Medsi II</b>	3.54	6.98	97%	-1.16	0.61	>100%	-1.16	0.44	>100%
<b>Medsi</b>	13.39	20.16	51%	4.81	6.55	36%	1.87	3.11	66%
<b>Medexpress Company</b>	-	31.43	-	-	3.34	-	-	2.04	-
<b>Family Medicine Corporation</b>	-	10.96	-	-	1.27	-	-	0.10	-
<b>American Hospital Group</b>	-	9.54	-	-	1.96	-	-	1.14	-
<b>EJE</b>	-	-	-	-0.01	-1.23	-	-0.02	-1.58	-
<b>Total</b>	16.93	79.09	367%	3.07	10.69	248%	0.26	3.41	1211%

**Balanced growth combined with sustaining margins – the Medsi Group can look ahead with confidence to organic growth and M&A deals**

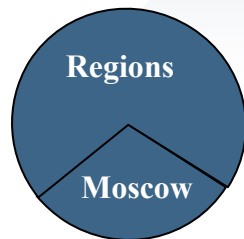
# Market and Customer Overview

## Commercial Healthcare Services Market (USD bln)

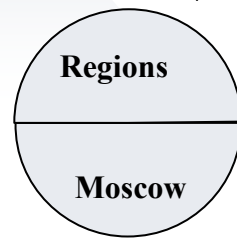
- Legal commercial services (CAGR 2007-2010: 12%)
- Voluntary medical insurance (CAGR 2007-2010: 37%)



Commercial services 75%↓



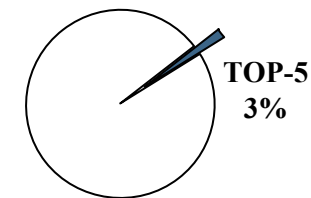
VMI 25%↑



- Large scale fast-growing market
- Expected changes in the law will help to further increase annual growth by 25-30%

## Revenue of Out-patient Clinics in 2007

	Revenue \$ mln	Market share	Clinics #
1. Medsi Group (Russia)	79	1.3%	26
2. OJSC Medicina (Moscow)	54	0.9%	1
3. Medi (St Petersburg)	?	<0.8%	14
4. Meramed (Russia)	?	<0.8%	4
5. European Medical Centers (Moscow)	27	0.4%	2
Others	6 K	97%	22 K



- Market is not consolidated
- No major chain players
- Budding competition

**The current Russian economic situation presents a wide range of opportunities in healthcare business development**

## Strategy (1)

### Outlook

- Developing 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

### Tactics

- Implement the brand and unified standards for patient service, management and accounting
- Develop a unified information system for purchasing, finance and sales monitoring
- Elaborate a unified system of marketing and sales
- Draft a long-term plan of employment and staff advancement
- Increase the number of clinics from 27 to 100 by the end of 2010
- Use synergy effects with other Sistema Divisions, i.e. cross-selling, medical tourism, etc.

### Target Audience

- 70% large legal entities and insurance companies VHI (middle class)
- 30% private clients, families of large entities and insurance company personnel (VIP & middle class)

**The Medsi Group is uniquely positioned to take advantage of growth in the private healthcare market and in 3 years plans to increase its chain of clinics to 100. Such a strategy for expansion makes Sistema the top player and consolidator in the Russian private healthcare market**

## Strategy (2)

### Core business

Own clinics

Clinics' managements by agreement

Public Private Partnership Program

- Complete range of paid private healthcare services for prophylactic treatment, diagnosis and treatment of illnesses, to be provided taking into account regional coverage and demand in Russia

### Potential areas of diversification

Fitness, Wellness, SPA

Senior Care, Nursing Centers

Supply of Medical equipment

Architectural solutions for medicine industry

- To be considered in 2008-2010 in order to offset core business risks and generate additional capital
- To be managed on an outsourcing basis

**The Medsi Group is focused on developing the Russian market of private healthcare services and establishing successful PPPs such as Medsi II**

# Conclusion



- **Fast growing business of Healthcare Services in Russia.**
- **Market growth due only to the legalization of the grey market in Russia is expected to be from USD 8 billion to USD 25 billion by the end of 2012.**
- **Solid current market position and financial results of the Medsi Group.**
- **Clear market and operational strategy.**
- **Aggressive regional expansion strategy.**
- **Launching Private Public Partnership Program by the Medsi Group**
- **Diversification of the Medsi Group business to related areas (fitness, wellness, senior care, etc.)**
- **Strong team of professionals in the Sistema and Medsi Group.**
- **The Medsi Group becomes a leading contender in future tenders for state-owned clinics.**



**Vladimir O. Gurdus**  
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# Capital Markets Day 2008

## JSC Concern RTI-Systems (CRTIS)

London  
May 30, 2008

Sergei Boev  
Chairman of the Board  
JSC RTI-Systems



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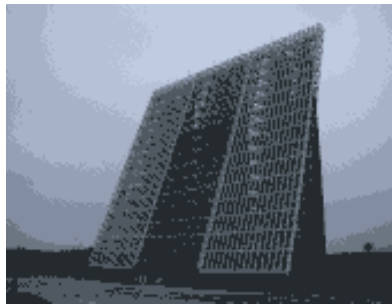
## Business Profile

- Over 60 years of expertise in defence R&D and radar and aerospace technologies
- Monopoly supplier of missile defence radar systems
- One of the prime contractors of the Ministry of Defence, the Ministry of Emergencies, and the Russian Space Agency
- Expanding into civil and civil-defence B2G areas
  - Land, marine and stratosphere monitoring systems
  - Air traffic control systems
  - Anti-terror monitoring systems
  - Satellite navigation systems (GLONASS project)



# CRTIS structure and main product lines

## Radio construction 46% Sales



- Radar systems and complexes
- Airborne Radio systems
- Complex communication systems for government use



Mintz RTI  
RTI Radio



OKB Planeta  
R.O.S.



NIIDAR



STZ

## Aerospace and ground communication and control systems 34% Sales



- Satellite communication means and complexes
- Aviation and Missile products
- IT and telecommunication systems for government use



Yaroslav Radio Plant



DMZ-Kamov



Vympel-Sistema



MTU Saturn



VT i SS

## Mechatronics 20% Sales



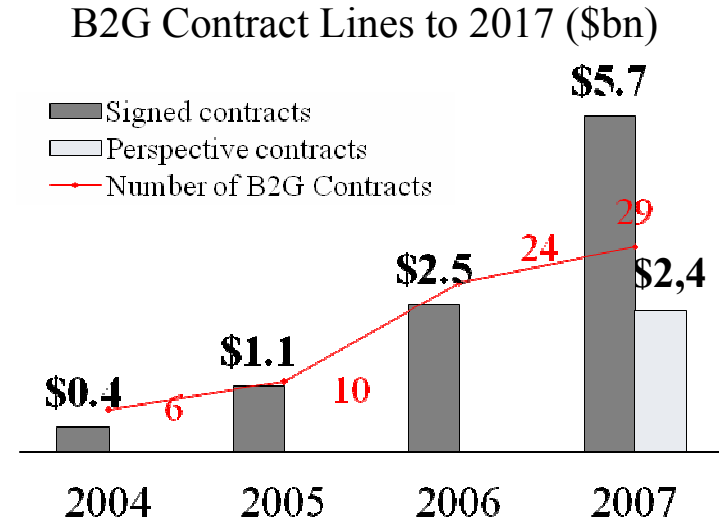
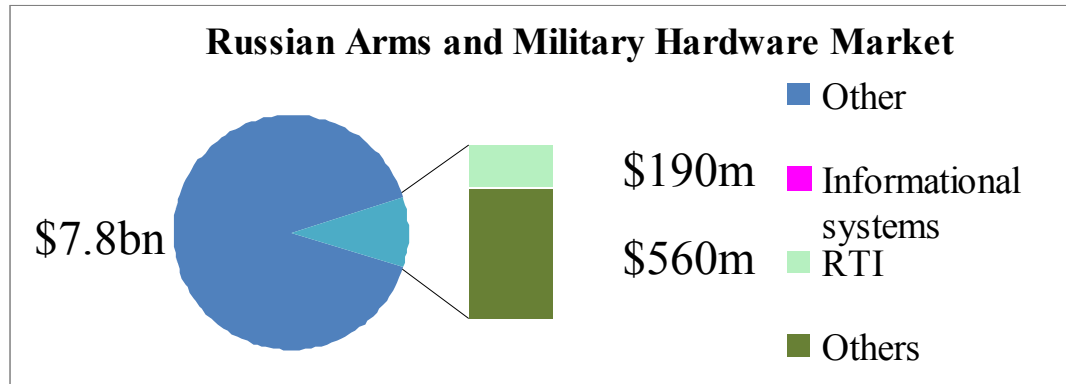
- Complex drive systems
- Gear units
- Low voltage units



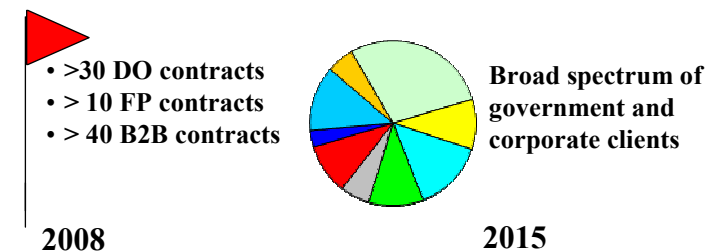
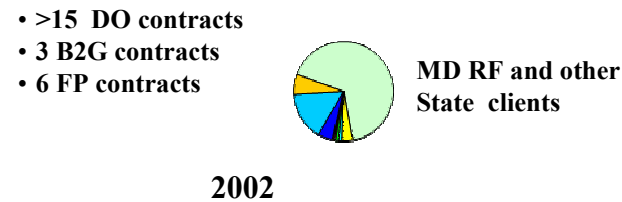
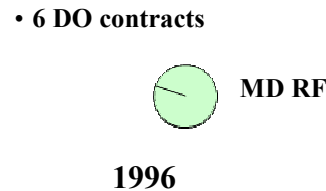
Uralelectro  
Uralelectro-K

**CRTIS is active in three main fields: radio construction, aerospace and ground control systems and mechatronics**

# Market and Competition



- The RF Ministry of Defence is currently our main client (accounting for app. 70% of total sales)
- Military expenditure is growing faster than GDP
- CRTIS enjoys a monopoly position in its core market
- CRTIS is rapidly diversifying its client base outside its core market



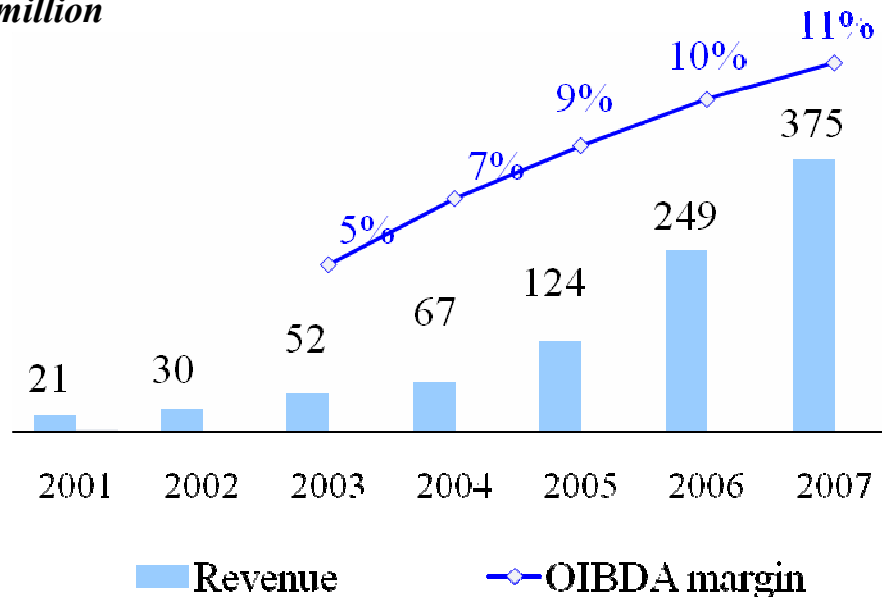
**CRTIS enjoys a quasi-monopoly position in a steadily growing market and is building on core strengths in radio construction communications and ground control systems to expand into new markets**

# Financial Performance



## REVENUE AND PROFITABILITY

*\$ million*



## DEVELOPMENTS

- From 2 research laboratories to \$370 million in sales in 5 years
- 12-fold revenue growth
- Growth rate twice that of the market
- GAAP accounting

**5 years of consistent revenue and profitability growth**

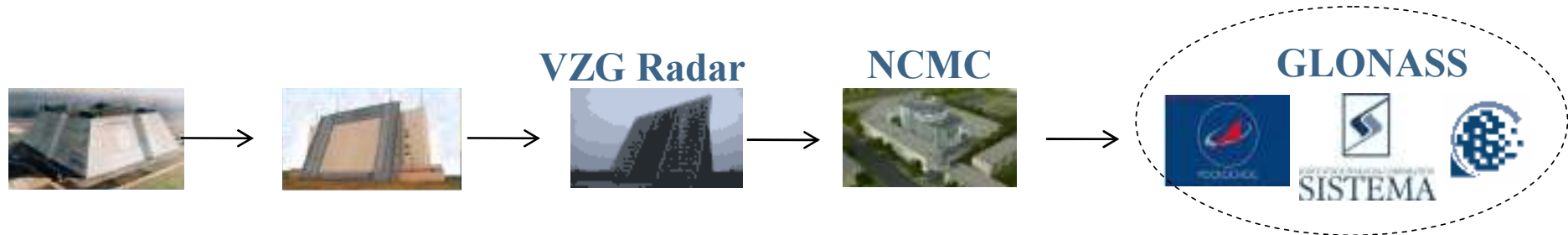
# CRTIS Strategy



## Critical Technological Capabilities + Private-Public Partnership



- The work of CRTIS is based on fundamental critical technologies for which the Company has no rivals
- The share of R&D in the value of Concern RTI Systems's production is app. 50%
- CRTIS is a prime contractor to the Russian government in a chain of complex Defence and Security projects



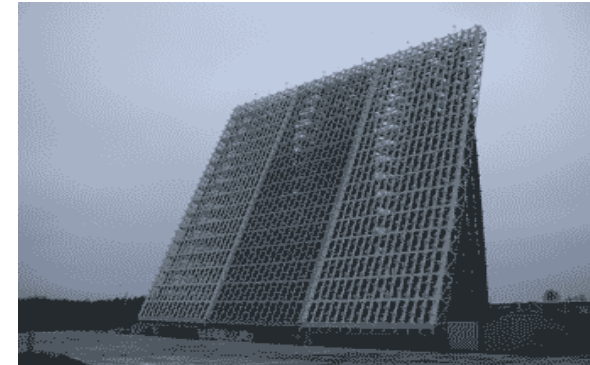
**Track record of projects for the Government, the Ministry of Defence and the Ministry of Emergencies**



## Current Projects: VZG Radar – new generation radar



- VZG Radar – new generation Early Warning radar
- Scientific breakthroughs – our technologies are a step ahead of other world leaders on the market



On August 11 2007 the president of Russia Vladimir Putin visited the new station in the village of Lekhtusi

From left to right

Vladimir Popovkin – Commander of the Russian Space Force

Vladimir Putin– President of Russia

Sergei Boev – Vice-President of JSFC Sistema

Sergei Ivanov – First Deputy Prime Minister

Anatoly Serdyukov– Russian Defence Minister

**A second radar in this series is now being built by CRTIS in the Armavir region**



## Current Projects: National Crisis Management Centre (NCCMC)



- State of the art control centre with a Nationwide Communications Network for the Ministry of Emergencies
- CRTIS is prime contractor providing the most critical components – the cutting edge Automatic Control and Integrated Communication Systems



On April 9 2008 the President of Russia Vladimir Putin visited the National Crisis Management Centre

From left to right

Sergei Boev – Vice-President of JSFC Sistema

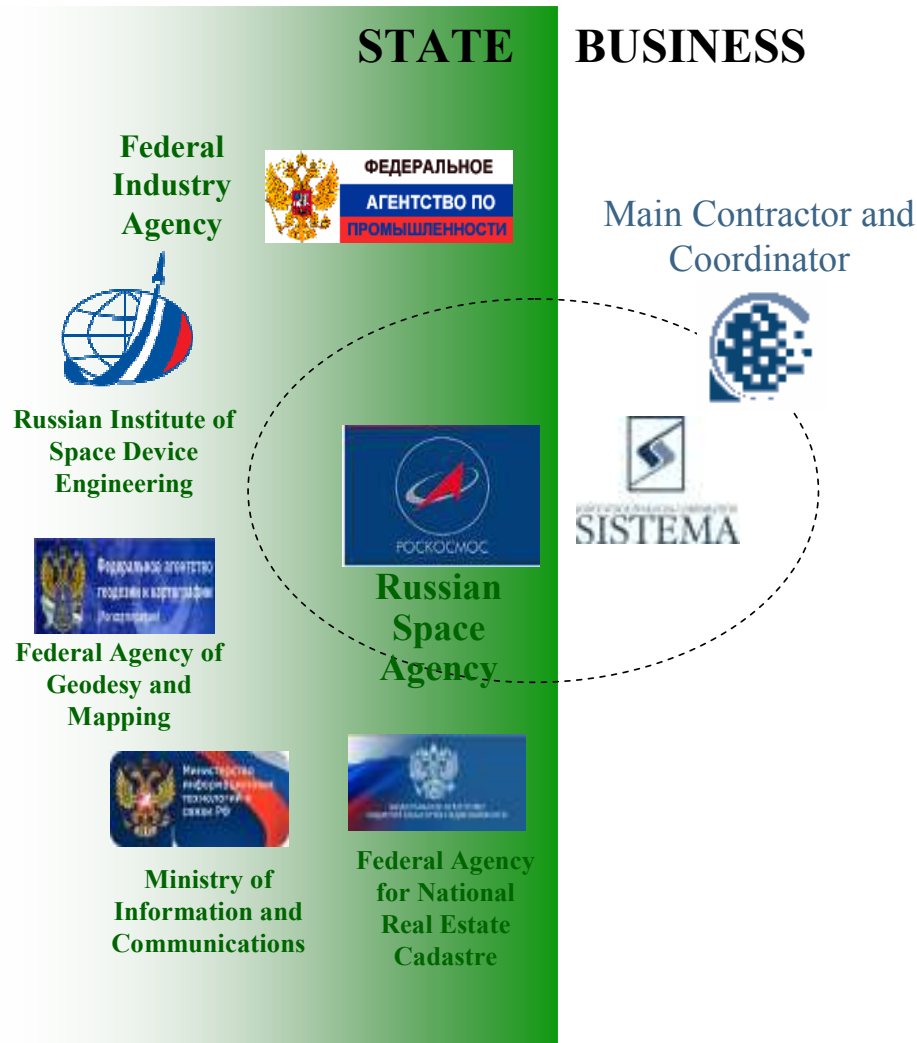
Vladimir Putin – President of Russia

Sergei Ivanov – First Deputy Prime Minister

Sergei Shoigu – Minister of Emergencies

**The President asked the Ministry of Emergencies to have similar centres established across the country by 2012**

# Current Projects: GLONASS (Global Navigation Satellite System)



- Russia speeds up the development and commercialization of GLONASS
- Concern “RTI Systems” is involved in key programmes in the project to commercialize GLONASS
- Development and production of personal navigation device (PND)
- Development and production of dataware for navigational services
- Regulatory provision for the commercialization of GLONASS
- Sale of navigational goods and services for mass market usage

**Concern “RTI Systems” is aiming to leverage GLONASS capabilities in the NCMC project**

## Investment Case



- Concern “RTI Systems” is in the TOP 20 Russian military industrial enterprises
- Concern “RTI Systems” is a high roller within the framework of Public Private Partnership and participates in all national priority projects (the VZG radar station, the National Crisis Management Centre, the GLONASS commercialization program)
- Over 60 years of expertise in defence R&D and radar and aerospace technologies
- Monopoly supplier of missile defence radar systems
- One of the prime contractors of the Ministry of Defence, the Ministry of Emergencies, and the Russian Space Agency
- Expanding into the civil and civil-defence B2G areas project
- Sustaining continued revenue and profitability growth

# Contacts



**Raditechnical and Informational  
Systems JSC**

**Sergei Boev**  
**Chairman of the Board**  
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# Capital Markets Day 2008

## MTS

London  
May 30, 2008

Mr. Leonid Melamed  
President and CEO  
MTS

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# Group highlights for the first quarter of 2008



## Group financial highlights

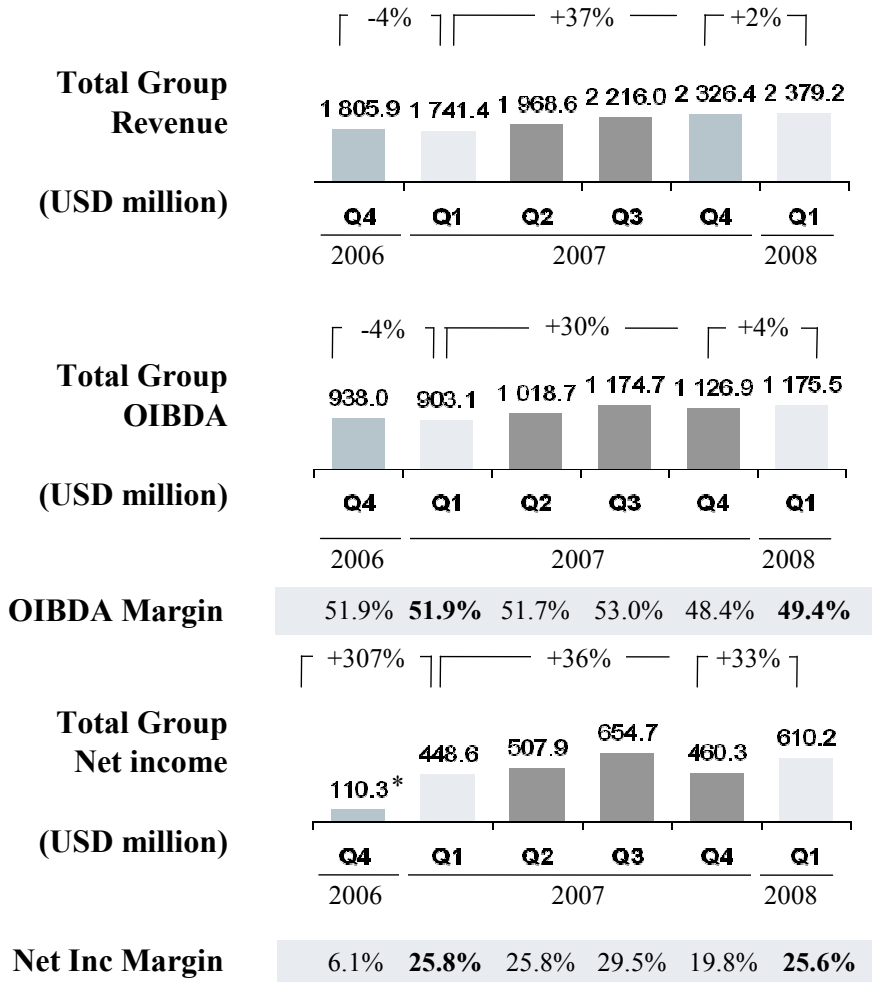
- Revenues up 37% year-over-year to \$2,379 million
- OIBDA up 30% year-over-year to \$1,176 million; OIBDA margin of 49.4%
- Net income up 36% year-over-year to \$610 million
- Free cash-flow at \$632 million

## Summary of events

- Appointment of Mr. Andrei Dubovskov as the new head of MTS Ukraine
- MTS first Russian company named as BRANDZ™ Top 100 Most Powerful Brands by Millwood Brown and the *Financial Times*
- Consolidation of remaining stake in the Omsk subsidiary
- Redemption of the \$400 million Eurobond issued in 2003
- Announcement of recommended dividend payment for FY 2007 of \$1.2 billion or \$3.12 per ADR



# Group financial highlights



Revenue growth driven by subscriber acquisition, increasing voice usage and rising messaging and data adoption in each of our markets of operation despite seasonal revenue pressure

Rise in OIBDA reflects top-line growth and continuous cost control throughout the organization

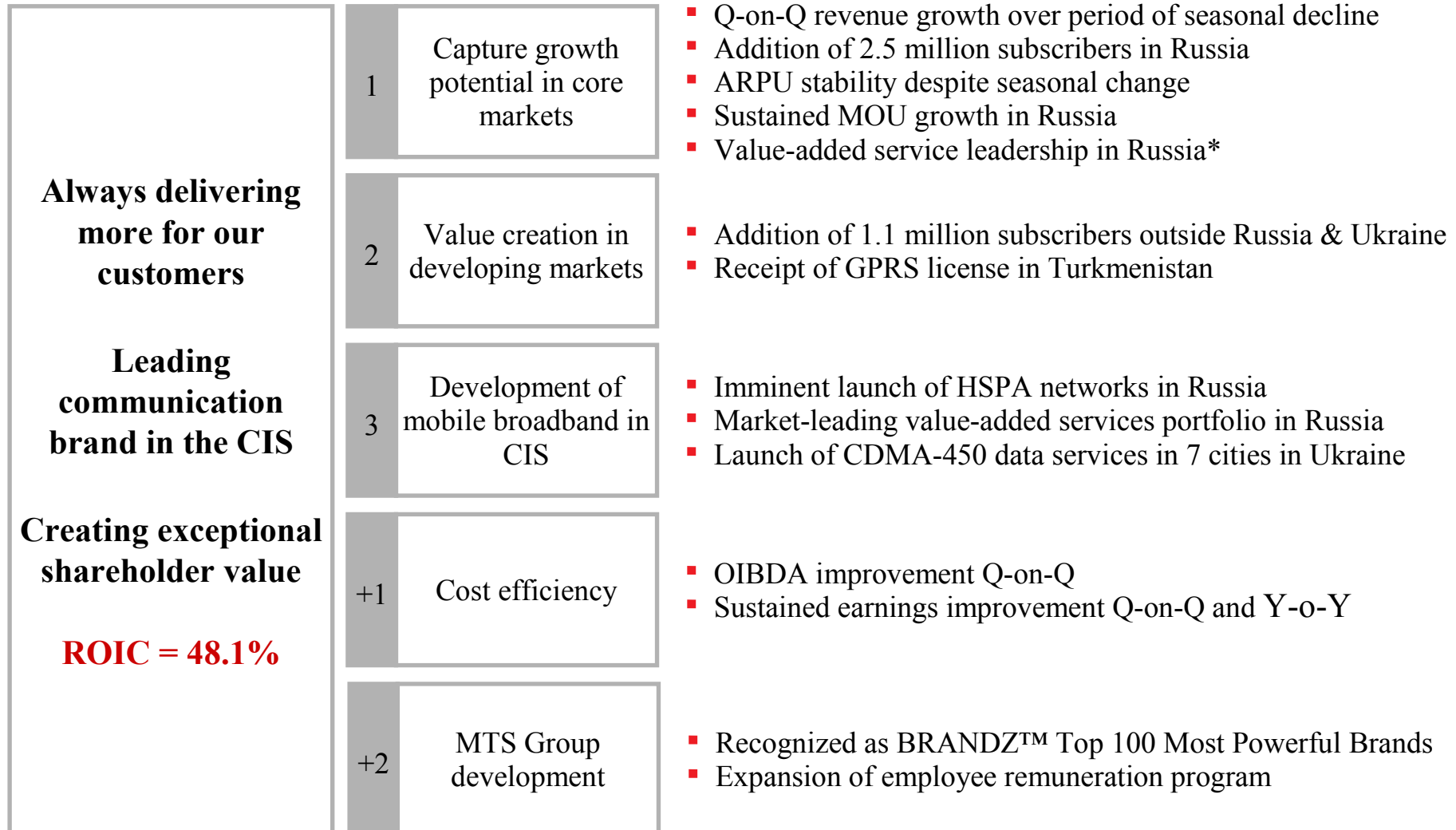
Strong bottom-line results through effective financial management

\*Reflecting the \$320 million write-off of Bitel LLC

**Successful realization of growth with sustained profitability**



# Continued fulfillment of MTS 3+2 Group Strategy



\*According to ComNews, MTS is the leader in revenue from VAS with a 30.9% market share.

# Group subscriber base dynamics during the quarter



MTS subscribers (millions)	YE'07	Q1'08	% change
Russia	57.43	59.90	+ 4.3%
Ukraine	20.00	19.61	Stable
Uzbekistan*	2.80	3.56	+ 27.1%
Turkmenistan	0.36	0.47	+ 30.6%
Armenia	1.38	1.42	+ 2.9%
Belarus	3.80	3.94	+ 3.7%
<b>Total</b>	<b>85.77</b>	<b>88.88</b>	<b>+ 3.6%</b>

In Russia, the addition of 2.5 million net subscribers to the network reflects strong performance and attractive value potential in the market

Subscriber additions in Russia are overall demonstrating a higher incremental value

As shown by the graph, incremental ARPUs of new subscriber additions rose 6 percentage points year-over-year in relation to the level of MTS Russia's one-month ARPU:

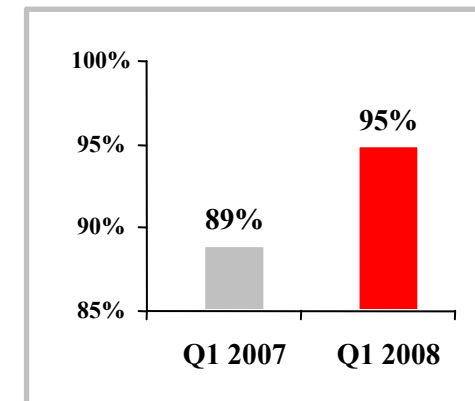
Reduction in Ukraine subscribers reflects Company shift in marketing focus to higher-value subscribers

Strong subscriber additions in the Company's CIS markets as MTS is aggressively expanding its networks in lower-penetrated markets

\*As of January 1, 2008, MTS has adopted its Group-wide six month-churn policy for the market

**MTS Russia:**  
**Relation of incremental ARPU to current one-month ARPU**

$$\frac{ARPU_{Incremental}}{ARPU_{One-month}}$$



**As MTS primarily serves pre-paid markets, subscriber growth is critical to revenue growth and brand development**



# MTS brand ranked in BRANDZ™ World's 100 Most Powerful Brands



First Russian company to be named among top global brands

- Enters in 89<sup>th</sup> place with brand valued at \$8.077 billion
- Recognition of leadership across the CIS and increasing global relevance

Highest score in Brand Momentum (10 out of 10), measuring short-term growth rate

- Top 10% of all brands ranked by short term growth rate
- Based on market valuations, the brand's risk profile and its growth potential
- Reflection of investment in brand and revenue potential



“The new brand has helped to drive MTS’ financial performance... re-branding became an important factor in the overall process of the company restructuring”  
-“MTS Rings the Changes”, *Financial Times*,  
-April 21, 2008

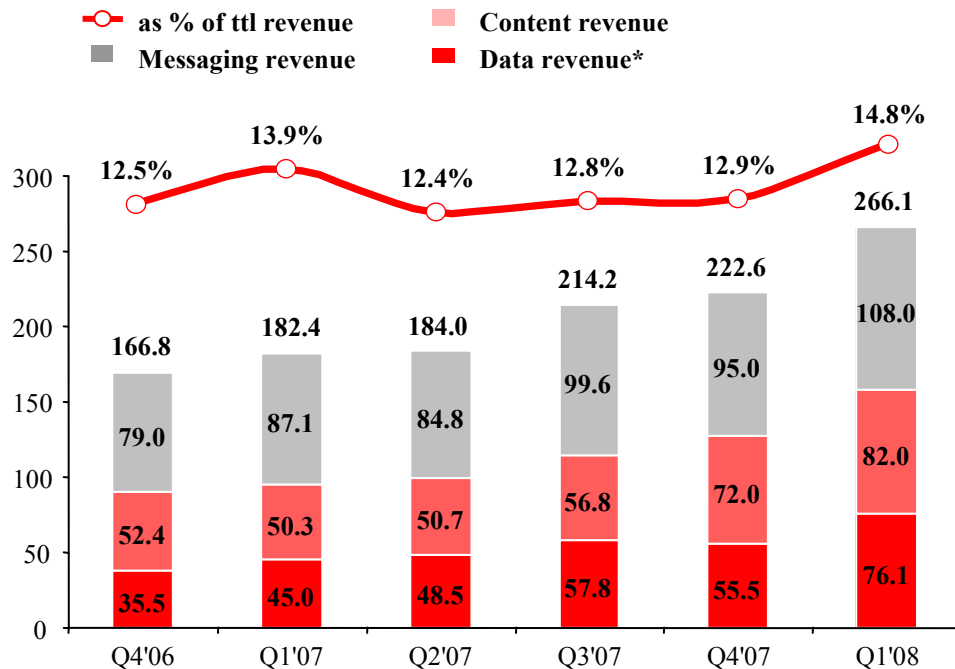
Ranking published by the *Financial Times* and Millward Brown, (the only brand ranking based on primary research - one million consumers interviewed)

**Successful brand execution strategy to increasingly differentiate MTS from its competitors, leverage scale opportunities and drive future growth**

# VAS structure in Russia



VAS breakdown (in USD million)



- Overall VAS shows strong dynamic year-over-year and Q-o-Q
- Data revenues growing faster than both messaging and content

\* Includes revenue from data and additional services

- Growth in messaging revenues due to successful marketing campaigns and tariff launches such as the Red\_text tariff offering favorable SMS rates
- Growth in content by offering innovative services such as the Company's ring back tone service (called Good'ok) and an extensive array of services enabling users to download pictures, music files and other content through such Java-based services as the J-Drive portal and Red Box
- Growth in data revenues through EDGE deployment and channel optimization as well as active marketing promotions and tariff offers aimed at stimulating demand in data services such as:
  - Tariff MTS Connect proving easy Internet access to subscribers' computers;
  - Tariff Onliner designed for active Internet users; and
  - WAP sites – wap.mts.ru and wap.kids.mts.ru – providing users with both educational and entertainment features

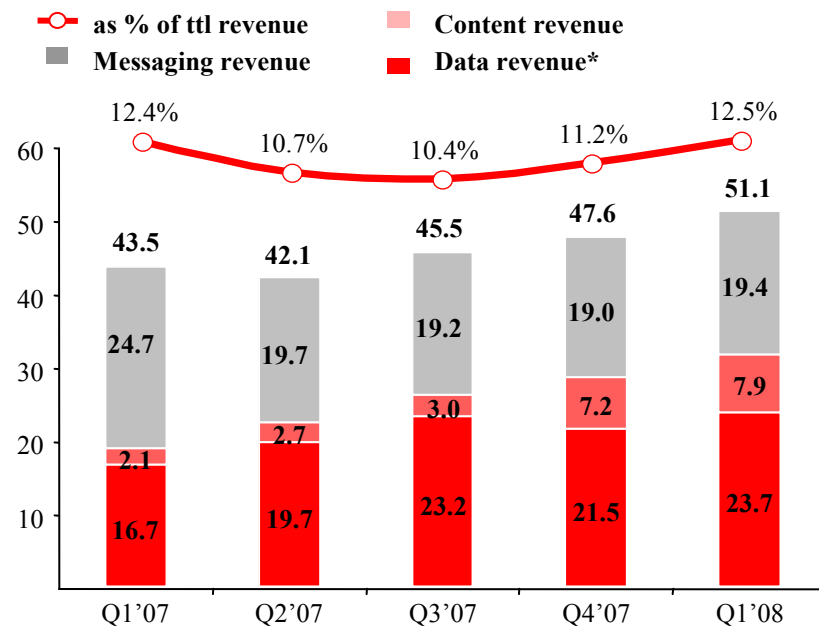


**Increasing data usage and a market-leading value-added services portfolio showcases the potential for adoption of 3G-enabled products and services**

# VAS structure in Ukraine



## VAS breakdown (in USD million)



- Steady growth of VAS usage year-over-year and Q-o-Q
- Content growth outpacing messaging and data revenues

\* Includes revenue from data and additional services

- Successful in stimulating demand for VAS through targeted marketing campaigns and product launches such as:
  - Hyper Active service
  - Tariff MTS Connect
  - BlackBerry™ service
  - GPRS promotions
  - SMS promotions
- Messaging revenues fell as subscribers switched to voice traffic due to declining per minute charges in a market affected by aggressive competition
- Deployment of CDMA-450 in 7 cities in Ukraine
- BlackBerry™ expected to provide further impact as additional handset deliveries will allow the Company to expand its user-base beyond the corporate segment to high-end individual users and small and medium-sized enterprises

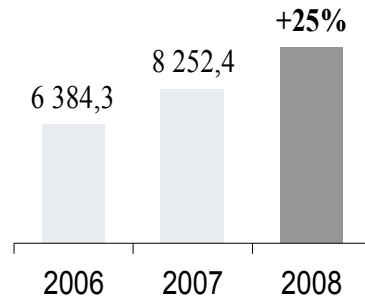


**VAS revenues growing in line with network development, marketing initiatives and the launch of new popular services**

# Group Outlook for 2008 – Revenue and OIBDA



**Total Group Revenue**  
(USD million)



OIBDA Margin	2006	2007	2008
	50.6%	51.2%	50%

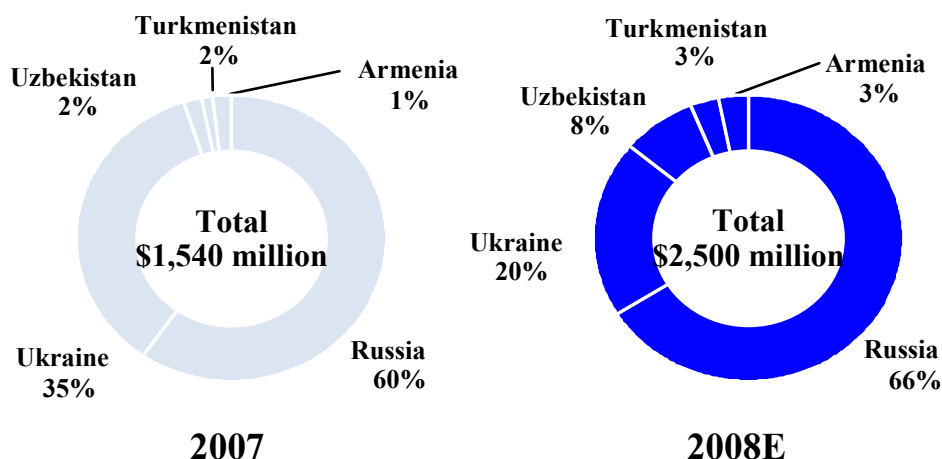
- Revenue expected to grow 25% year-over-year in 2008
- Key drivers for revenue growth include:
  - Continued mass consumption growth in voice usage
  - Increasing usage of messaging services
  - Adoption of data service and content
- Maintaining 50% OIBDA margin target through effective cost management in increasingly challenging markets
- Key drivers of margin pressure:
  - Rising voice usage driving interconnect costs
  - Inflationary pressure as more costs are in local currencies
  - High salary inflation
  - Rising advertising costs

**Strong growth profile to be maintained throughout 2008**

# Group Outlook for 2008 - CAPEX



## CAPEX structure (in USD million)



in USD million	2007	2008E
Russia	\$918.8	\$1,650
Ukraine	\$544.9	\$500
Uzbekistan	\$30.1	\$200
Armenia*	\$14.0	\$75
Turkmenistan	\$31.8	\$75

\*Consolidated as of September 14<sup>th</sup>, 2007

## Key CAPEX drivers for 2008:

- Carry over on CAPEX spending from 2007 of  $\approx$  \$450 million in Russia
- Investments in capacity and coverage to accommodate rising traffic and demand for voice services
- Addition of more dedicated data channels and 3G roll-out for easier Internet access and faster download speeds
- In Ukraine, capacity improvements to handle rising voice usage and further expansion of CDMA-450 data network
- In Uzbekistan, Turkmenistan and Armenia, investment in network build out to accommodate new subscribers to the network, and to ensure quality of service and unmatched network coverage
- Based on its prognosis, MTS foresees a CAPEX/sales ratio from FY 2006 – FY 2008E of approximately 23%

**Sustained investment in our networks to accommodate continuing growth**

# Group balance sheet



<b>Balance Sheet in USD million (unless indicated)</b>	<b>As of 31 Dec 2007</b>	<b>As of 31 Mar 2008</b>
Cash and cash equivalents	\$634.5	\$552.5
Short-term investments	\$15.8	\$15.8
Total debt	\$3 401.7	\$3 076.2
Long-term debt	\$2 688.4	\$2 610.1
Short-term debt	\$713.3	\$466.1
Net debt*	\$2 751.4	\$2 507.9
Shareholders' equity	\$5 442.9	\$5 742.6
Total assets	\$10 966.7	\$11 125.2
LTM OIBDA*	\$4 223.4	\$4 495.8
Net debt/assets	0.3x	0.2x
Net debt/equity	0.5x	0.4x
Net debt/LTM OIBDA*	0.7x	0.6x

The Group balance sheet provides ample opportunity to raise additional capital, if required

Free cash flow\* positive in Q1 2008 with \$632 million

LTM ROIC = 48.1%

In Q1 2008, a total of 5,086,300 ADRs were acquired as part of the Company's share repurchase program

\*See reconciliations of net debt, LTM OIBDA and free cash flow to consolidated financial statements in the appendix

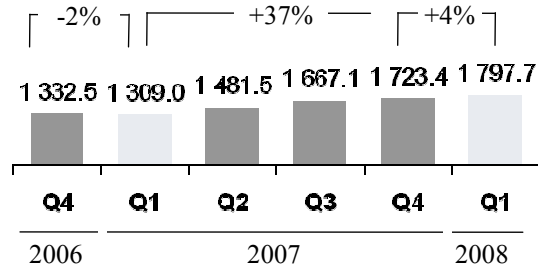
**MTS' ability to generate free cash flow and its underleveraged balance sheet provide ample room to finance its corporate needs**



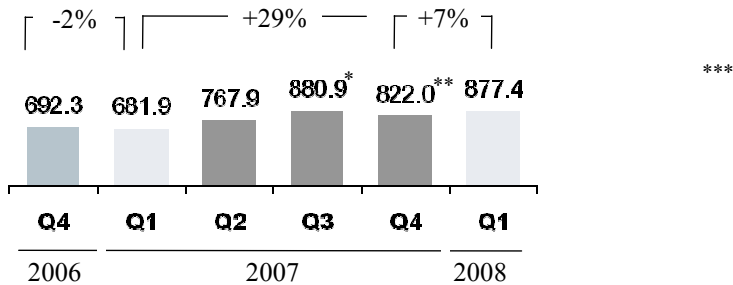


# Operational Overview – Russia

## Total Revenue (USD million)



## Total OIBDA (USD million)

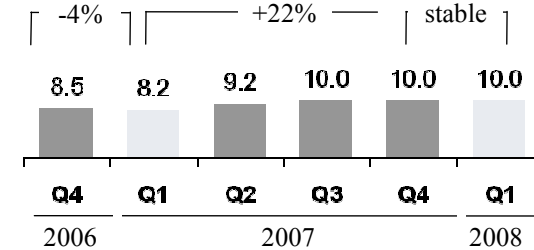


## OIBDA margin

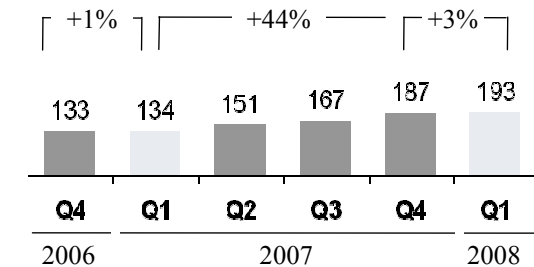
52.0% 52.1% 51.8% 52.8% 47.7% 48.8%

- Revenue grew on the back of rising voice usage, higher messaging, greater data adoption, and healthy subscriber additions in spite of seasonality in usage patterns
- Strong OIBDA growth despite costs associated with accommodating new subscribers on our network and rising interconnect costs

## ARPU (USD)



## MOU (min)



## APPM (US¢)

6.4 6.1 6.1 6.0 5.3 5.2

- ARPU with 2.5 million incoming net subscribers added exhibit higher incremental ARPU
- Healthy MOU dynamics due to introduction of tariff plans and marketing campaigns aimed at stimulating voice and data usage
- Continued strong subscriber additions during the quarter

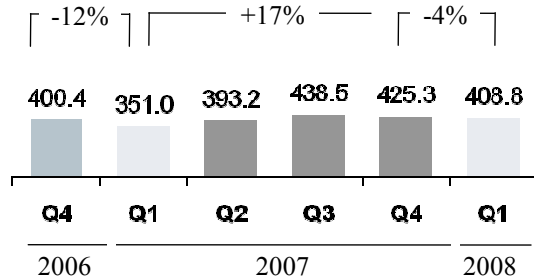
\* Including intercompany of \$2.2 million \*\* Including intercompany of \$0.4 million \*\*\* Including intercompany of \$2.6 million

**Continued growth in Russia with sequential improvement in profit margins**

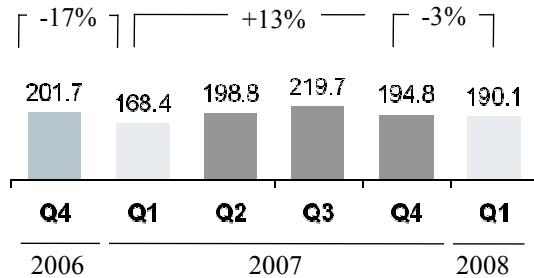
# Operational Overview – Ukraine



## Total Revenue (USD million)



## Total OIBDA (USD million)

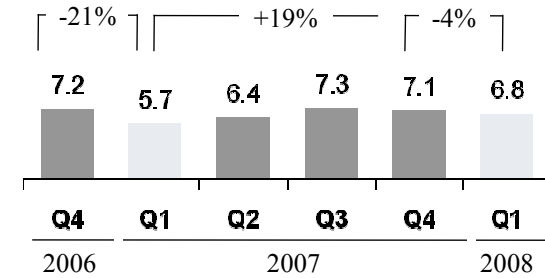


## OIBDA margin

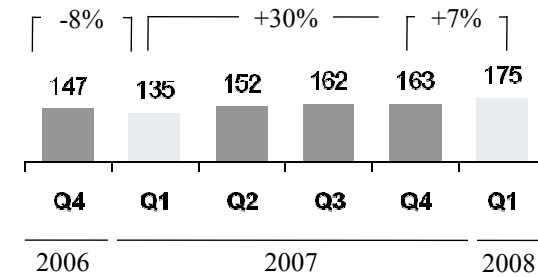
50.4% 48.0% 50.6% 50.1% 45.8% 46.5%

- Seasonal decline in revenue reduced, as initiatives to increase usage prove successful
- VAS revenues increase, with sequential growth in both GPRS and content
- Sequential improvement in OIBDA margin despite inflationary pressures
- More targeted sales and marketing expenditures in line with the maturity of the market

## ARPU (USD)



## MOU (min)



## APPM (US¢)

4.9 4.2 4.2 4.5 4.4 3.9

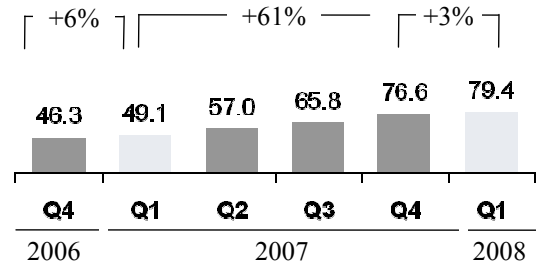
- Increase in ARPU of 19% year-over-year, on the back of significantly improved usage only partially offset by the decline in APPM as pricing in the market stabilizes
- An overall 30% increase year-over-year and a sequential increase of 7% in MOU, as stimulation efforts in both postpaid and prepaid segments pay off

**Improving revenue and OIBDA dynamics**

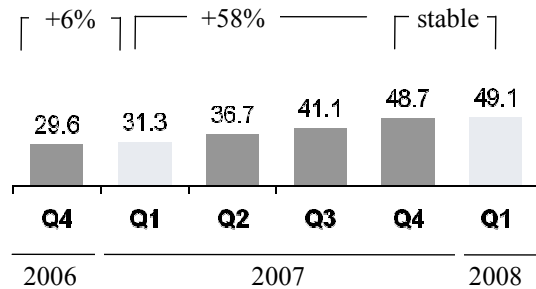
# Operational Overview – Uzbekistan



## Total Revenue (USD million)



## Total OIBDA (USD million)

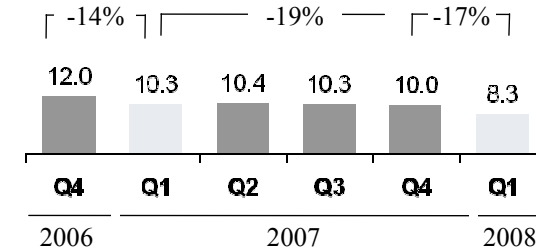


## OIBDA margin

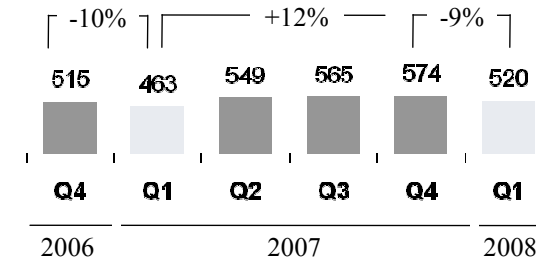
64.0% 63.7% 64.4% 62.5% 63.6% 61.8%

- Revenue growth driven by strong subscriber additions as we extend our network in the market
- OIBDA remains strong through cost control and operation efficiency though margin decline related to seasonality

## ARPU (USD)



## MOU (min)



## APPM (US¢)

2.3 2.2 1.9 1.9 1.7 1.6

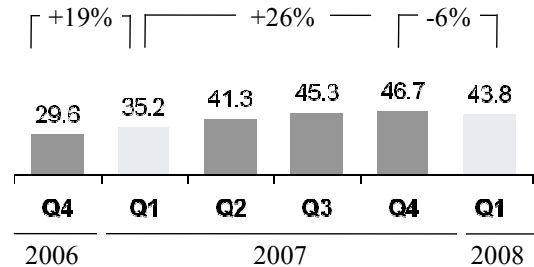
- ARPU decline related to adoption of MTS Group six-month churn policy
- MOU impacted by change in churn policy and lower seasonal usage

**Profitable growth in a rapidly developing market**

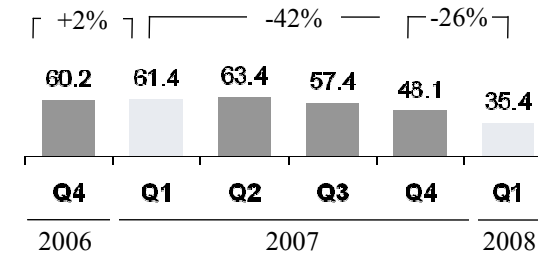
# Operational Overview – Turkmenistan



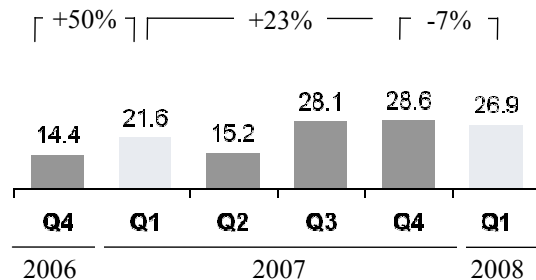
## Total Revenue (USD million)



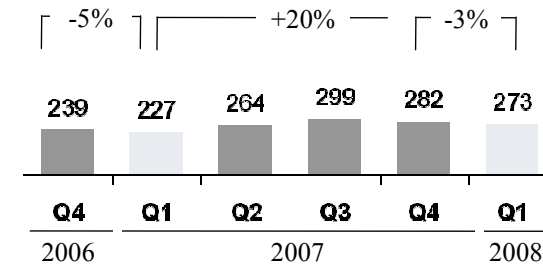
## ARPU (USD)



## Total OIBDA (USD million)



## MOU (min)



## OIBDA margin

48.5% 61.2% 36.8% 62.0% 61.4% 61.6%

## APPM (US¢)

25.2 27.0 24.0 19.2 17.1 13.0

- Revenue growth affected by change in official exchange rate\*
- Slight decrease in OIBDA on the back of revenue decline during the quarter and a rise in the sales and marketing expenses

- Subscriber growth having a dilutive effect on ARPU with incoming low ARPU mass market subscribers
- Decline in MOU caused by rising prices on consumer goods curbing subscribers' spending on wireless services

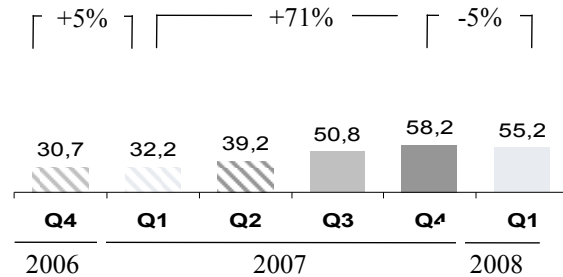
\* On January 1, 2008, the Central Bank of Turkmenistan raised the official exchange rate of the Turkmenistan Manat to the US dollar from 5,200 to 6,250. On May 1, 2008, another decree was passed that established the official exchange rate at 14,250 Manat per 1 USD.

**Sustained growth in an early-stage market**

# Operational Overview – Armenia

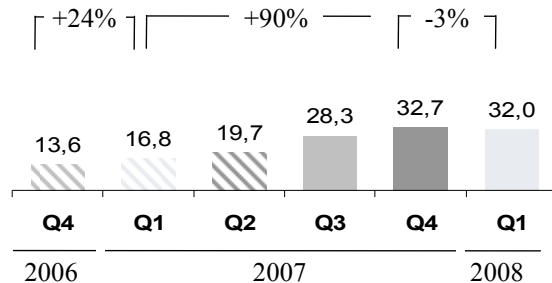


## Total Revenue (USD million)



- Revenue decline due to lower seasonal usage

## Total OIBDA (USD million)



- OIBDA margin improvement through effective management of costs

## OIBDA margin

44.3% **52.1%** 50.2% 56.1% 56.2% **57.9%**

Based on unaudited management reports

\*Consolidated as of September 14<sup>th</sup>, 2007

**A dynamic organization in a developing mobile market**

## Investment Case - Conclusion



- Strong financial position of MTS Group provides flexibility to respond to opportunities in the market and generate additional shareholder value
- Increasing revenues due to subscriber growth, rise in voice usage and broader adoption of value-added services in our markets
- Exceeded 50% Group OIBDA margin target in the face of mounting media costs and inflationary pressure through effective cost control
- Retaining profitability in more competitive markets while investing in future market growth
- Leveraging greater scale and reach of business as we extend MTS footprint to Armenia and expand networks in developing markets
- **2008 Outlook: continued profitable growth and Group development**

More for our customers. More for our shareholders. More for our employees.

## Contact Information



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# **Capital Markets Day 2008**

## **Comstar – UTS**

London

May 30, 2008

Sergey Pridantsev

CEO

Comstar – UTS



# 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.

Neither we, nor any of our respective agents, employees or advisors intend or have any duty or obligation to supplement, amend, update or revise any of the forward-looking statements contained in this presentation.

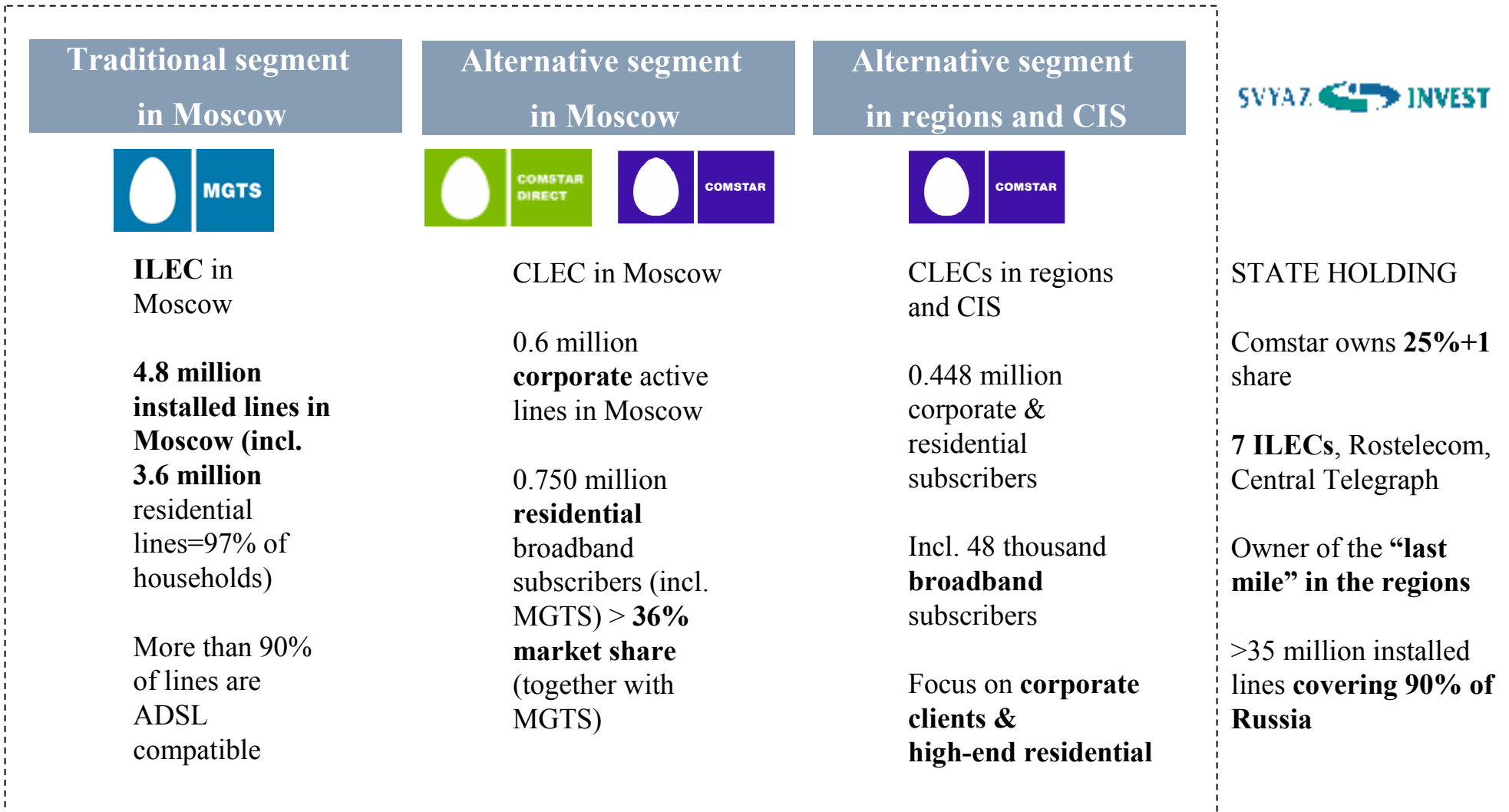
The information and opinions contained in this presentation are provided as at the date of this presentation and are subject to change without notice.

# Comstar at a Glance



- **The leading combined fixed-line telecommunications company in Moscow**
- - MGTS incumbent & Moscow AltNet with >5 million active lines & > 11,000 km fiber-optic network
  
- **Owner of “last mile” access to 3.6 million Moscow households & 97% market share**
- - Last mile is not unbundled and > 90% ADSL compatible
  
- **Number 1 residential broadband provider in Moscow**
- - > 750k subscribers in Moscow & 36% market share as at March 31, 2008
  
- **Integrated operator providing full spectrum of fixed-line services to corporate clients**
- - local, long distance, broadband Internet, WiFi, WiMax, VPN etc
  
- **Regional expansion**
- - Focus on priority regions with expansion through selective M&A, development of existing operations & entering DLD/ILD market, 8% of total revenues
  
- **Owner of 25% + 1 share in State owned Svyazinvest national fixed line incumbent**
- - Financial investment with upside as strategic player in privatization process

# Combined Telecom Operator

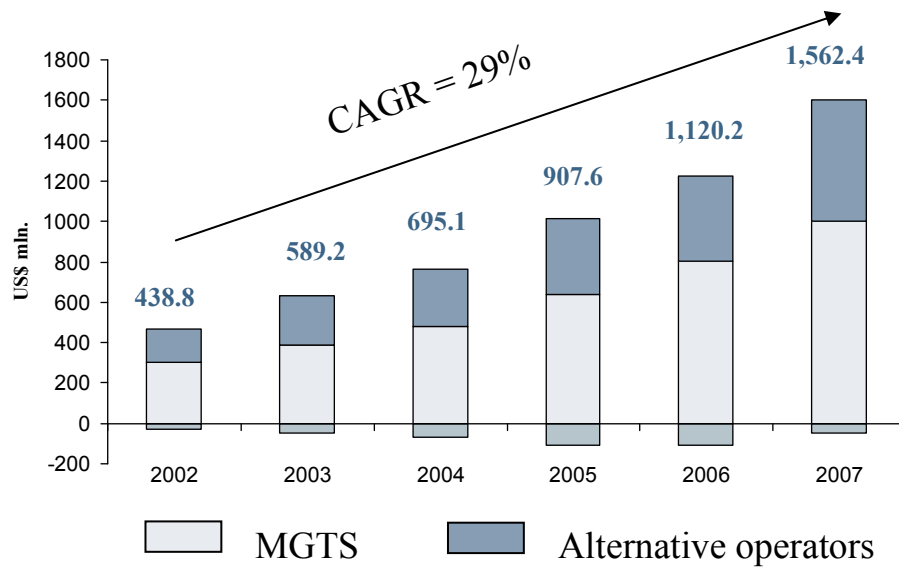


**In line with corporate restructuring operations have been reorganized into three business lines**

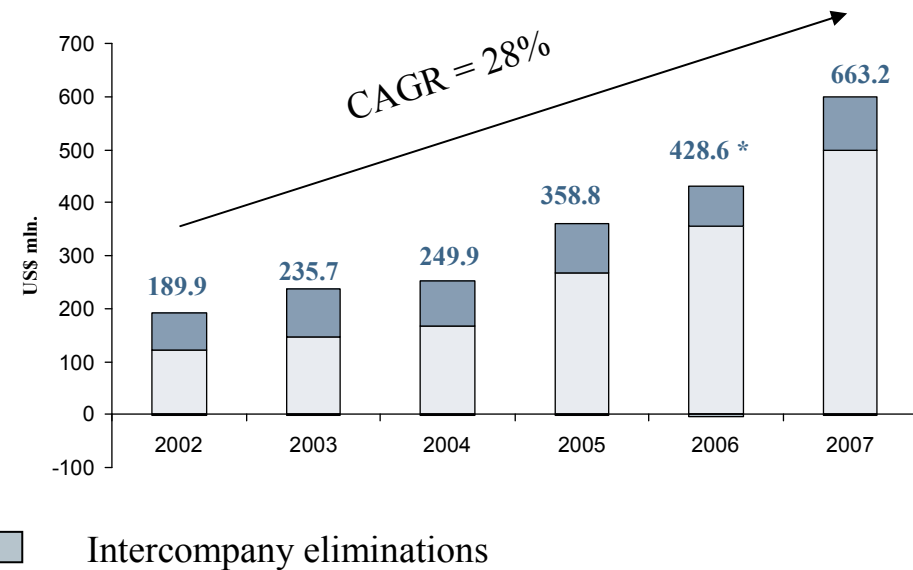
# Proven Track Record



## Revenues



## OIBDA



### Guidance for 2008:

- **Revenue growth by ~15-20%\*\*;**
- **OIBDA margin ~38-40%\*\*\***
- **CAPEX ~ 25% of revenues**

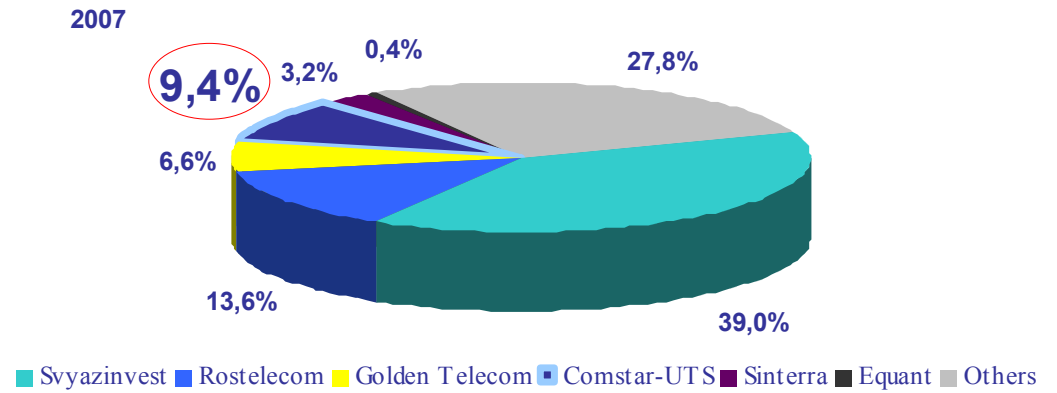
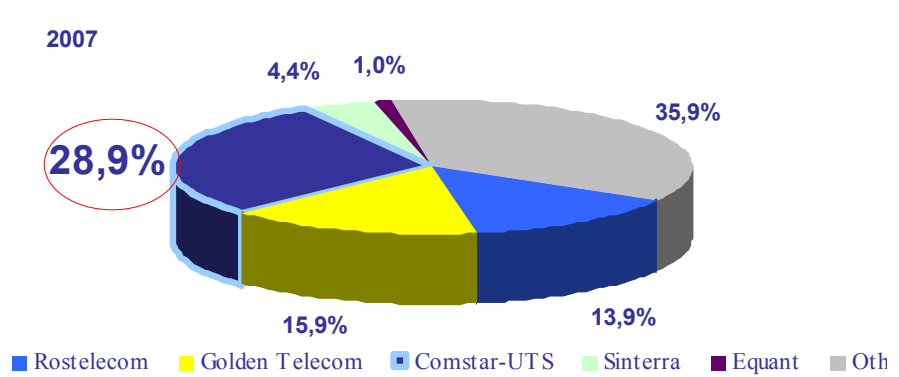
\*Excl. US\$ 62.1 million non-recurring stock bonus \*\* Excl. US\$ 36 million compensation from the budget received in 2007 \*\*\*Before any further regulatory changes or acquisitions

# Comstar's leading position on telecom market



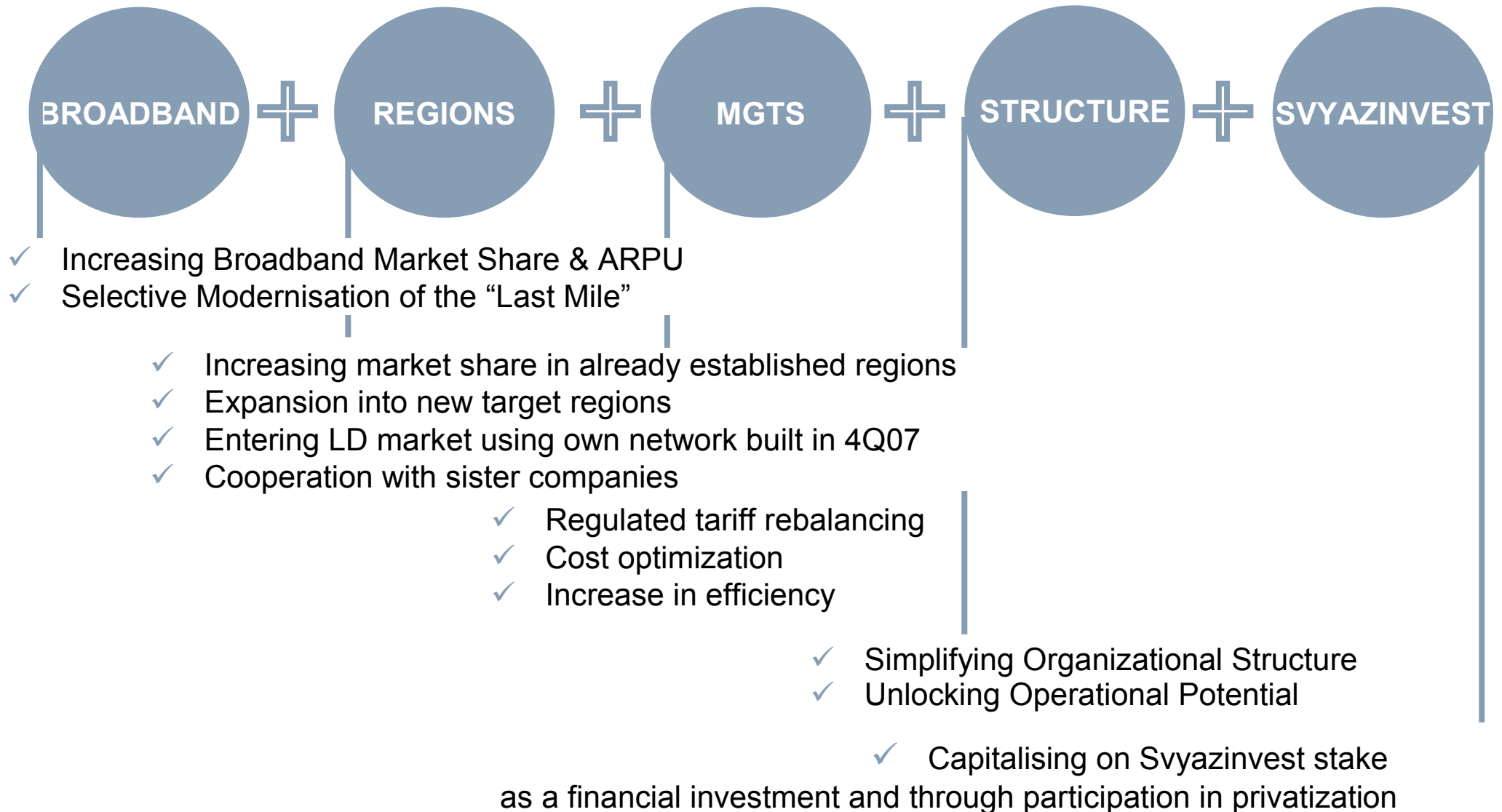
Comstar share of Moscow fixed-line market  
in revenue terms

Comstar share of Russian fixed-line market  
(incl. Moscow) in revenue terms



**Comstar-UTS is the leader on the Moscow fixed-line market with a 28.9% market share and has a 9.4% market share in Russia. The aim is to become leader on the Russian fixed-line market.**

# Value drivers – “Five Angles of Attack”



# Increasing Broadband Market Share in Moscow

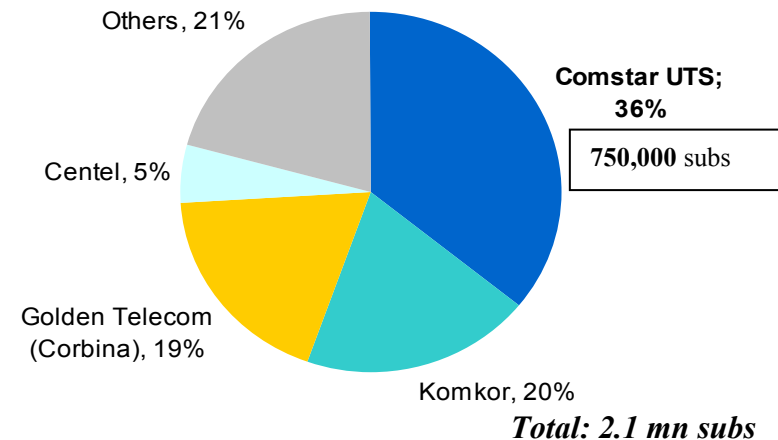


Objective of **>50%** market share in Moscow by 2011 from 32% as at December 31, 2006\*

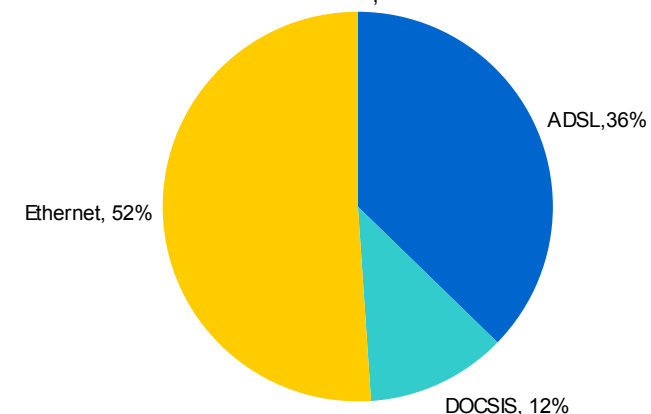
## Moscow Residential BB Market, 1Q2008

### Revised broadband strategy

- Direct sales using **MGTS** technicians and **brand**, active cooperation with retail chains
- Unique **Post-paid** tariffs, **One Bill** from MGTS (voice, broadband internet, DLD/ILD etc.)
- Selective **Modernization of the “Last Mile”**
  - ▶ Fiber to the Curb (FTTC)- started Sep. '07
  - ▶ CAPEX of up to \$100 million (2008-2009)
  - ▶ 70-80% of the “last mile” is to be “Speed Up” from 6 Mbps to 24 Mbps by 2010
- Commercial launch of **HDTV** (Summer 2008)
- Launch of **WiMax** (Frequencies in Moscow 2,5-2,7 Ghz, spectral band 36Mhz , Agreement with Intel)- end of 2008



## Moscow Residential BB market by technologies, 1Q2008



**Broadband subscriber base in Moscow has increased to 796,000 as at March 31, 2008, including 750,000 residential subscribers**

# Use of MGTS brand



**777\*** руб.  
безлимитный телефон + Интернет

mgts.ru

**Интернет и телефон**  
Безлимитно. Просто. Вместе.

(495) **636-0-636**  
Звоните, подключайтесь

\* Подробную информацию о тарифах можно узнать по телефону Единого контактного центра ООО МГТС (495) 636-0-636 и на сайте www.mgts.ru

**777\*** руб.  
безлимитный телефон + Интернет

**Одинаково необходимы**

(495) **636-0-636**  
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mgts.ru

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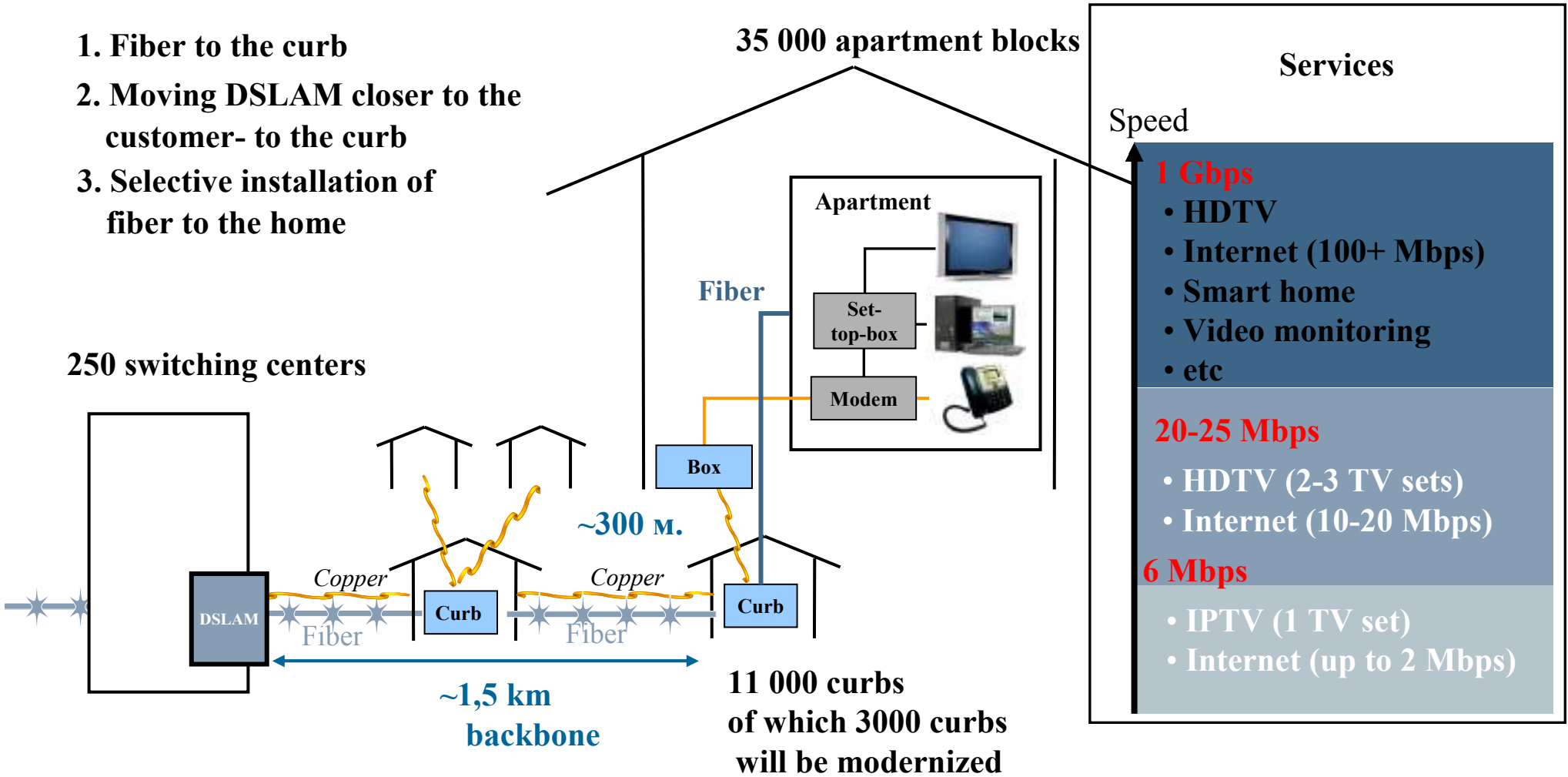
**Changing perception of MGTS brand from “Voice from MGTS” to “Internet from MGTS”**



# Modernization of the “Last mile” Access



1. Fiber to the curb
2. Moving DSLAM closer to the customer- to the curb
3. Selective installation of fiber to the home



**The project will enable 80% of ADSL subscribers to get HDTV and access the Internet at speeds of up to 24 Mb/sec**

# Unique Offering: Combination of Wire-line + Wire-less Internet



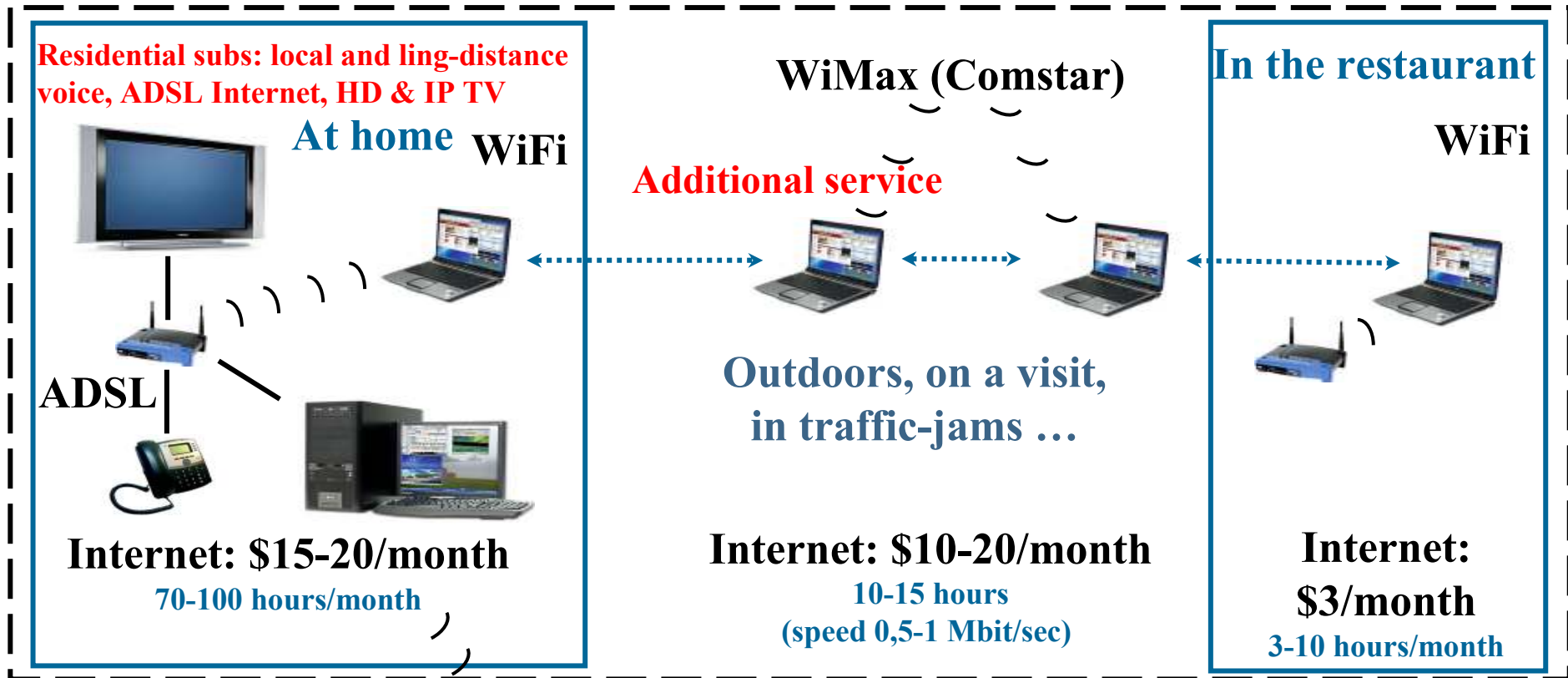
BROADBAND

REGIONS

MGTS

STRUCTURE

VYAZINVEST



**Separate service**



**Growing number of ADSL subscribers already with WiFi at home will with Comstar have access to the Internet everywhere**

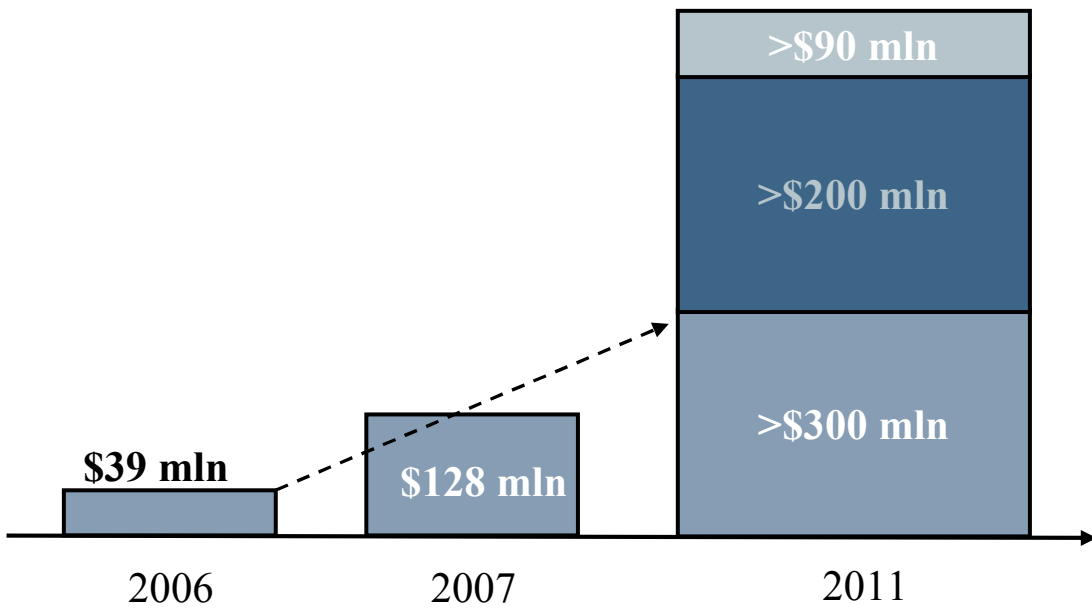
# Significant Acceleration of Regional Expansion



Comstar revenue outside Moscow:



**\$600 mln**

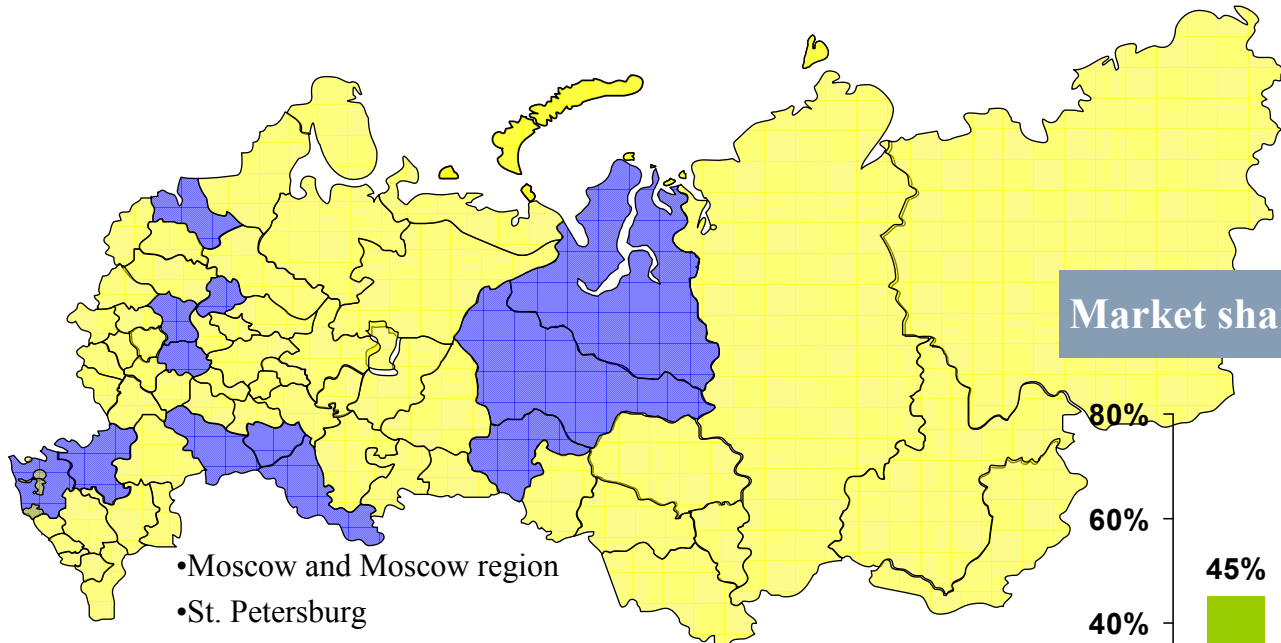


Extended regional strategy  
(depending on Shareholders' decisions)

3. Entering the DLD/ILD segment
2. Expansion into the target regions (M&A)
  - Acquisition of RTC in Nov. 2007 (annualized 2007 revenue ~ 20 mln)
  - Acquisition of DTN in Nov. 2007 (annualized 2007 revenue ~ 60 mln)
1. Increasing market share in already established regions
  - Rapid expansion into Moscow suburbs & St. Petersburg

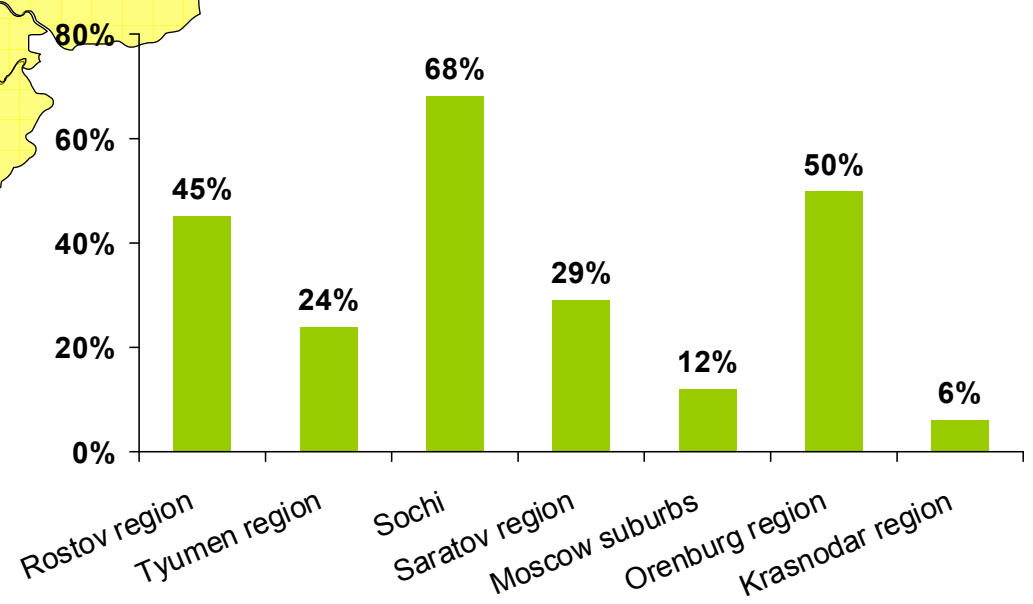
**Regional revenues tripled in 2007**

# Comstar - established regions in Russia



- Moscow and Moscow region
- St. Petersburg
- Ryazan region
- Yaroslavl region
- Samara region
- Saratov region
- Tyumen region
- Sochi
- Khanty-Mansi Autonomous District
- Yamalo-Nenetsk Autonomous District
- Rostov region

Market shares in selected established regions, 2007\*



\* Excl. local ILECs

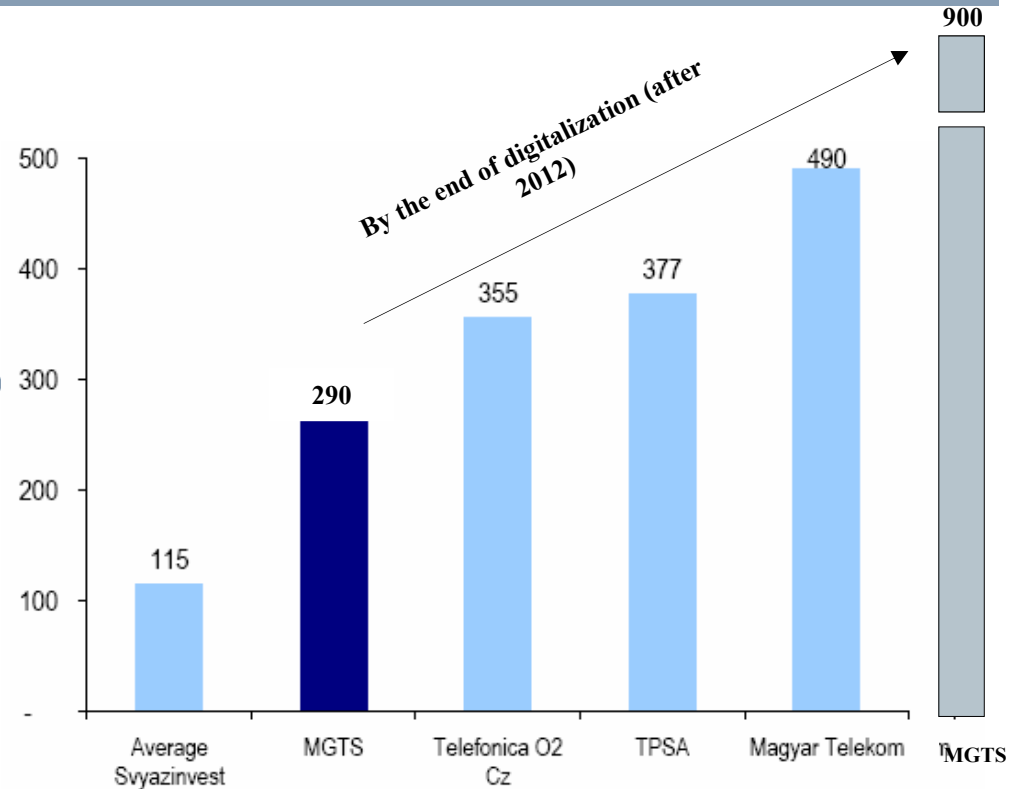
**Number of established regions witnessed a significant increase at the beginning of 2007**

# Unlocking Operational Potential

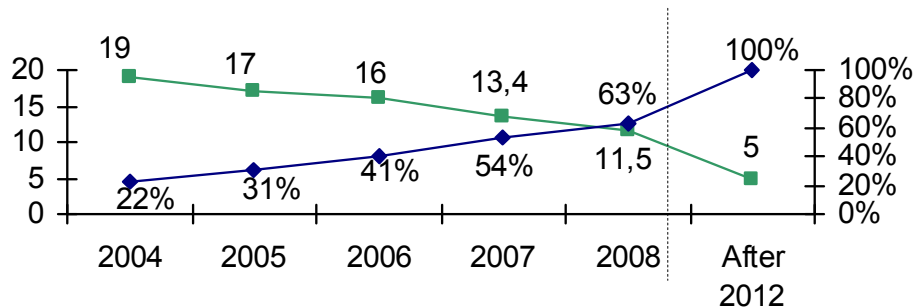


- Management by processes
- Comstar focus:
  - Strategy
  - Regions (M&A, Greenfield)
  - Sales to corporate subscribers
- MGTS focus :
  - Network modernization & maintenance
  - Mass market sales
- Comstar – Direct focus:
  - High-value broadband sales
- Outsourcing of non-core functions

## Lines / Employees



## Number of MGTS Employees, 000\*



• **Potential for Significant headcount reduction**

\* End of period

—■— employees    —◆— % of lines digitalized

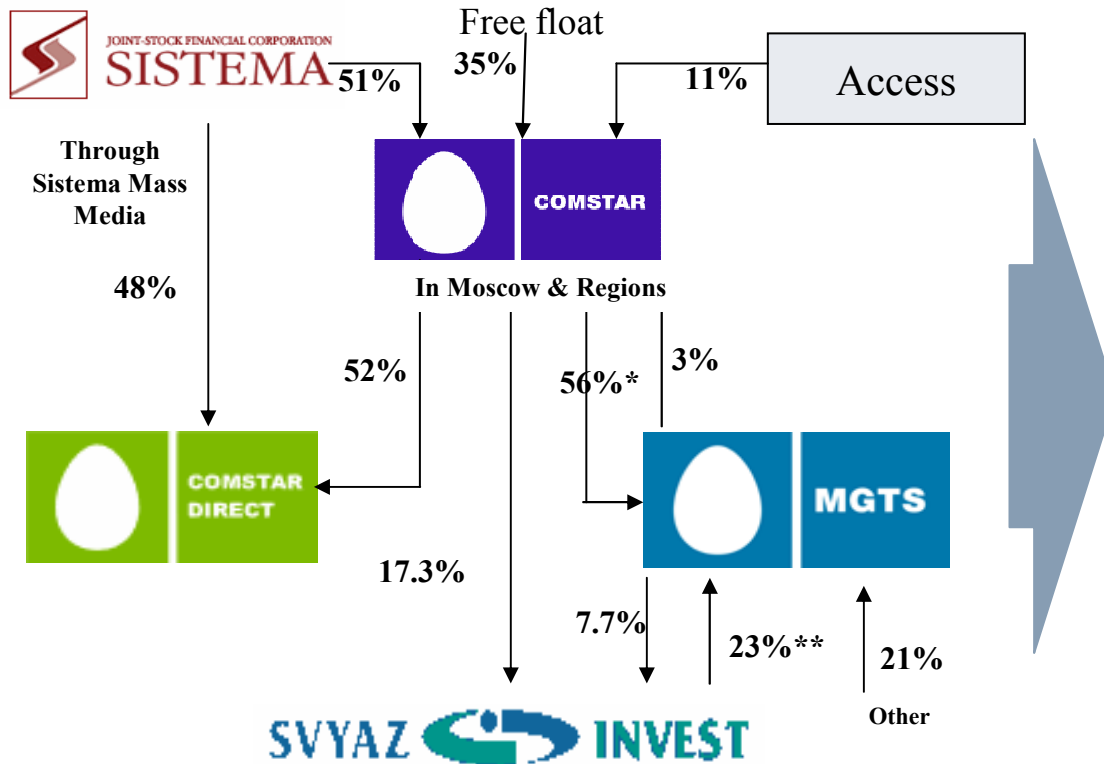
Source: Analysts reports, Company data FY2007

# Simplifying Organizational Structure



## Present Situation

## Future Objective



- Two operating companies: MGTS & Comstar
- Integration of Comstar-Direct
- Turning regional subsidiaries into branches & re-branding

**Cross ownership between Comstar and MGTS was largely eliminated when Access exercised its call option in December 2007**

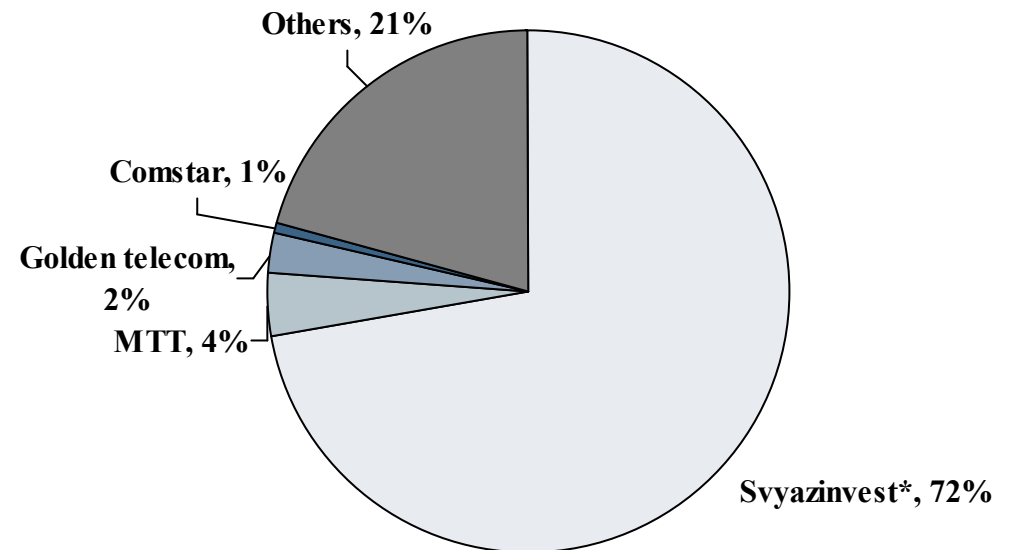
\*67% of voting shares \*\*28% of voting shares

# Capitalizing on Svyazinvest Investment



Russian regional market (excl. Moscow) in 2007  
in revenue terms

- 25% +1 share acquired for US\$ 1.3 billion in December 2006
- Call (exercised in December 2007) and put (2 year) option agreement with Seller for 11% of Comstar shares currently held by MGTS Finance
- 2 seats on Board of Directors
- **Successful financial investment**
- Upside option as **Strategic Player in privatization process**



\* Including Rostelecom 21.6%

**Relationships are focused to give maximum influence on privatization/restructuring scenarios**

# Investment Case



- Unique combination of
  - incumbent and alternative service provider
  - broadband growth potential and expansion into the regions
  - balancing growth & profitability
- Substantial synergies and efficiency gains to be extracted from integration of the companies of the Group
- Simplification of structure unlocks significant value
- Upside potential from 25% stake in Svyazinvest



**For additional information please visit**

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**Head of Investor Relations**

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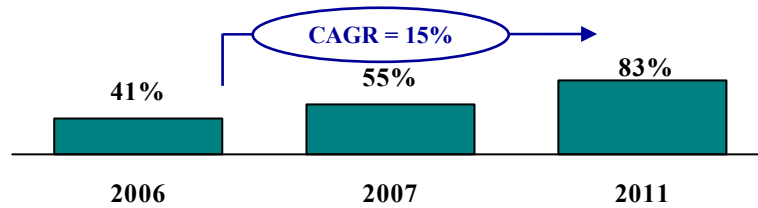
# Appendix

# Market Penetration Level & Potential Growth

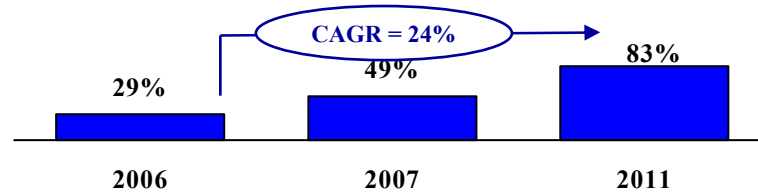


## Moscow

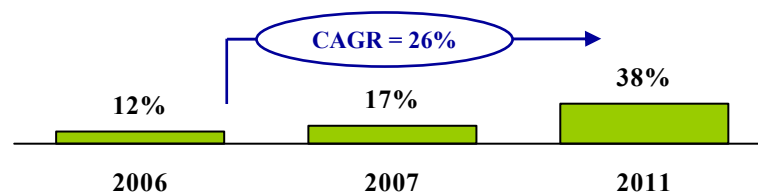
### Internet Penetration



### Broadband Penetration

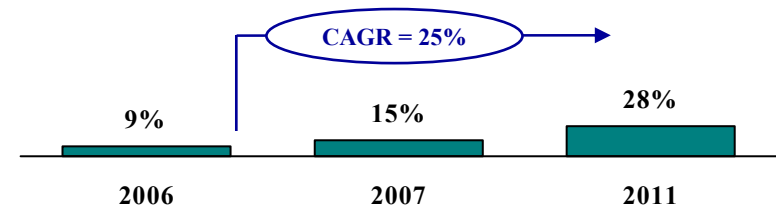


### Pay-TV Penetration

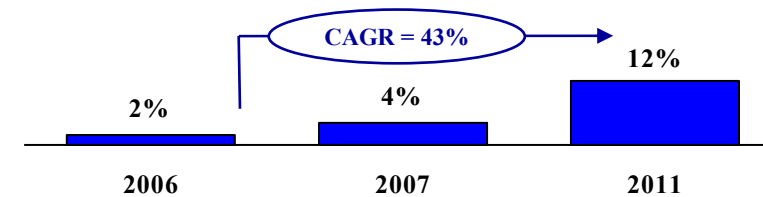


## Russia (excl. Moscow)

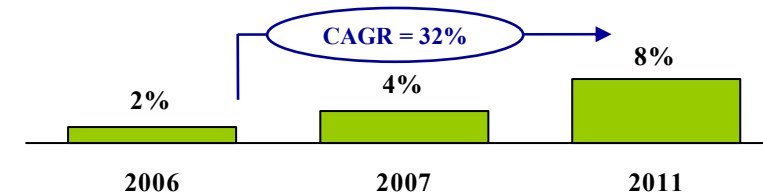
### Internet Penetration



### Broadband Penetration



### Pay-TV Penetration



**Broadband penetration in Moscow is expected to grow from 49% in 2007 to 83% in 2011**

# Income Statement



<b>(US\$ Million)</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Revenues</b>	695.1	907.6	1,120.2	1,562.4
<i>Y-o-Y Growth</i>	<i>18.0%</i>	<i>30.6%</i>	<i>23.4%</i>	<i>39.5%</i>
<b>OIBDA</b> (excl. Stock Bonus Awards)	249.9	358.8	428.6	663.2
<i>Margin</i>	<i>35.9%</i>	<i>39.5%</i>	<i>38.3%</i>	<i>42.5%</i>
<b>Operating Income</b> (excl. Stock Bonus Awards)	173.7	268.4	297.7	485.3
<i>Margin</i>	<i>25.0%</i>	<i>29.6%</i>	<i>26.6%</i>	<i>31.1%</i>
<b>Net Income</b> (excl. Stock Bonus Awards and change in fair value of call and put option less minority share)	76.1	105.9	178.1	125.1
<i>Margin</i>	<i>11.0%</i>	<i>11.7%</i>	<i>15.9%</i>	<i>8.0%</i>
<b>Capex</b>	228.5	235.2	333.4	378.7
<i>% of Revenues</i>	<i>32.9%</i>	<i>25.9%</i>	<i>29.8%</i>	<i>24.2%</i>

## 12M2007 Highlights

- 39.5% year on year revenue growth
- 42.5% OIBDA margin
- US\$ 81.3 million change in fair value of call and put option less minority share

# Segmental Breakdown



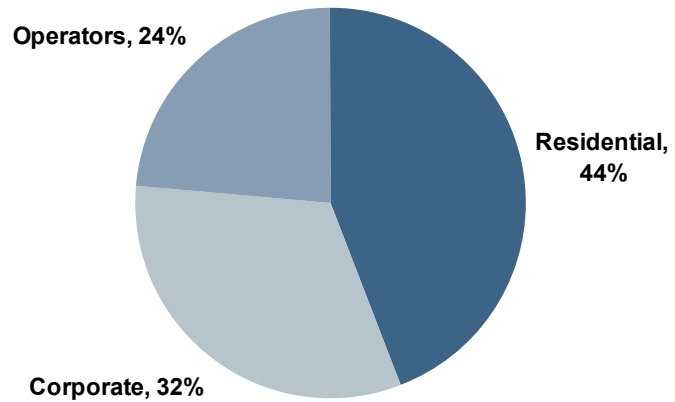
<b>Revenue (US\$ Million)</b>	<b>Q1 2006</b>	<b>Q2 2006</b>	<b>Q3 2006</b>	<b>Q4 2006*</b>	<b>FY 2006</b>	<b>Q1 2007</b>	<b>Q2 2007</b>	<b>Q3 2007</b>	<b>Q4 2007</b>	<b>FY 2007</b>
Traditional segment in Moscow (MGTS)	175.6	209.7	208.4	208.4	802.2	247.3	291.4	278.5	295.2	1,112.5
Alternative segment in Moscow (Comstar & Comstar-Direct)	91.7	99.2	100.3	97.5	388.6	101.1	107.6	113.1	130.7	452.5
Alternative segment in the regions & CIS (Comstar)	7.5	7.0	8.2	16.6	39.2	11.6	11.6	11.8	92.7	127.7
Intersegment Sales	-24.9	-29.3	-25.2	-30.3	-109.7	-31.1	-31.5	-31.2	-36.5	-130.3
<b>Total Revenue, net of inter-segment transactions</b>	<b>249.8</b>	<b>286.6</b>	<b>291.8</b>	<b>292.1</b>	<b>1,120.2</b>	<b>328.9</b>	<b>379.2</b>	<b>372.2</b>	<b>482.1</b>	<b>1,562.4</b>
<b>OIBDA (US\$ Million)</b>										
Traditional segment in Moscow (MGTS)	82.9	101.8	87.3	84.1	356.0	114.4	151.1	139.9	145.9	551.3
Alternative segment in Moscow (Comstar & Comstar-Direct)	19.0	14.0	25.9	15.8	74.7	17.1	22.4	20.3	19.5	79.4
Alternative segment in the regions & CIS (Comstar)	1.3	1.4	1.7	-0.4	4.0	0.7	1.4	1.2	36.8	40.2
Effect of eliminations and other consolidation adjustments	-1.0	-2.1	-1.0	-2.0	-6.1	-1.9	-1.8	-1.8	-2.2	-7.6
<b>Total OIBDA</b>	<b>102.3</b>	<b>115.0</b>	<b>113.9</b>	<b>97.4</b>	<b>428.6</b>	<b>130.4</b>	<b>173.2</b>	<b>159.7</b>	<b>200.0</b>	<b>663.2</b>

\* Excluding US\$ 62.1 million Stock Bonus Awards

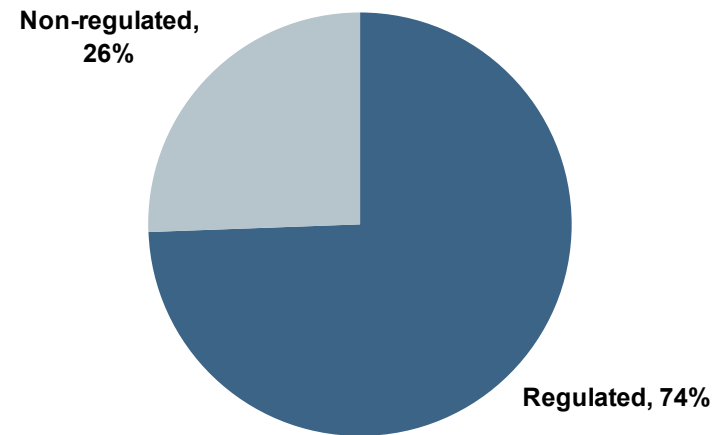
# Revenue composition, 2007



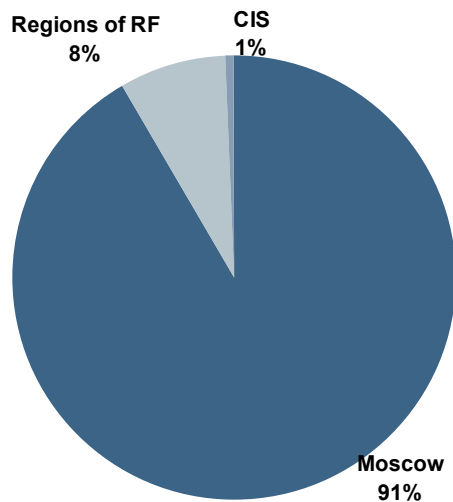
### Customer segments



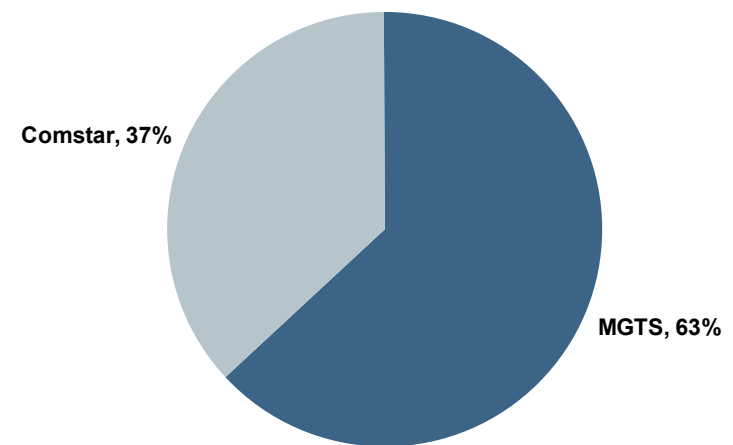
### Regulated/non-regulated



### Geographical



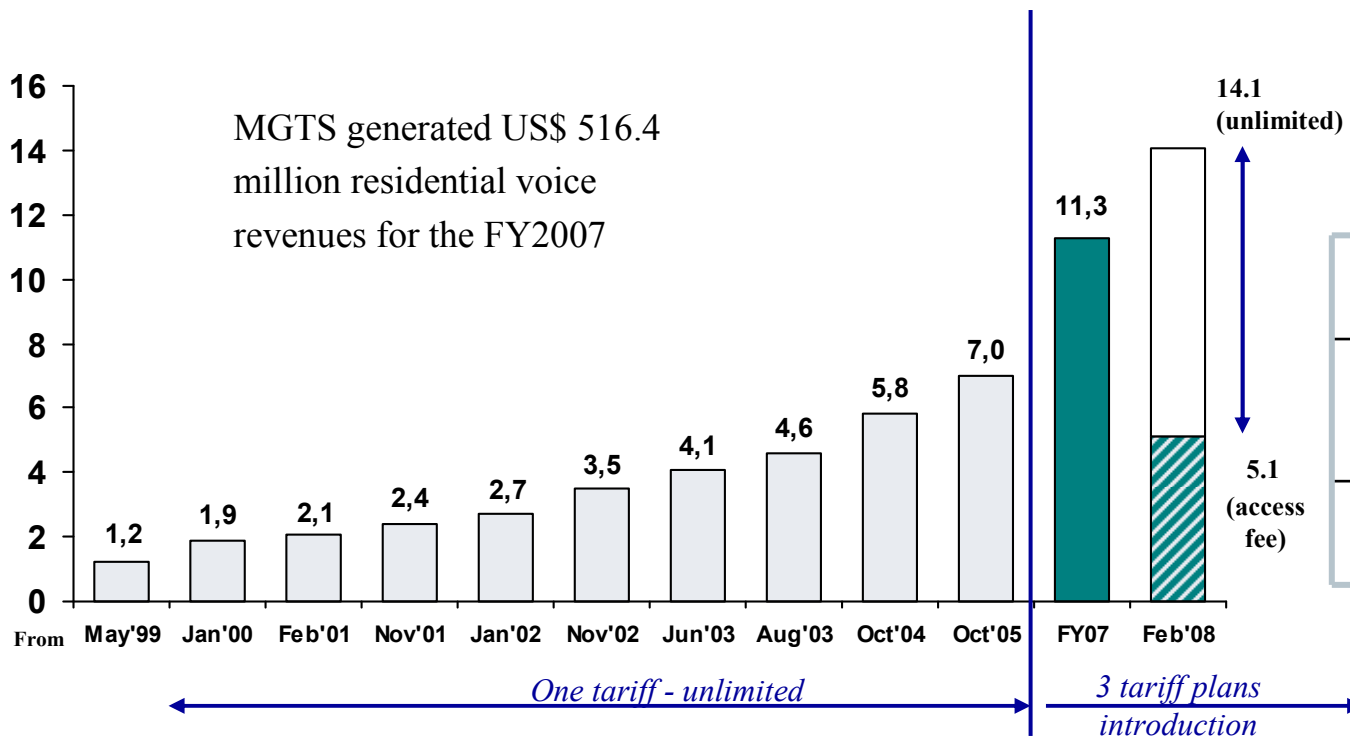
### MGTS / Comstar



# Regulated tariff rebalancing- residential



## Growth in Regulated Tariffs (US\$)



## Residential Subscriber Mix

- 3 tariff plans were introduced in February 2007
- Subscriber base, breakdown by tariff plan as at December 31, 2007

Time-based tariff plan (RU 125 + RU 0.28 per minute)	27%
Combined tariff plan (RU 229 for 450 minutes then RU 0.23 per minute)	22%
Unlimited time tariff plan (RU 345 per month)	51%

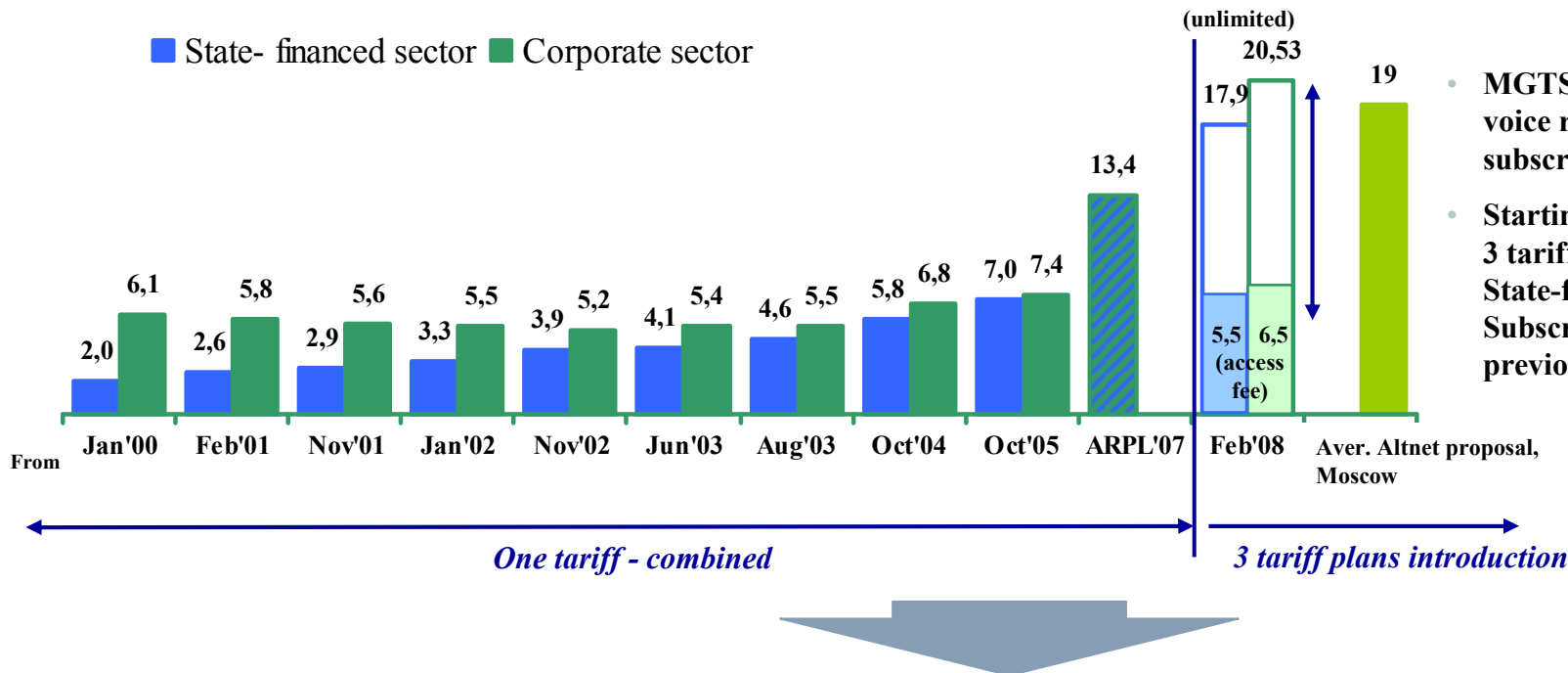
**After the introduction of 3 tariff plans MGTS drives ARPU by various marketing activities & provision of bundled (voice + broadband) services**

# Regulated tariff rebalancing- corporate



Monthly Subscription Fee (US\$) – State – Financed and Corporate Sectors

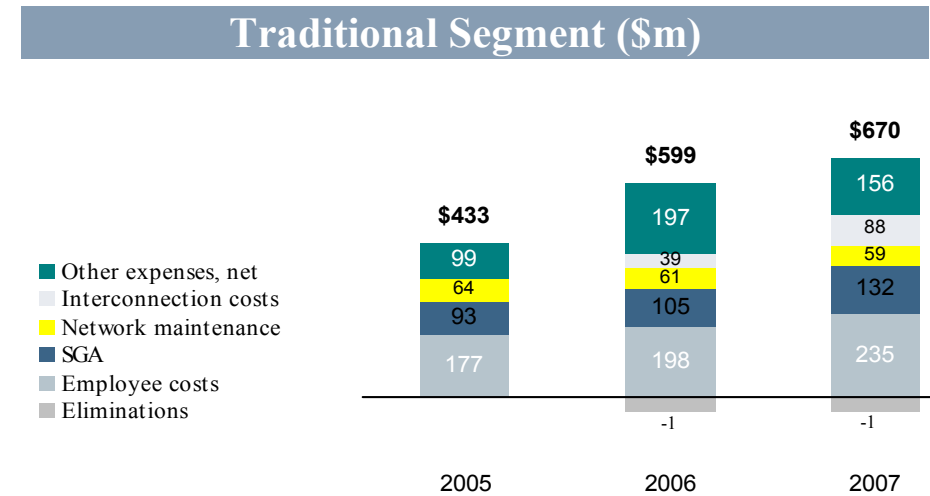
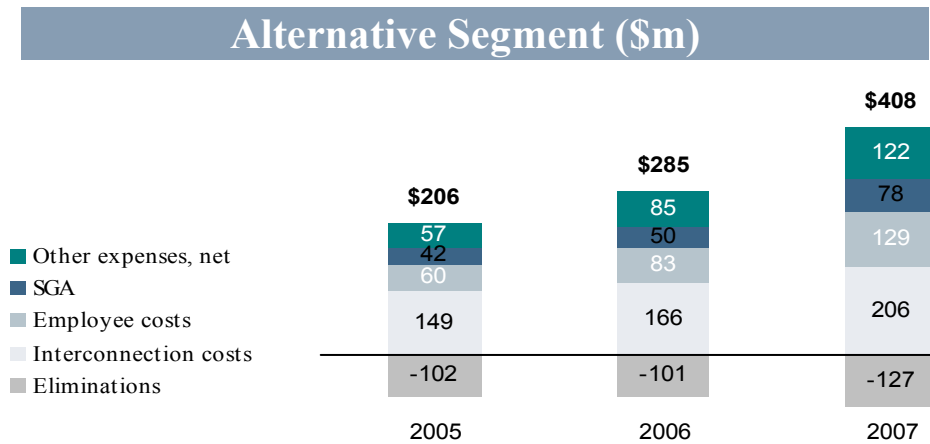
Regulated Voice Tariffs, Feb. 2008



- MGTS generated US\$ 167.6 million voice revenues from corporate subscribers for the FY2007
- Starting from February 1, 2008 3 tariff plans are implemented for State-financed Sector and Corporate Subscribers of MGTS instead of previously used combined tariff plan

**Upside potential from introduction of 3 tariff plans from February 2008**

# Segment Operating Expenses\*



### Segment Employees

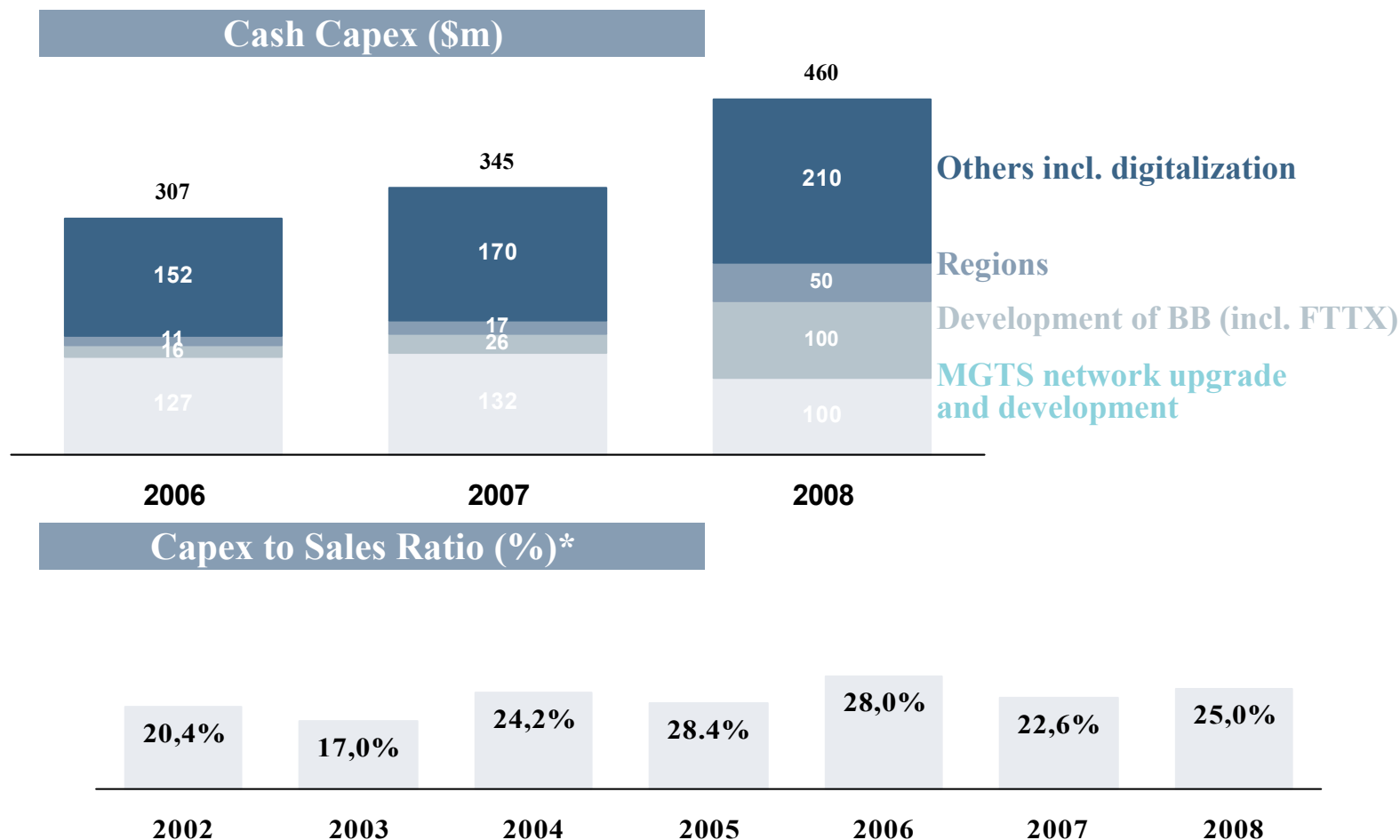
	2002	2003	2004	2005	2006	2007
Traditional segment #Employees	20,433	20,304	19,587	18,022	15,621	13,377
Alternative segment #Employees	1,135	1,435	1,523	2,079	3,534	3,238
Traditional segment average salary	\$330	\$471	\$658	\$820	\$787	\$956
Alternative segment average salary	\$1,445	\$1,981	\$2,387	\$2,398	\$1,517	\$1,898

Traditional segment Revenues per Employee	\$14,830	\$18,995	\$24,549	\$35,493	\$51,352	\$80,749
Alternative segment Revenues per Employee	\$144,884	\$173,537	\$185,416	\$179,311	\$154,238	\$242,061

\* Excluding US\$ 62.1 million Stock Bonus Awards



# Capital Expenditure Development



## Comments

- Modernization of the last mile is expected to be completed by the end of 2009

- Long-distance network development has been completed in the 4Q of 2007

- Starting from 2007 network development reconstruction is based on NGN Technology, thus leapfrogging one generation in technology

\* Excluding US\$ 37 million and US\$26 million compensation from the budget in 2007 and 2006 respectively

# Cash Flow Statement



<b>(US\$ Million)</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Net cash provided by operations	225.2	271.2	288.7	488.4
Net cash used in investment activities	-187.2	-255.2	-1,767.0	-859.9
Net cash provided by / (used in) financing activities	-19.5	-20.3	1,550.9	403.6
Effects of foreign currency translation of cash and cash equivalents	2.0	-1.0	2.0	11.2
Cash and cash equivalents at the beginning of the period	47.0	67.4	62.0	136.6
Cash and cash equivalents at the end of the period	67.4	62.0	136.6	179.8

# Balance Sheet



<b>(US\$ Million)</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Assets</b>	<b>1,418.4</b>	<b>1,641.4</b>	<b>3,537.6</b>	<b>4,630.3</b>
<i>Current Assets</i>	<i>335.6</i>	<i>405.2</i>	<i>445.1</i>	<i>941.7</i>
<i>Long-term assets</i>	<i>1,082.8</i>	<i>1,236.2</i>	<i>3,092.5</i>	<i>3,688.7</i>
<b>Liabilities</b>	<b>586.4</b>	<b>645.8</b>	<b>1,470.6</b>	<b>1,774.4</b>
<i>Current Liabilities</i>	<i>223.2</i>	<i>274.4</i>	<i>1,140.9</i>	<i>465.3</i>
<i>Long-term liabilities</i>	<i>363.2</i>	<i>371.4</i>	<i>329.7</i>	<i>1,309.1</i>
<b>Minority Interests</b>	<b>450.6</b>	<b>516.1</b>	<b>496.7</b>	<b>765.0</b>
<b>Shareholders' equity</b>	<b>381.4</b>	<b>479.5</b>	<b>1,570.2</b>	<b>2,090.9</b>

## 2007 Highlights

- US\$ 675 million six month loan facility from ABN AMRO Bank N.V. refinanced in June 2007 with 5 year RUR 26 billion credit facility from Sberbank
- Cash and cash equivalents of US\$ 179.8 million
- Total debt of US\$ 1011.3 million
- Net debt of US\$ 831.5 million
- Total debt/OIBDA of 1.44
- Net debt/OIBDA of 1.18



# **Capital Markets Day 2008**

## **Sistema Mass Media**

London

May 30, 2008

Eldar Razroev

Chief Executive Officer

Sistema Mass Media

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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 app. 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.



## Highlights

- **Stream-TV is the largest Pay-TV operator in Russia with 17% <sup>(1)</sup> of the market share. It is established in 40 cities with a population of over 15 million, covers 3.6 million households, and has 1.8 million subscribers**
- **Stream-Content combined with production of own TV programs as well as selling others - 8 thematic channels by 2009. The current 5 channels have an audience of more than 4 million households**
- **A mobile TV service based on the DVBH standard will be launched in Russia's largest cities in 2008-09**

*(1) Source – J'Son & Partners*

**SMM focuses on Pay-TV and content production**

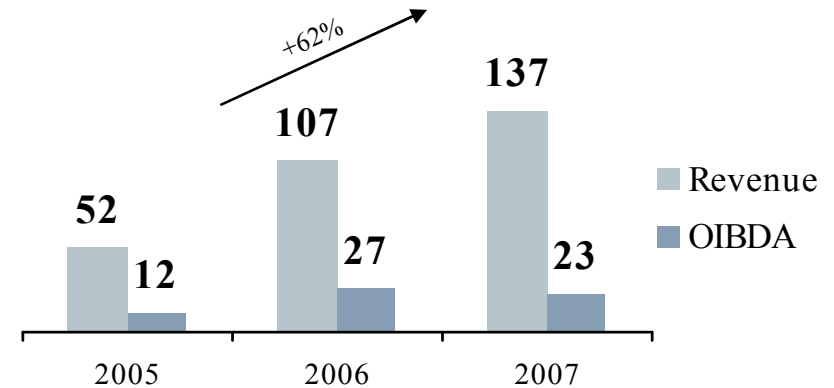


# Impressive Growth in 2007

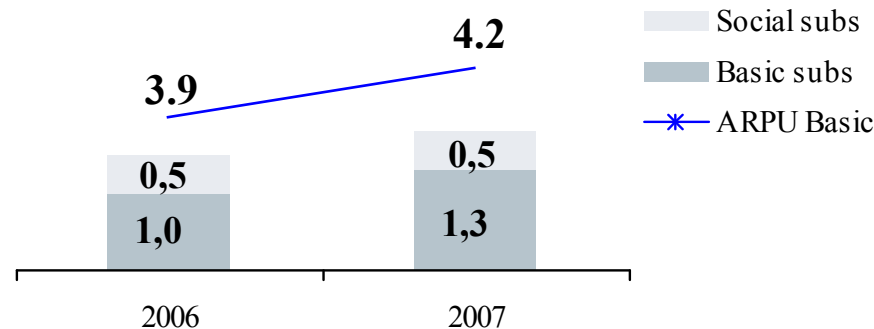
## SMM's main achievements in 2007

- Post-M&A integration of earlier acquired cable/broadband companies under Stream-TV
- In 2007 SMM acquired operators in Kursk, Orel, Tambov: 116 thousand Pay-TV and 11 thousand Internet subscribers
- Mobile TV (DVBH): pilot project in Moscow

## Revenues and OIBDA (USD mln)

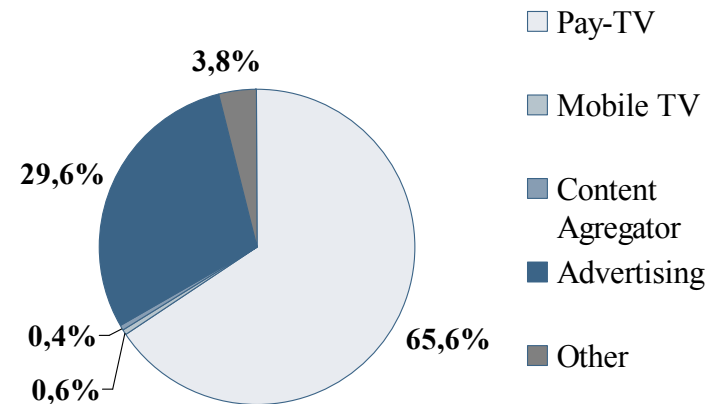


## Stream-TV subscribers (mln) & ARPU (\$/mo)<sup>(1)</sup>



*(1) ARPU of Social package – USD 0,3 to USD 1 per month depends on region. In some regions tariffs for social packages are controlled by municipalities*

## SMM revenue structure 2007



**SMM demonstrates strong growth in key segment of Pay-TV**

# Strategy – Focus on Pay-TV and Multimedia Markets



## Pay-TV

- Developing Stream-TV as a leading brand in Pay-TV and multimedia services providing access to Pay-TV and multimedia entertainment
- Network upgrade: from terrestrial technologies and analogue to digital-ready cable
- Streamlining business processes in established regions via unified billing and customer service
- Integrating the regional Pay-TV companies into one operational company and restructuring regional companies into branches

## Content Aggregation

- Securing the best thematic TV-content through own production and content aggregation
- Focus on the niche thematic content to meet the need of diverse groups of subscribers
- Partnerships with leading international and Russian content providers

**A leader  
of Russian  
Pay-TV  
and  
multimedia  
services  
markets**

**SMM is focused on building the leading operator of Pay-TV in Russia integrated with content production**

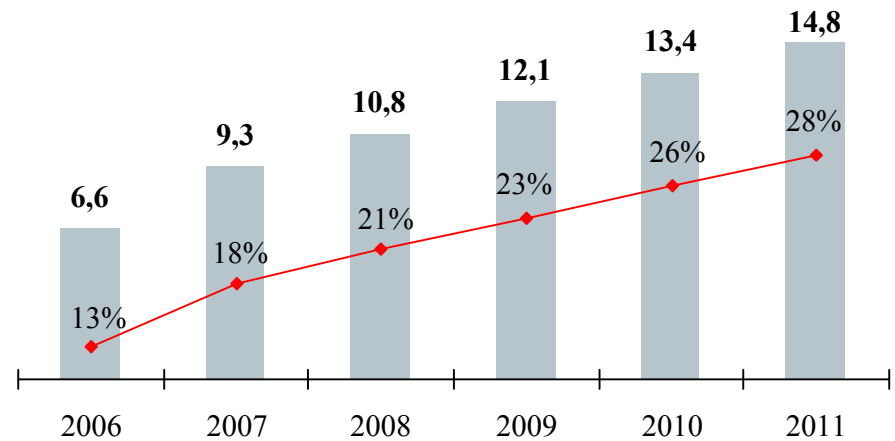


# Russian Pay-TV and Broadband Market Overview

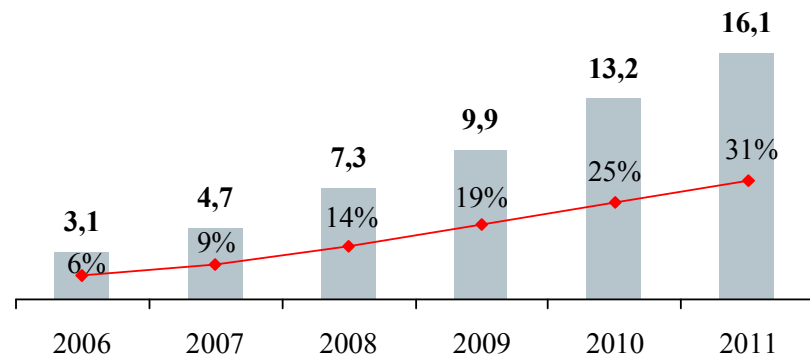


- Penetration of Pay-TV was 17.9% in 2007 (41% year-on-year growth); typical ARPU - \$5.6-6
- Market value - \$686 mln (2007). Forecast for 2011: 14.8 mln subscribers, value \$1.2 bln
- Pay-TV companies compete on broadband market with telcos. Bundling Pay-TV and broadband helps acquire new subscribers and boost revenues
- Broadband penetration is still low in most regional markets

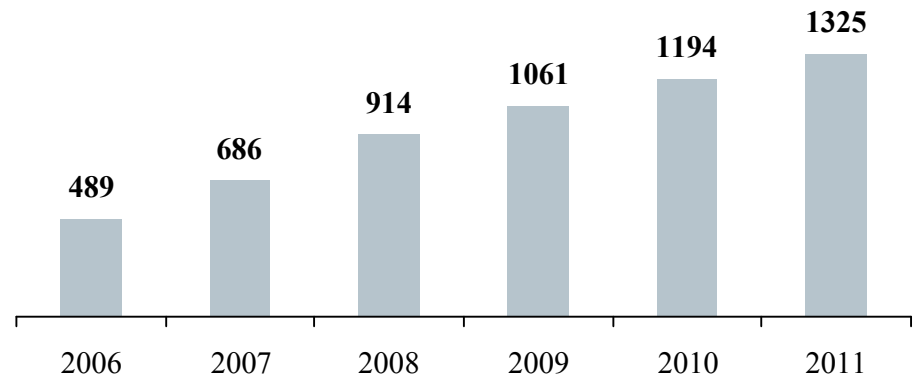
Pay-TV subscribers (mln) and penetration



Broadband subscribers (mln) and penetration



Pay-TV Revenue (USD mln)



<sup>(1)</sup> Source of all data on this slide – J'Son & Partners

**The Pay-TV market witnessed strong growth in 2007**



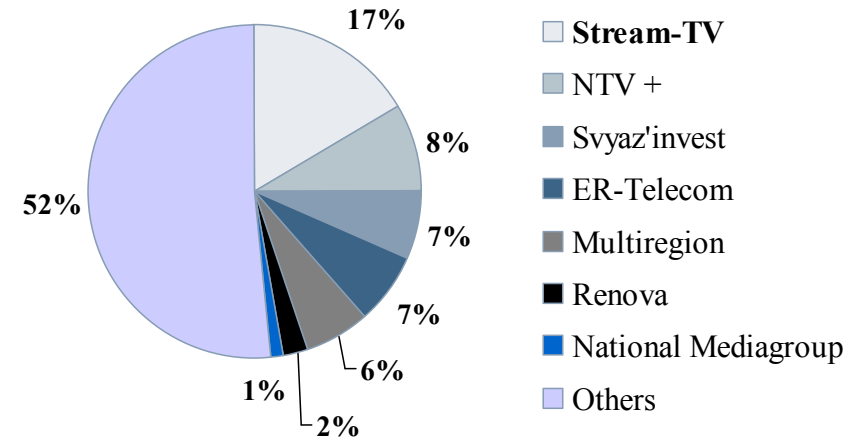
## Competition

- The Russian Pay-TV market is highly fragmented
- In 2005-2007 more than USD 350 mln was spent on consolidation. SMM's acquisition of UCN for USD 149.9 mln was the largest deal in 2006; in 2007 SMM acquired operators in Kursk, Orel, and Tambov
- In April 2008 National Telecommunications (Mostelecom, TKT, Tvoe-TV and others) were sold by Nafta Moskva to National Mediagroup (which also owns 2 national TV channels); estimated value: USD 1-1.5 bln (mostly 4.5 mln social subscribers)
- National Mediagroup and Comcor TV (Akado brand) provide services mostly in Moscow and St. Petersburg
- Multiregion (36 cities) and ER-Telecom (15 cities) are Stream-TV's most significant competitors in regional markets
- NTV-Plus, the most known DTH provider in Russia, focuses on the growth of ARPU and has had limited growth; the other provider, Tricolor, provides a cheap and limited service
- Demand for digital-TV services is still limited outside Moscow and St. Petersburg

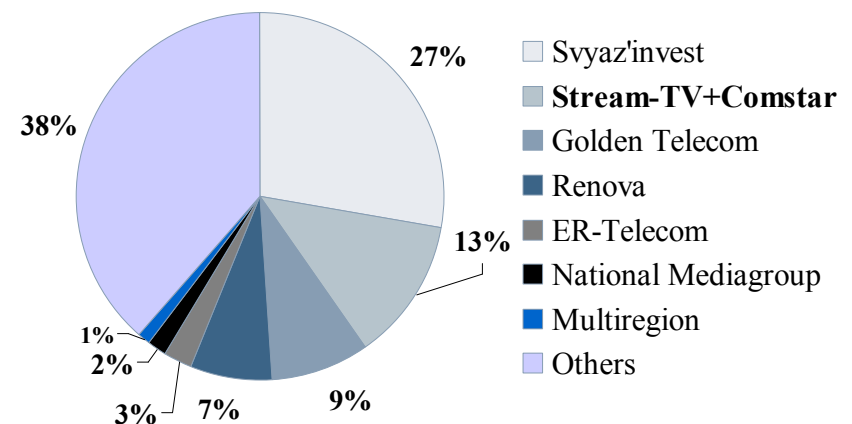
(1) Source – J'Son & Partners

(2) Source – iKS-consulting

Russian Pay-TV market structure, subs (1)

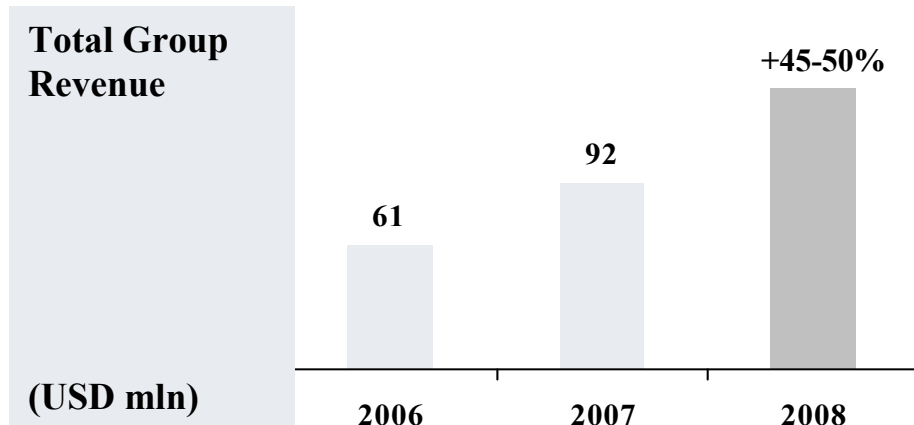


Russian Internet market structure, subs (2)



**The Pay-TV market is fragmented and offers opportunities for consolidation. Stream-TV occupies a leading market position both in Moscow and nationally**

# Group Outlook for 2008 – Revenue and OIBDA<sup>(\*)</sup>



- Revenue expected to grow app. 45-50% year-on-year in 2008
- Key drivers of revenue growth include:
  - Total expected growth in Pay-TV market: more than 40% expected increase in Pay-TV subscribers
  - Increase in ARPU of more than 15%

OIBDA margin	2006	2007	2008
	22.5%	16.0%	10-16%

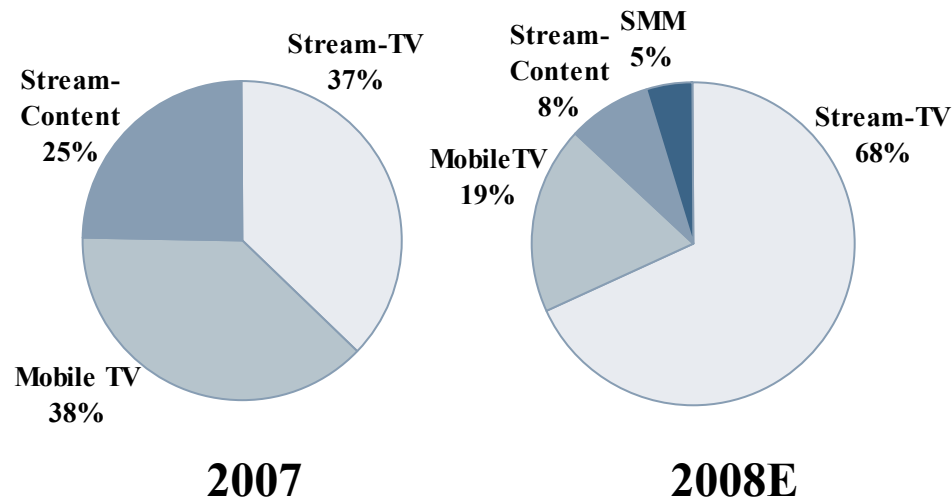
- SMM aims to have a 25% margin (Stream-TV margin in 2008 is expected to be app. 29%)
- The main reason for the margin decrease is a delay in the Mobile TV project launch
- Key drivers of margin pressure:
  - Rising costs of data traffic
  - Inflationary pressure as more costs are calculated in local currencies
  - Advertising costs (aimed at increasing client loyalty)

*(\*) Group outlook includes three segments: Stream-TV (Pay-TV and broadband in regions), Stream-Content, and mobile TV*

# Group Outlook for 2008 - CAPEX



## CAPEX structure (in USD mln)



<i>USD mln</i>	<b>2007</b>
Stream-TV	28.5
Stream-Content	19.0
Mobile TV	29.4
SMM	-

## Key CAPEX drivers for 2008

- Most of the 2008 CAPEX goes on strengthening the Stream-TV position in the regional market in terms of network upgrade, development and launching start-ups in new regions
- The CAPEX of Stream-TV will witness a three-fold increase to provide Pay-TV and Internet broadband across most of the Stream-TV network
- Stream-Content CAPEX will go on the launching of 3 new thematic channels in 2008
- Mobile TV CAPEX will increase by 45-50% for further network development

# Financial Highlights



USD (mln)	Revenue			OIBDA			Net Income		
	2006	2007	Change	2006	2007	Change	2006	2007	Change
<b>Key divisions</b>									
<b>Pay-TV</b> ( <i>Stream TV</i> )	<b>60.0</b>	<b>89.8</b>	<b>+50%</b>	<b>13.5</b>	<b>22.1</b>	<b>+64%</b>	<b>2.3</b>	<b>4.1</b>	<b>+78%</b>
<b>Mobile TV</b> ( <i>TsTV</i> ) <sup>(2)</sup>	1.2	0.8	-33%	-0.8	-2.8	-	-0.8	-2.3 <sup>(1)</sup>	-
<b>Content Aggregator</b> ( <i>Stream-Content</i> )	-	0.6	-	-	-0.7	-	-	-0.5 <sup>(1)</sup>	-
<b>Advertising</b> ( <i>Maxima</i> )	41.1	40.6	-1.2%	5.9	3.2	-46%	4.1	1.2	-71%
<b>Other</b> ( <i>Thema Production, divested companies, HQ, non-core businesses and dividends received</i> )	4.4	5.2	+18%	8.0	1.3	-	7.9	1.2	-
<b>Total</b>	<b>106.7</b>	<b>137.0</b>	<b>+28%</b>	<b>26.6</b>	<b>23.2</b>	<b>-</b>	<b>13.5</b>	<b>3.6</b>	<b>-</b>

(1) Net income higher than OIBDA due to exceptionals

(2) Mobile TV project is still at pilot phase

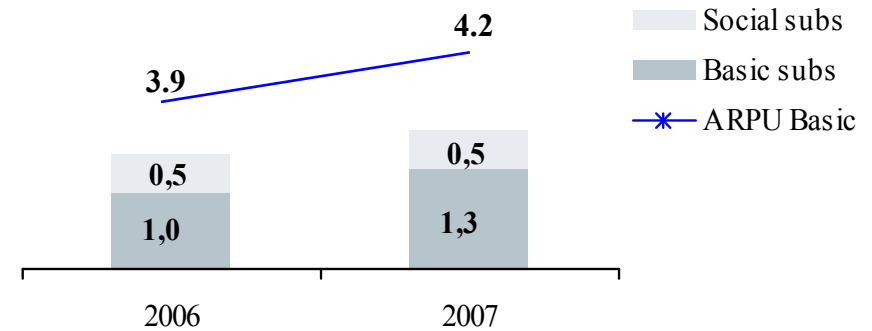
# Growth Story – Stream-TV



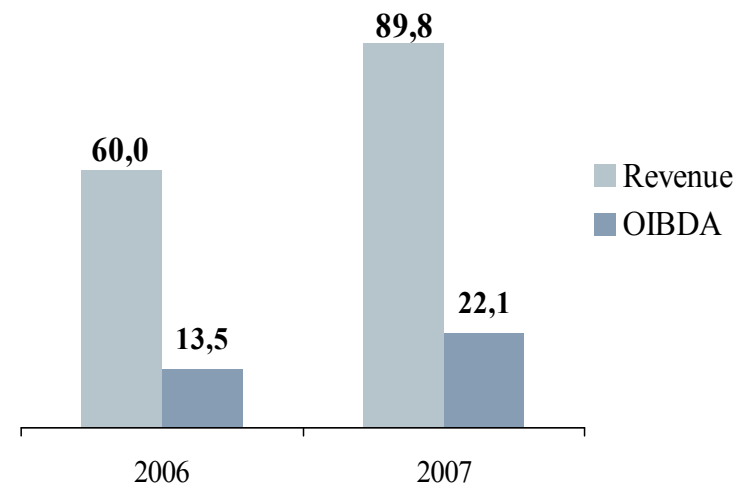
## Stream TV's main achievements

- The largest Pay-TV operator in Russia with a 17% market share. Presence in 40 cities; 3.6 million homes covered
- In 2007 acquired Pay-TV operators in Kursk, Orel and Tambov (a total population of over 1 million)
- In 2007 all regional companies switched from local and regional brands to the Stream-TV brand
- Streamlining the product line and clear segmentation into Social, Basic and Basic+ (premium channels included) packages
- Stream-TV plans to launch a pilot digital TV project in 2008
- Adding new channels focusing on high quality original Russian thematic channels

## Stream-TV subscribers (mln) & ARPU (\$/mo)<sup>(1)</sup>



## Revenues and OIBDA (USD mln)



**In 2008 Stream-TV will focus on building brand identity and acquiring new customers**

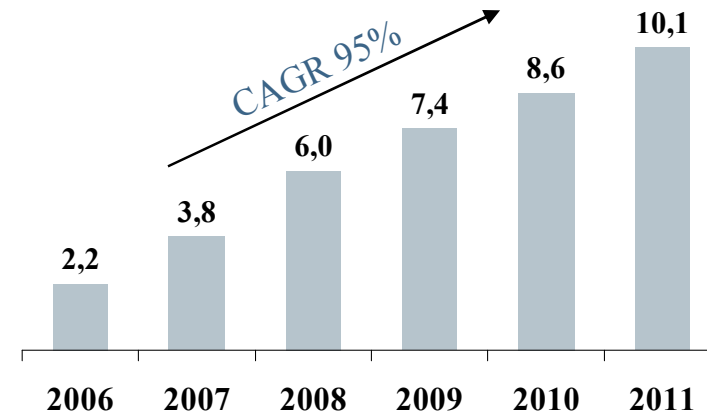
# Content Production and Aggregation



## Stream Content

- Stream-Content organized in 2006 to focus on TV-content production and aggregation
- Five original thematic channels under management, audience of more than 4 mln
- Integration of TV and Internet content
- Stream-Content will have app. 8 channels by 2009

## SMM channels audience growth, mln h/h



**Significant demand for Pay-TV content creates great opportunities for SMM**

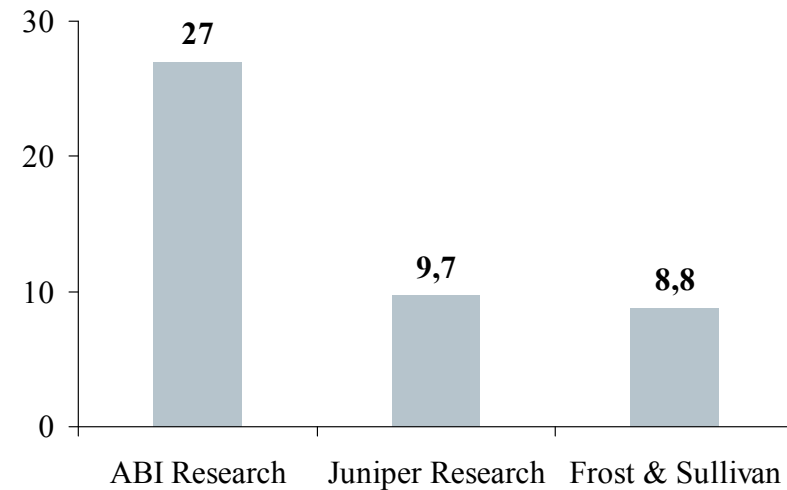
# Mobile TV



## Mobile TV project

- Launching a mobile TV business in 2008-09 based on DVBH technology
- SMM has licenses and frequencies to provide services in the 17 largest cities of Russia, with a total population coverage of over 34 million
- Technology tested during 2006 pilot project
- Commercial launch in Moscow scheduled for 2008-09

## Worldwide Mobile TV Revenue, 2010 (USD bln)





## Conclusion



- **The Russian Pay-TV market demonstrates strong growth opportunities through an increase in market penetration and ARPU**
- **The Pay-TV market is currently consolidating and is likely to be controlled by 3-4 national players by 2010**
- **Sistema Mass Media focuses on the most promising segments of the multimedia market: Pay-TV operator, content aggregation, mobile TV**
- **A strong content platform and brand and customer service are considered key success factors**
- **Mobile TV is considered a venture project with excellent potential to grow into a large business which will compliment Sistema's mobile and Pay-TV businesses**

# Contacts



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**SHYAM**

# Capital Markets Day 2008

## Shyam Telelink Ltd. (India)

London

May 30, 2008

Vitaly Saveliev

First Vice-President

Sistema JSFC

Some of the information in this presentation may contain projections or other forward-looking statements regarding future events or the future financial performance of Sistema Joint Stock Financial Corporation (“Sistema”). You can identify forward looking statements by terms such as “expect,” “believe,” “anticipate,” “estimate,” “intend,” “will,” “could,” “may” or “might,” the negative of such terms or other similar expressions. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, general economic conditions, our competitive environment, risks associated with operating in Russia, rapid technological and market change in our industries, as well as many other risks specifically related to Sistema and its operations.

# Content



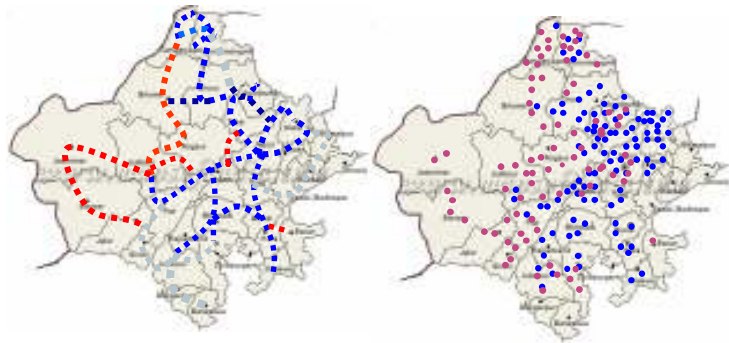
## Content

- Highlights
- Indian Economic Outlook
- Market and Customer Overview
- Competition and Environment
- Strategy
- Product Mix
- Company Structure
- Financial Estimates
- Investment Case
- Contact Information

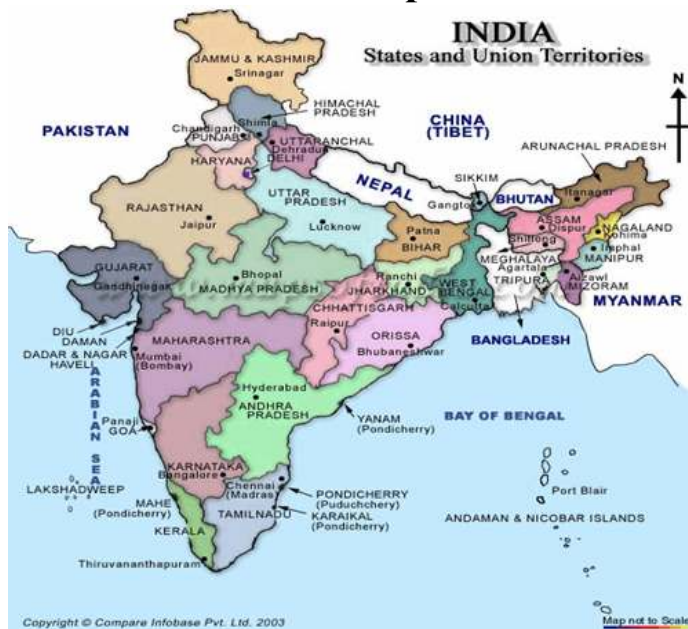
# Highlights



## Telecom Operations in Rajasthan



## Pan-India expansion



## Company's History in Rajasthan

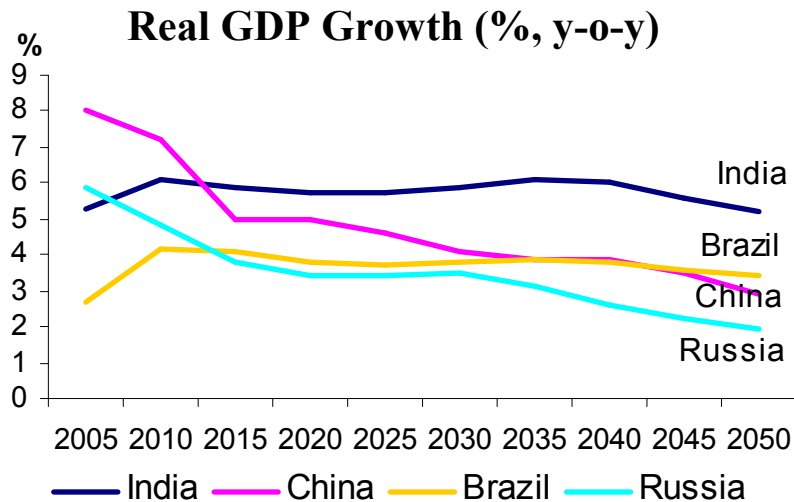
- Incorporated in 1998. Major shareholder was Shyam Group, an Indian diversified holding.
- Unified Telecom License for Rajasthan to operate Fixed and Mobile services.
- Offers Fixed (Wireline, CDMA & CorDECT), Mobility (CDMA), Broadband, Data and Image Services.
- Invested app. 10000 million rupees (USD 250 million) over 8 years.
- Rajasthan's largest private telecom infrastructure, covering up to 65% of the state population with over 4000 Km of Fiber Network.

## Major Developments with Sistema JSFC

- September 2007: Sistema acquired a 10% stake in Shyam Telelink Ltd. and became strategic partner with Shyam Group.
- January 2008: Sistema increased its stake in Shyam Telelink Ltd. to 51%.
- January 2008: Shyam Telelink was awarded with Unified Access Telecommunication licenses for the whole of India.
- April 2008: Shyam Telelink was granted with frequencies for CDMA mobile operations in 15 telecom circles, covering 900 million people (about 70% of the Indian population).
- Today: Shyam Telelink has started construction of the Pan-Indian CDMA telecom network.

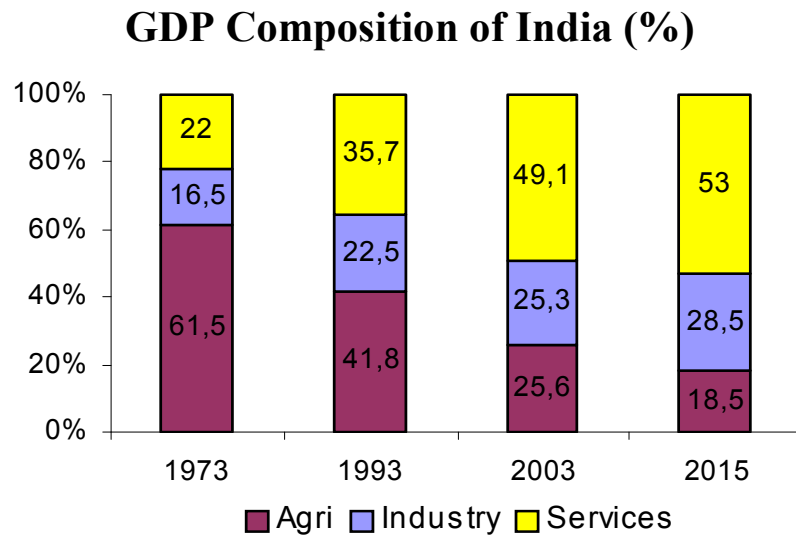
**Shyam Telelink is entering the Pan-India telecom market with Sistema as a strategic partner**

# Indian Economic Outlook



## Macroeconomic Trends

- Indian Economic Growth rate of app. 9.1 % p.a. for the last decade has made India the second fastest growing economy in the world
- India shows the most rapid growth potential of the BRICs
- 10% growth expected in the future; India is expected to become the 2<sup>nd</sup> largest economy in the world by 2050 (only China will be larger)
- The composition of Indian GDP will continue to change: significant shift from an Agri-based to a Services & Industry driven economy
- Second most populous country in the world with a current population of app. 1.12 billion growing at app. 2.5% p.a.
- Strong middle class segment of between 6.2% and 25% of the population (with a household income of USD 5K to 25K) to emerge by 2015
- Middle class is expected to constitute 43% of net consumption in 2015, compared to 19% in 2005

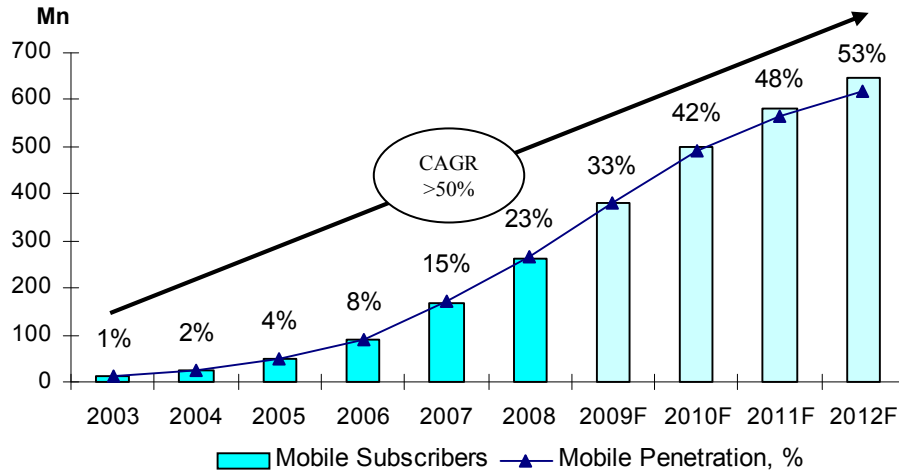


**India is expected to be the fourth largest economy in the world by 2025**

# Market and Customer Overview

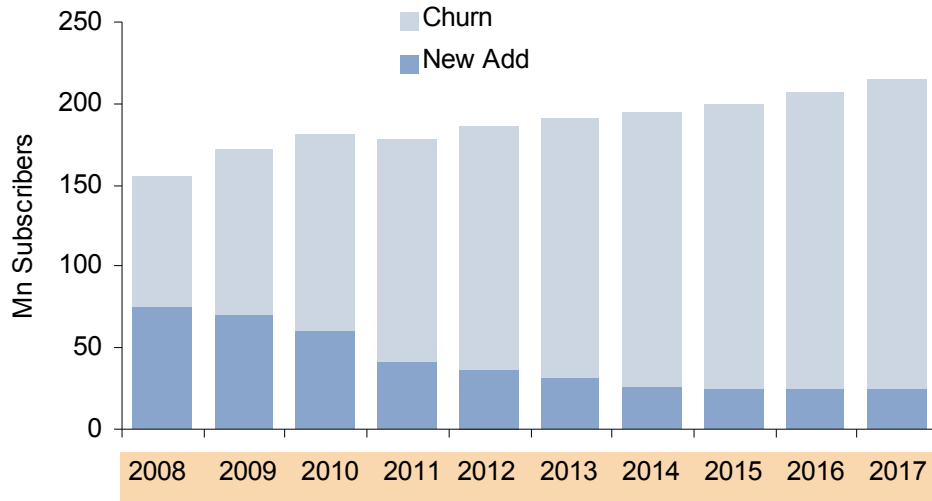


## Mobile Subscribers and Penetration in India



As on the end of March each years

## New additions and Churn Subscribers



**The next few years constitute an opportunity to attract, by 2010, 250 million new subscribers**

Source: TRAI, SOAI, AUSPI; Indian Readership Survey (IRS-2007)

## Market Trends

- The Indian telecom market is rapidly growing by more than 50% year-on-year: up to 8 million net additions monthly
- Market size reached more than USD 30 billion in 2007
- Market OIBDA Margin is app. 37% in 2007
- Market penetration level was 23% as of March 2008 and is expected to reach 50% in the next 3-4 years

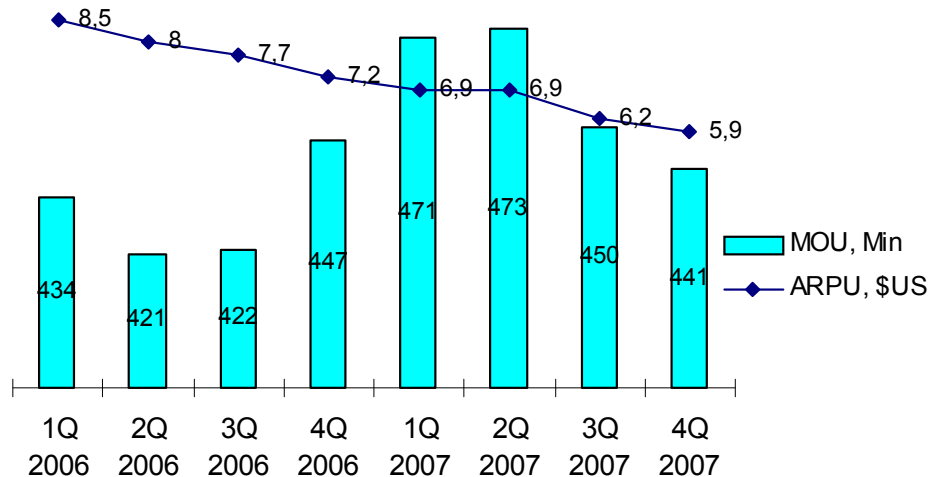
## Market Opportunities

- The mobile segment is booming and is likely to see close to 2 billion new subscribers in the next decade (415 million new additions & 1.5 billion churn subscribers)
- Tier-3 towns (population < 50 000) & villages would be the fastest growing segments among new subscribers
- Penetration in Tier-3 towns is expected to increase from 35% to 76% in 10 years and rural penetration is expected to rise rapidly from 6% to 33%

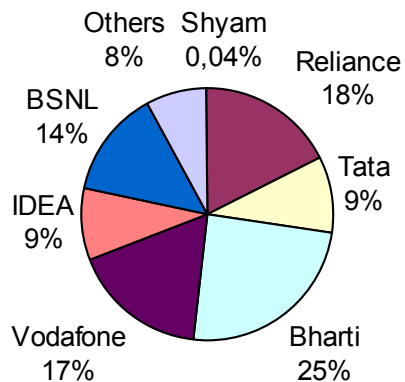
# Competition and Environment



## Mobile ARPU and MOU in India



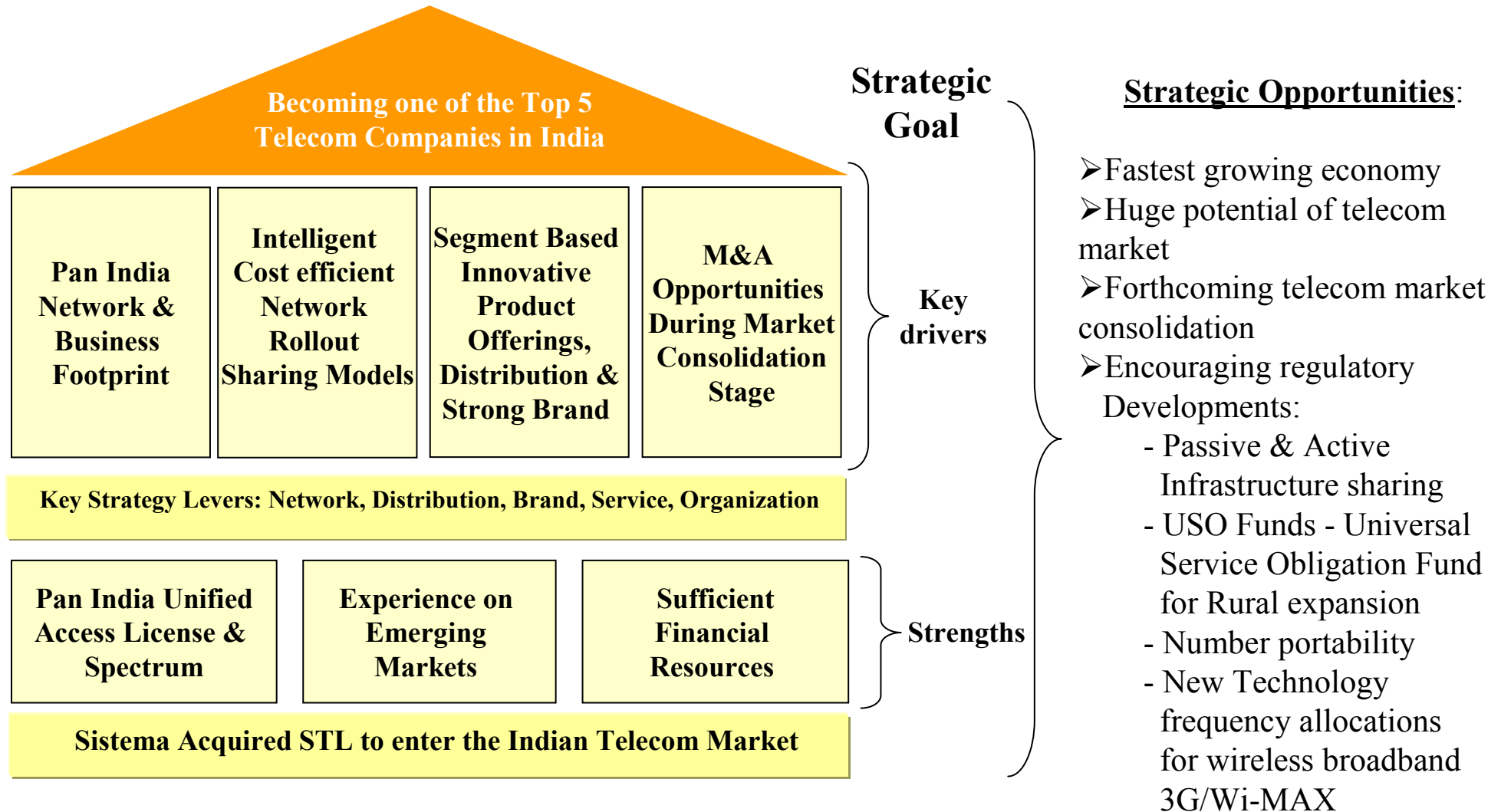
## Mobile Market Share, March 2008



- The Indian mobile market is already highly competitive : 6 national (Bharti, Reliance, Vodafone, BSNL, Tata, Idea) and 3 regional players (Aircel, Spice, BPL)
- The market would have 10 pan-India players with 4 new pan-India licensees (incl. Shyam) awarded in Jan 2008
- Operators offering the lowest tariffs in the world with decreasing ARPU level less 6 USD
- India has the highest monthly MOU in the Asia-Pacific
- GSM spectrum 1800 MHz is currently available only in 4-5 circles; the available CDMA spectrum 800 MHz would be significantly more efficient than 1800 MHz
- Mobile Number Portability will likely be implemented by mid-2009

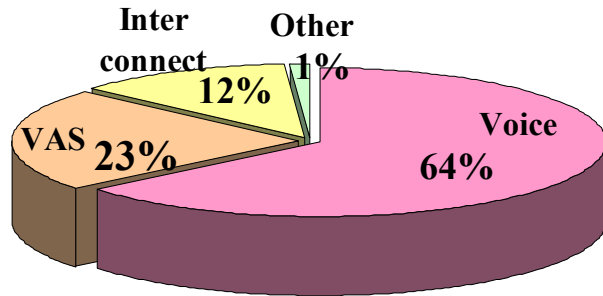
**The Company operates in a huge market and has every opportunity to capitalize on this**





**The challenge of being a late entrant requires chunky investments, strategic innovations and a need for both organic and inorganic growth**

# Product Mix



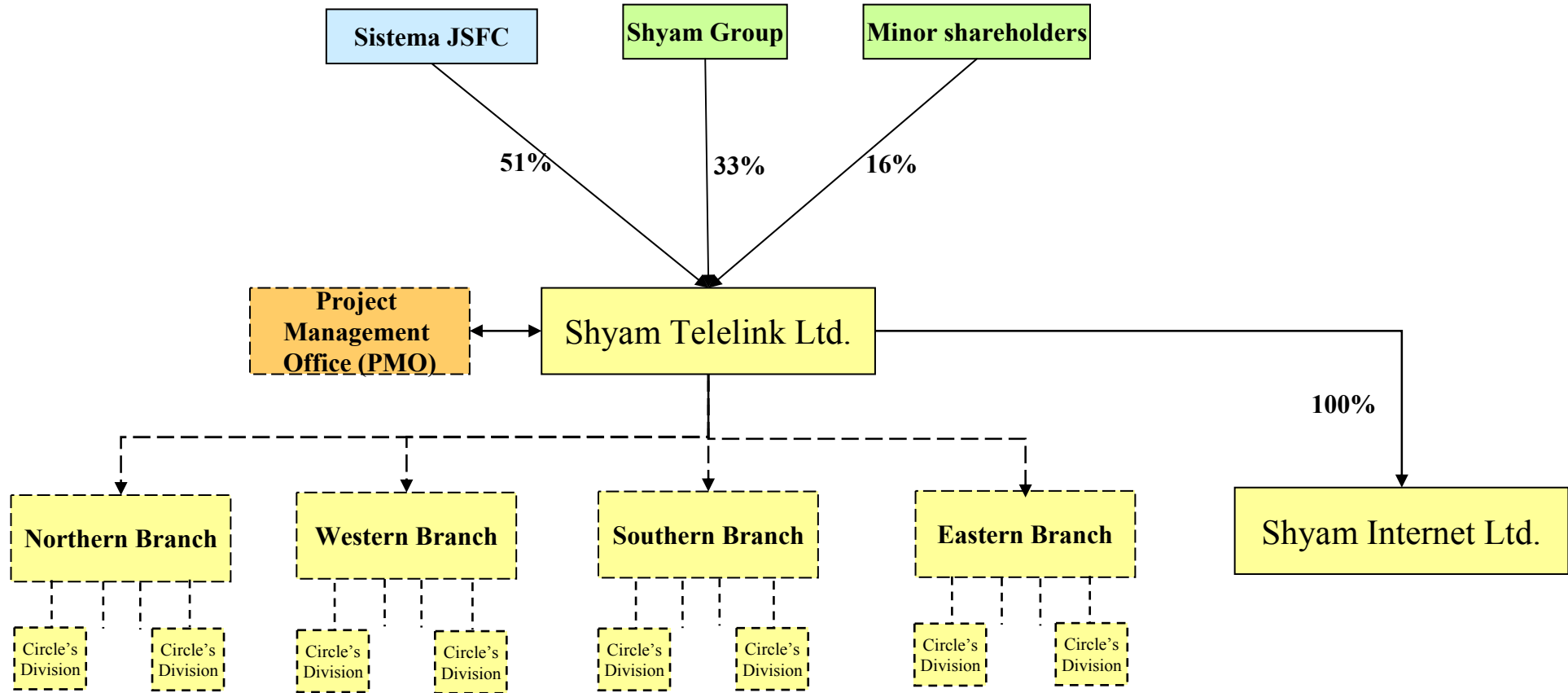
## Main Revenue Drivers

- Cumulative Revenues over five Years (until 2012) will be largely through Voice (64%)
- International Long Distance will be 2.5% of the Traffic
- CDMA Broadband & 1x Applications driving VAS to 23% of the Total Revenues
- Key Acquisition Drivers will be Open Market Handset Strategy & Network Quality

Customer segment	Segment based VAS products and services
<b>Young Professionals</b>	Latest Games, Information, Entertainment, M Commerce & Data Services
<b>Youth</b>	Messaging, Latest Music, Movies & Gaming Content, Blog & Chat Service, Contest & Earning Options
<b>Family</b>	Entertainment, Special Offers, Voice Based Content, Religious Focus
<b>Corporate</b>	Blackberry, Data Cards/PC Cards, Broadband, USB modems
<b>Rural</b>	Voice Based Information & Entertainment Services, Local / Regional Music Content & Crop Rates

**Shyam Telelink will offer a wide range of segment based products and tariff portfolio**

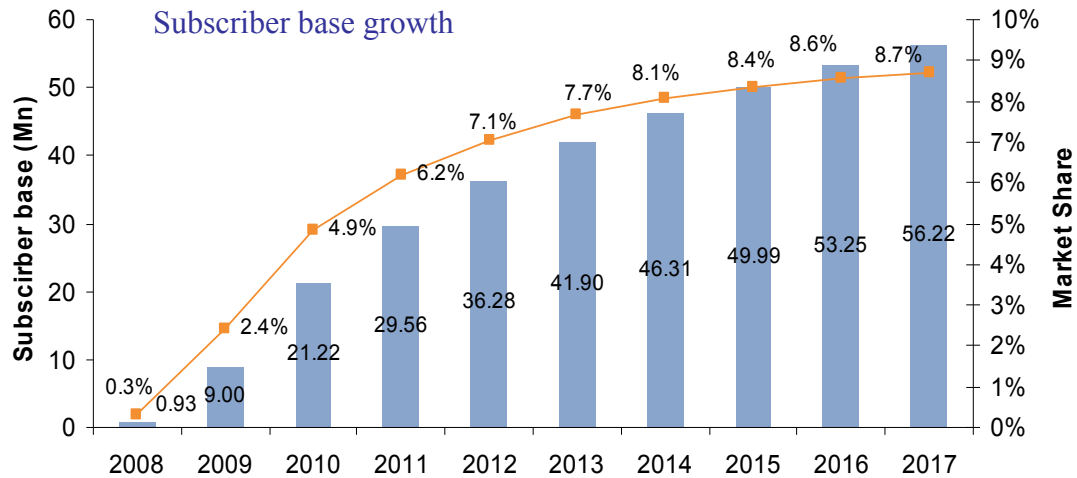
# Company Structure



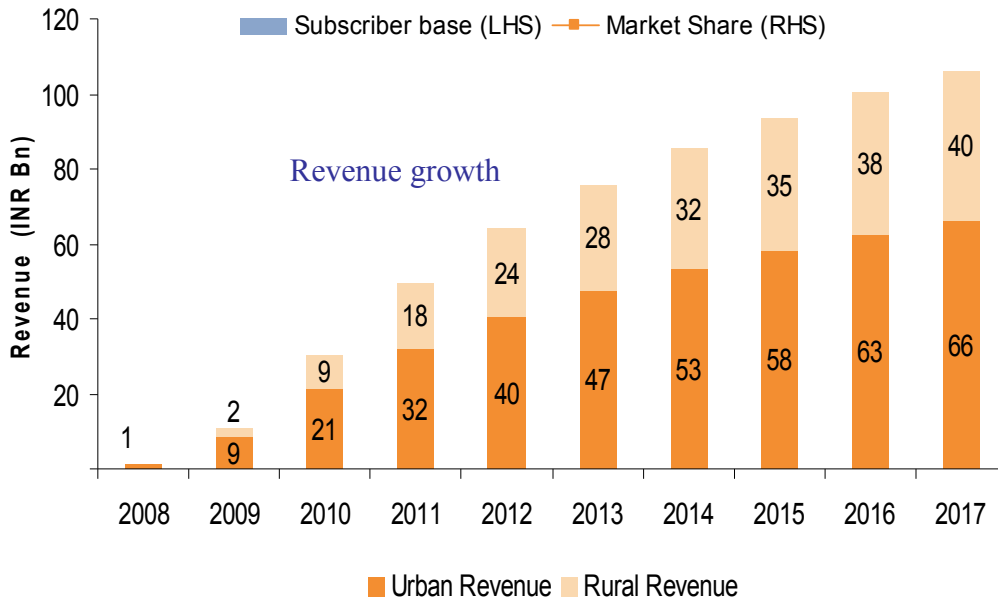
In the near future Sistema plans to acquire additional shares and increase its stake in the Company to 74%. The creation of the Pan-Indian organization structure and branches of Shyam Telelink has already started.

**Sistema currently holds a 51% stake in Shyam Telelink which it soon plans to increase to 74%**

# Financial Estimations (organic growth)



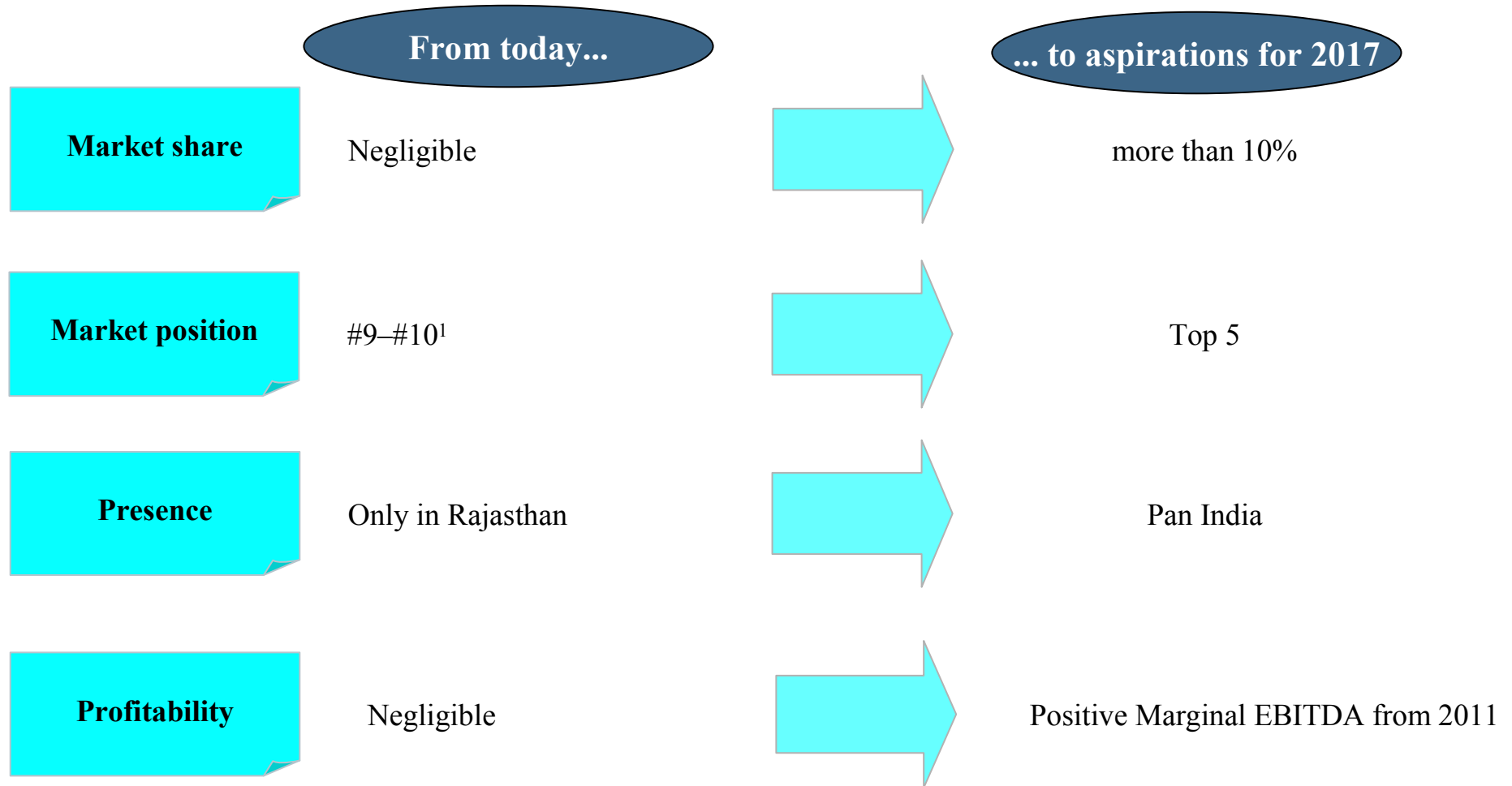
Estimated indicators due to organic growth for the 2016-17 financial year (March 2017)	
Subscriber base	56.22 million
Total revenue	USD 2,650 million
EBITDA	USD 1,105 million



- Shyam Telelink will gain a 8.7% market share in only 10 years due to organic growth
- CAGR revenue growth for the period 2008-2012 will reach 170%
- Rural contribution to total revenue will be app. 35%
- Revenue from Value Added Services will reach 20% by 2015

**Shyam Telelink will create a strong position in the Indian telecom market**

# Investment Case



**Sistema aspires to make Shyam Telelink one of the top 5 players in the Indian mobile services market in the next ten years**

1. Basis STL subscriber base

# Contact Information



## Investor Relations

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**[ir@sistema.ru](mailto:ir@sistema.ru)**



# Capital Markets Day 2008

## SITRONICS

London  
May 30, 2008

Sergey Aslanian  
President  
JSC SITRONICS

# Disclaimer



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# SITRONICS at a Glance

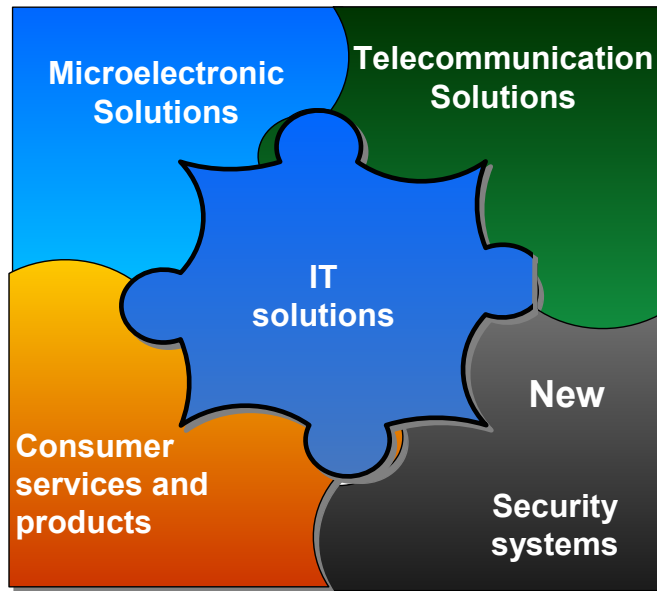


One of the leading players in fast-growing regions



- Headquarters in Moscow
- Offices in **32** countries throughout EEMEA & SEA
- Operations throughout EMEA, CEE, CIS & Russia
- Over **3,500** clients
- More than 300 million people in domestic markets
- Exports to more than **60** countries
- More than **10,000** employees

# SITRONICS at a Glance



- Leading player in the telecom solutions segment

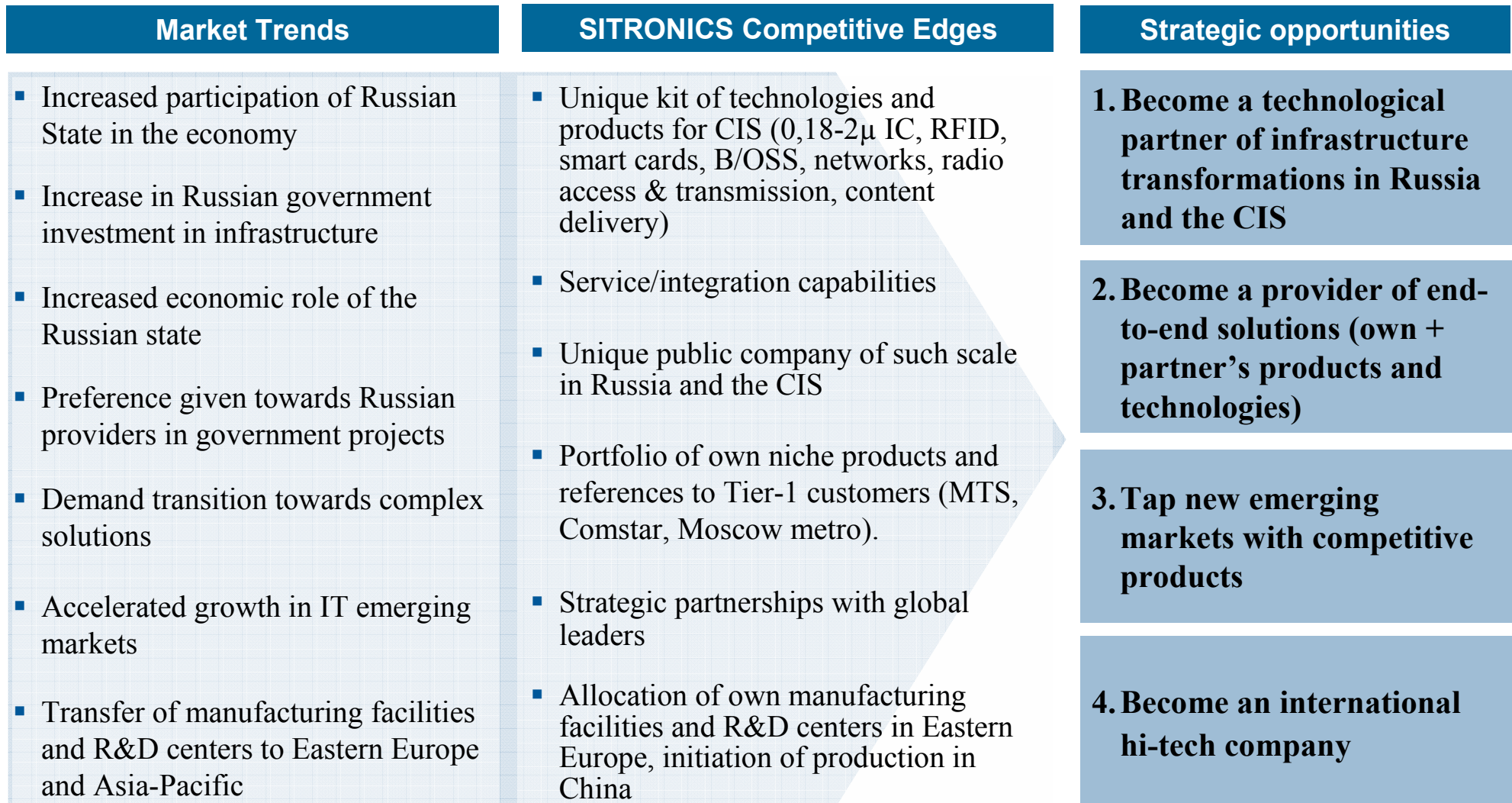
- Top tier IT solutions provider

- The leading and most technologically advanced manufacturer of microelectronics

- Best of breed manufacturing facilities

- Partner of choice for international leaders in global strategic alliances
- Established track record of successfully implemented solutions for major telecom operators
- Unique opportunities to move manufacturing business to China

# Strategy Prerequisites



**Market trends and our own competitive advantages show that it's possible to become a leading hi-tech player.**

# New Strategic Positioning



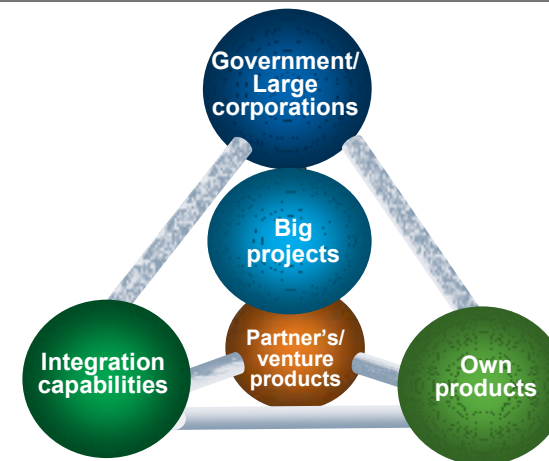
## SITRONICS in Russia/CIS

- Infrastructure transformation partner for the Government and large corporations
- Provider of end-to-end solutions based on own & partner's products
- Integrated company with a unique kit of strategic technologies

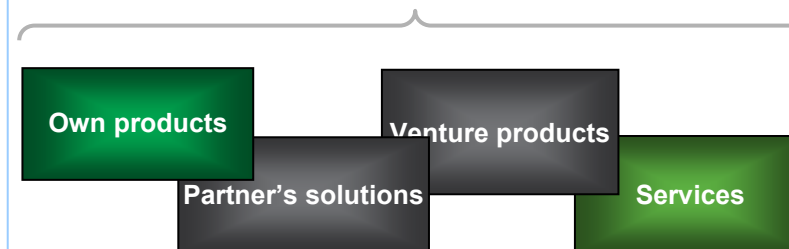
## SITRONICS worldwide

- Client-centric provider of end-to-end solutions
- Provider of own products with Tier-1 and Tier-2 customer references
- Strategic partner of vendors with “best of breed” products

## INFRASTRUCTURE TRANSFORMATIONS



## «PROVIDER OF END-TO-END SOLUTIONS»

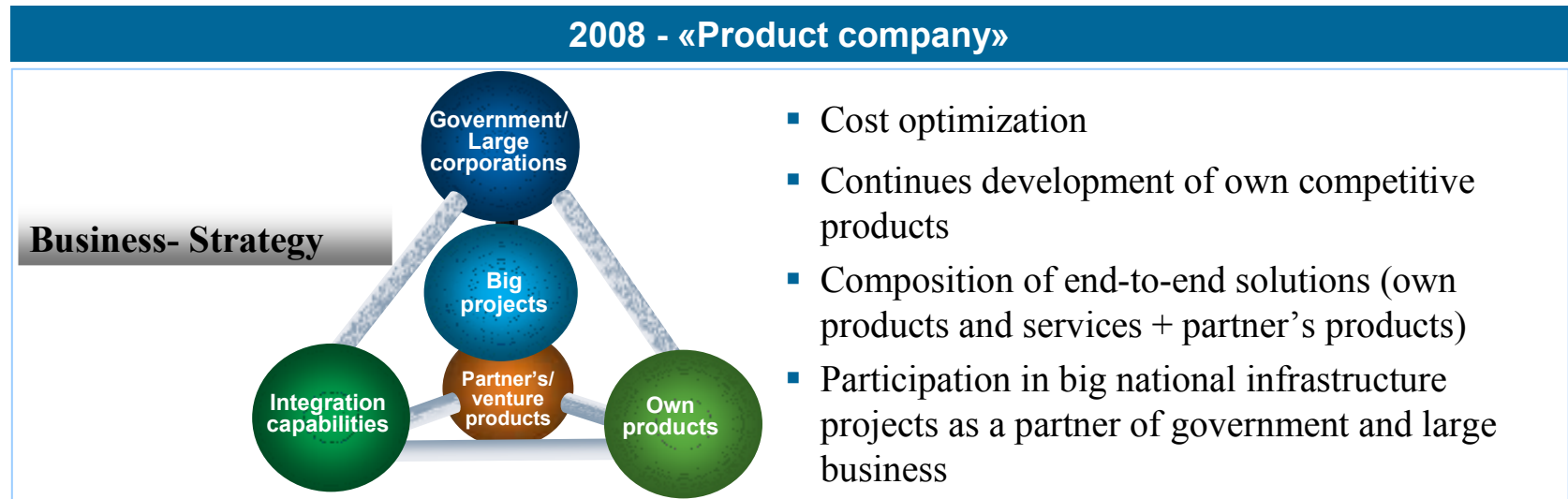


- 1. Local leader, unique participant of nationwide infrastructure projects**
- 2. Competitive player on global telecom equipment/SW & integrated circuit market**

# Transforming SITRONICS Strategy



Before 2008 - «Holding-Systems integrator»



**Management structure**

- Integrated company = centralization of management and business functions at Corporate center level

**Brand**

- Transition to a single brand



**Communications**

- Centralized communication strategy (PR + IR)

**Products**

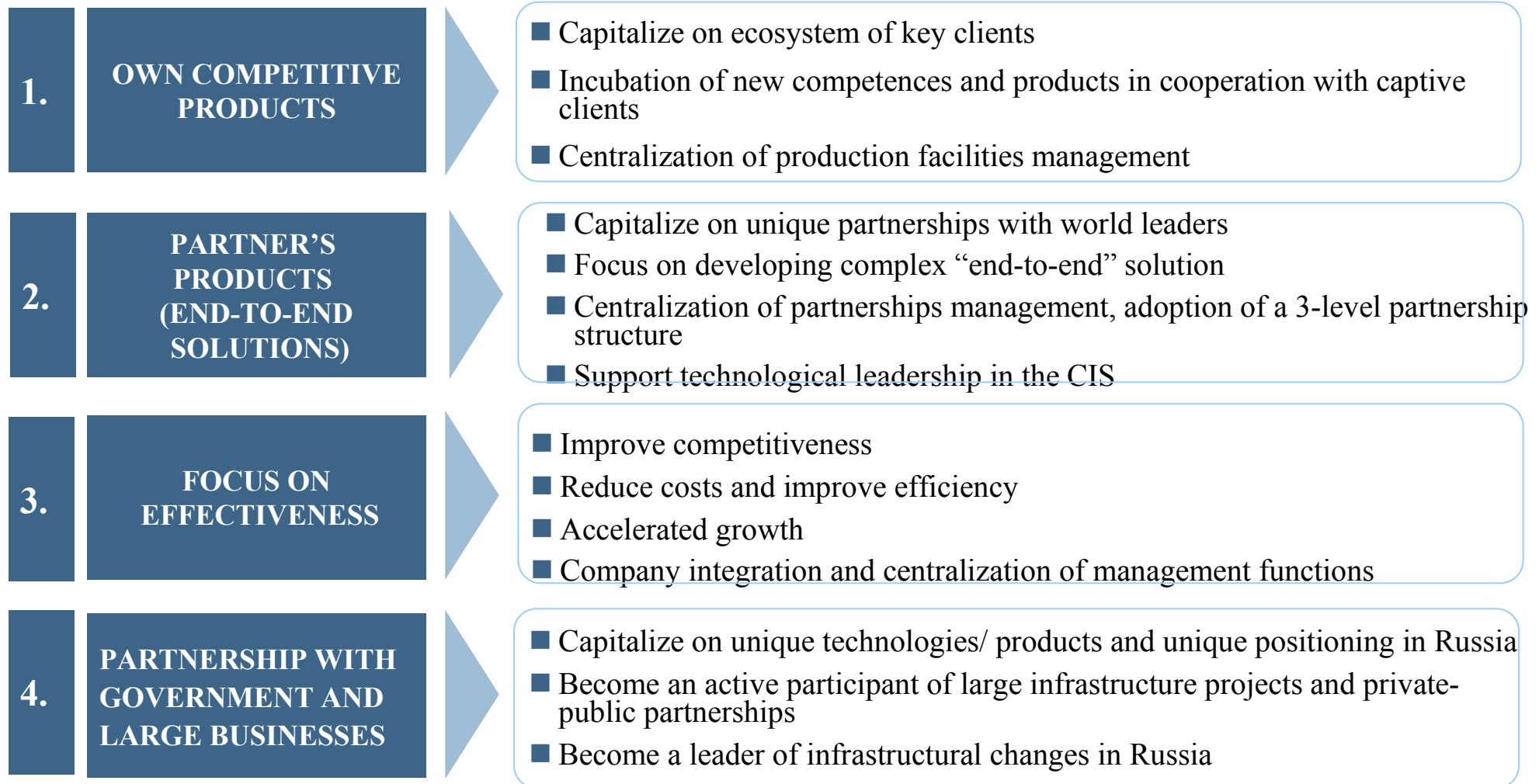
- Full-fledged portfolio of own world-class products and solutions
- Building up-to-date centralized R&D

**Production**

- Transfer of mass manufacturing to low cost base countries
- Split of R&D and production

**Transforming the SITRONICS strategy – focus on cost optimization, sales growth and contracts delivery quality**

# Core Strategy Tasks



**Implementing these strategies will build an effective Company capable of executing complex projects with both the government and large businesses**



# Strength in Depth of Management Team



**Alexander Krasovsky**  
**Vice President, Sales and Marketing**

2006–2007 – Vice President for Business Development, BAC/StepLogic  
 2005–2006 – Sales Director in Russia, Avaya  
 2001–2005 – Head of CRM Solutions Sales Group in CEE and CIS, Avaya



**Mikhail Minkovsky**  
**Vice President, New Technologies**

2004–2007 – Director of Technological Architecture Department, MTS  
 2001–2004 – Held IT Management positions in TNK-BP  
 1997–2001 – Senior Consultant, PricewaterhouseCoopers



**Irina Lanina**  
**Vice President, Corporate Communications**

2002–2007 – Director of Marketing Communication Department, Huawei Technologies  
 2001–2002 – Marketing Director, Navision  
 1997–2000 – Marketing Communications Manager, Novell, Moscow office



**Konstantin Khachaturov**  
**Vice President, Corporate Development**

2006-2007 – Director of Technological Strategies Department, MTS  
 2004-2006 – Head of IT Strategies and Processes, MTS  
 2003-2004 – Senior consultant, IBM (Eastern Europe & Asia)  
 1997-2002 – Expert, Senior Consultant, PricewaterhouseCoopers



**Pavel Pavlovsky**  
**Vice President, Head of Telecom Solutions BU**

2007 – Vice President, Director of MTS Ukraine, MTS  
 2005–2007 – Vice President, Director of MTS Foreign Subsidiary Companies  
 2000–2003 – Independent Consultant and Senior consultant at Mercer Management Consulting (London)



**Sergey Urezhenko**  
**Vice President, Head of EMS BU**

2006-2007 – General Director, Airports of the South  
 2005-2006 – Deputy General Director, CJSC Kaskol Managing Company  
 2005 – General Director, Aeroexpress Ltd.  
 2004-2005 – Advisor, JSC International Airport Sheremetyevo



**Aleksey Odinkov**  
**Deputy General Director for R&D, ZAO STS Russia**

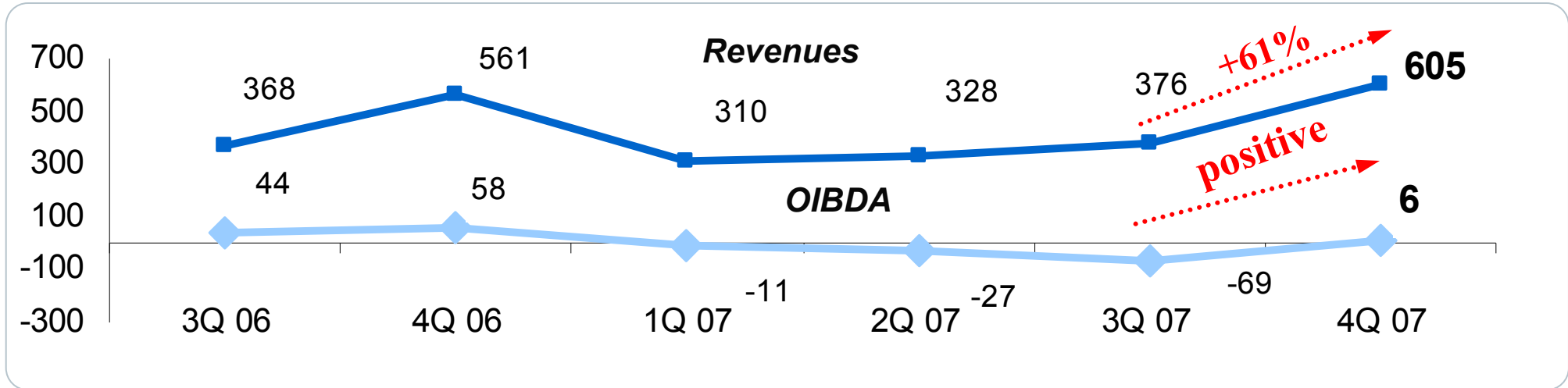
2001–2007 - Head of Intel Software Development Center, Nizhny Novgorod  
 1995–2001 – Manager of Software Products, Intel  
 1993–1995 – Systems Engineer, Intel

**Professional strength in depth gives us the capability to build a global high-tech Company**

# Financial Summary



## SITRONICS Growth



## Outlook

■ In 2008 we expect to outperform the anticipated market growth of 15% and generate an OIBDA margin of not less than 5%.

## 2007 OIBDA COMPOSITION



■ The OIBDA results were impacted by: lower revenues in the TS segment, stock option expense of USD 30.3 million and USD 47.3 million provision in the Consumer Services and Products segment.

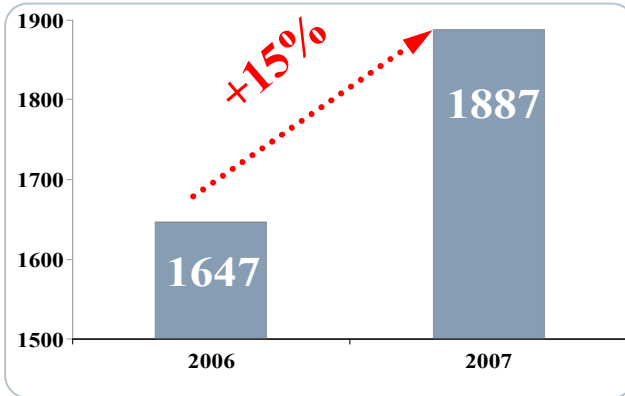
**Business restructuring performed by new management team showed immediate and significant Q4 improvement and reversed negative trend Management to expand the effect of this trend on subsequent quarters**



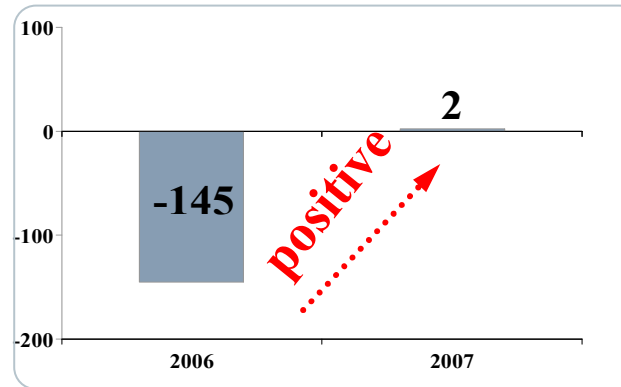


# Financial Highlights

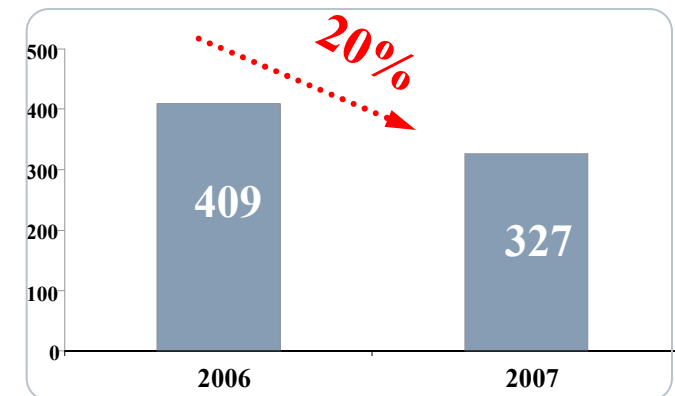
### Total Assets



### Operating CF

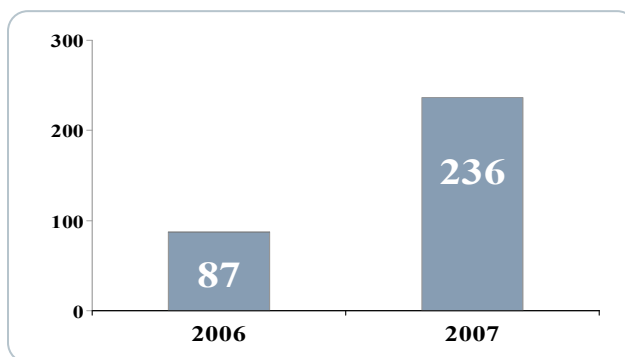


### Net debt

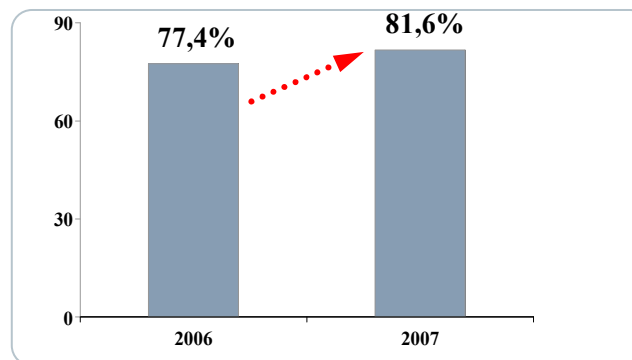


- Operating cash flow is positive. Key factor – improvement in working capital management and significant improvement in the overall cash position
- Following SITRONICS' strict working capital management, net debt was reduced
- Following investment in increasing capacity for the production of transportation cards and 0.18 micron integrated circuit chips (IC), CAPEX totaled USD 236.0 million for the full year 2007.

### CAPEX



### Sales not affiliated to Sistema



- SITRONICS continued to expand its operations and further diversify its client base in key EEMEA markets during the year, which resulted in an increase in sales to companies not affiliated with the Sistema Group.

## Conclusion



- The top management of SITRONICS is focused on reversing the recent negative trends in Company performance and winning back investor trust. We plan to achieve this by having an open and direct investor communication policy
- The new management knows how to improve operational efficiency which is confirmed by the trend seen in the 4Q 2007 operations
- SITRONICS has all necessary resources and is uniquely positioned
- SITRONICS will show positive operating results and will outperform the market in 2008

# Contacts



## **Investor relations**

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# **Capital Markets Day 2008**

## **Sistema-Hals**

London

May 30, 2008

Felix Evtushenkov  
President and CEO  
Sistema-Hals

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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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# Content



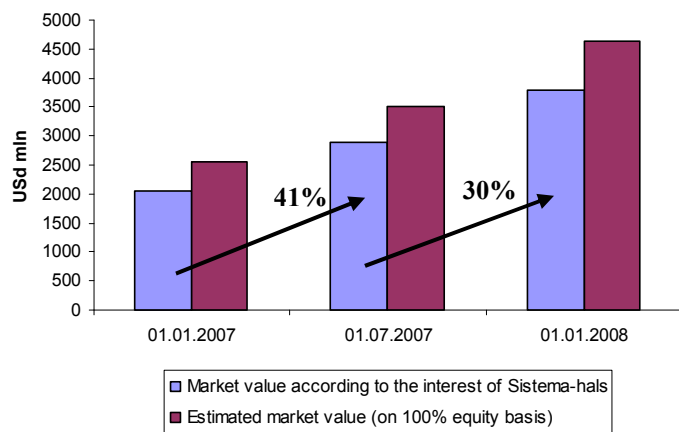
- Sistema-Hals at a glance
- Extensive Portfolio
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# Sistema-Hals at a glance



- **A leading Russian real estate development company** with unique exposure to premium segments;
- **Unique development experience** – 30+ projects with a total area of about 300,000 sq.m. successfully completed;
- **Extensive diversified portfolio** – 103 projects in premium segments, located in Moscow and 9 cities across Russia and Ukraine.

## Sustainable portfolio value growth



## Key statistics for 2007

Revenues <sup>1</sup>	USD 452.2 million
OIBDA excl. non-recurring items <sup>1,2</sup>	USD 166.7 million
Properties portfolio value <sup>3</sup>	USD 3.7 billion
Held as investment <sup>4</sup>	24 properties
Development pipeline <sup>4</sup>	79 projects

## Key drivers of portfolio value growth<sup>5</sup>

- New acquisitions; 19%
  - Progress on existing projects 11%
- } **30%** increase in portfolio market value<sup>3</sup>

### Notes:

1. Financial statements for FY 2007
2. OIBDA represents operating income before depreciation and amortization, excluding non-recurring items
3. Beneficial share of Sistema-Hals as of January, 1, 2008 by C&WS&R
4. C&WS&R report as of January, 1, 2008
5. C&WS&R report as of January, 1, 2008 compared to C&WS&R report as of July, 1, 2007

# Extensive Portfolio\*






	Number of properties	Market value million USD	GBA '000 sq.m. <sup>2</sup>	OMV million USD <sup>3</sup>
<b>Projects held as investment</b>	<b>24</b>	<b>434</b>	<b>3,040</b>	
<b>Development projects</b>	<b>79</b>	<b>3,312</b>	<b>5,888</b>	
In the course of development	33	1,959	1,837	4,899
Including ongoing unit sales	5		161	
Held to future development	46	1,353	4,051	10,055
<b>TOTAL</b>	<b>103</b>	<b>3,746</b>	<b>8,928</b>	<b>14,954</b>

Notes:

1 Attributable to Sistema-Hals

2 Gross Building Area

3 Open Market Value, assuming built and fully let, attributable to Sistema-Hals share

Projects held as investment	Revenue  <b>67%</b>
Projects in the course of development	Market value  <b>56%</b>
Projects held for future development	Net market rental value upon completion  <b>105%</b>

## Company portfolio:

- **Contains excellent potential for further growth in value**
- **Enables the Company to obtain additional funding**

\* based on C&WS&R report as of 1 January 2008





# Competitive Advantages

## Extensive portfolio

- Portfolio contains high growth potential;
- Focus on premium segments;
- Ability to source best projects;
- Additional financing may be derived from sales of non-core assets.

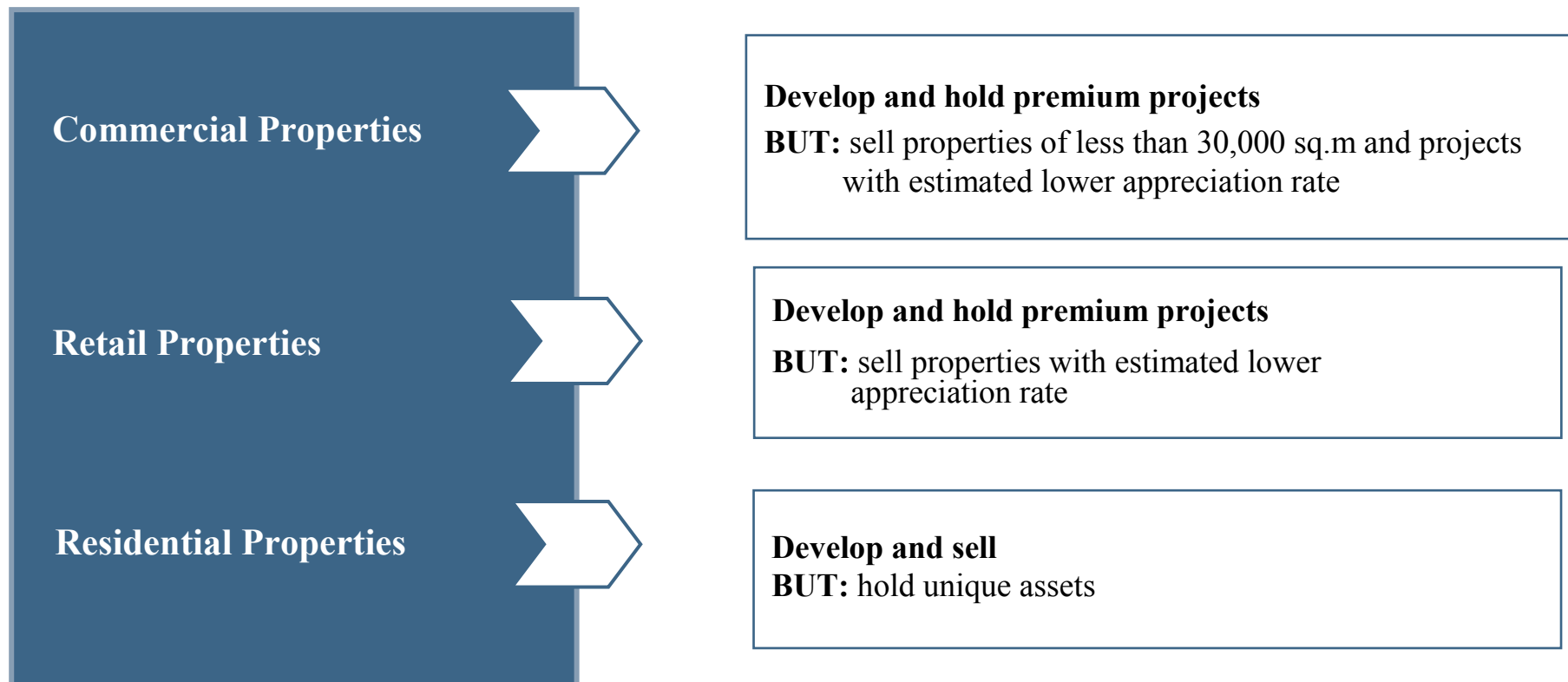
## Unique development experience

- 30+ projects with a total area of about 300,000 sq.m. successfully completed;
- Expertise and resources to deliver on complex projects;
- Strong management team with solid performance track record.

## Alliances with strong financial and strategic partners

- Strategic partnerships with reliable partners help boost the profitability of projects through the accumulation of financial resources and shared experiences;
- International expertise
  - Saraya holdings,
  - Apsys group;
- Construction –Hebei Construction group.

# Portfolio Management Strategy



- **Sales of non-core projects to generate additional cash (to be used as a new source of financing)**
- **Strategic goal is to rebalance current portfolio with focus on quality improvement of assets – rental generating properties to account for not less than 70% of total portfolio value (2012\*)**

*\* based on Company's management estimations*

# Strict Portfolio Focus



Disciplined investment approach focused on the most profitable market segments

**Return-Based Strategy**

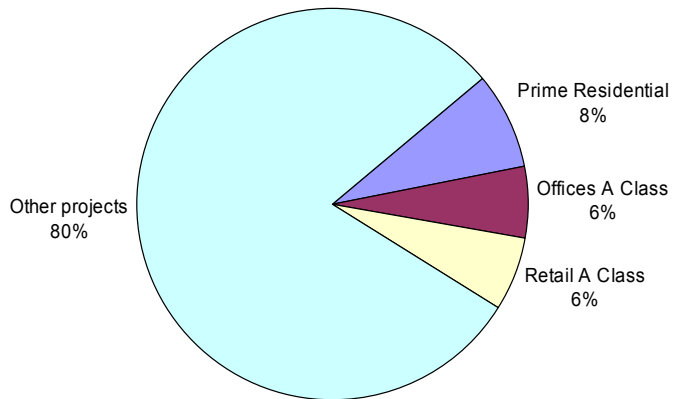
**Strict Portfolio Focus**

- Minimum un-leveraged IRR target 20%
- Minimum size of 30,000 sq.m.

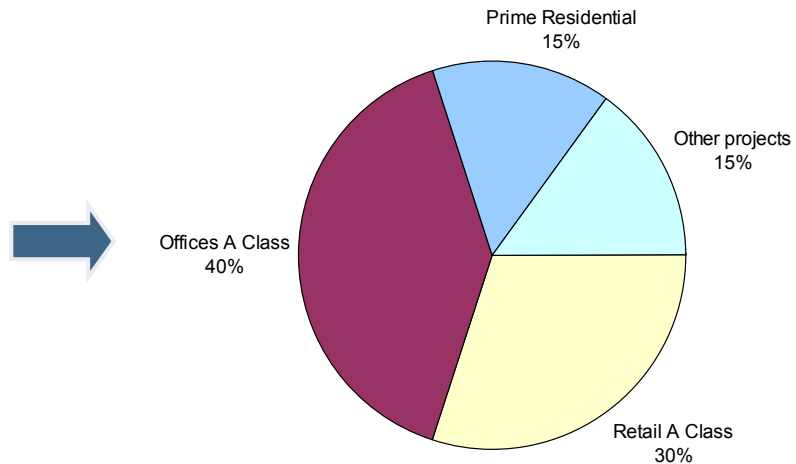
- Class A offices
- Prime retail
- Elite residential

Portfolio breakdown by type of property

**Current portfolio (2008)\***

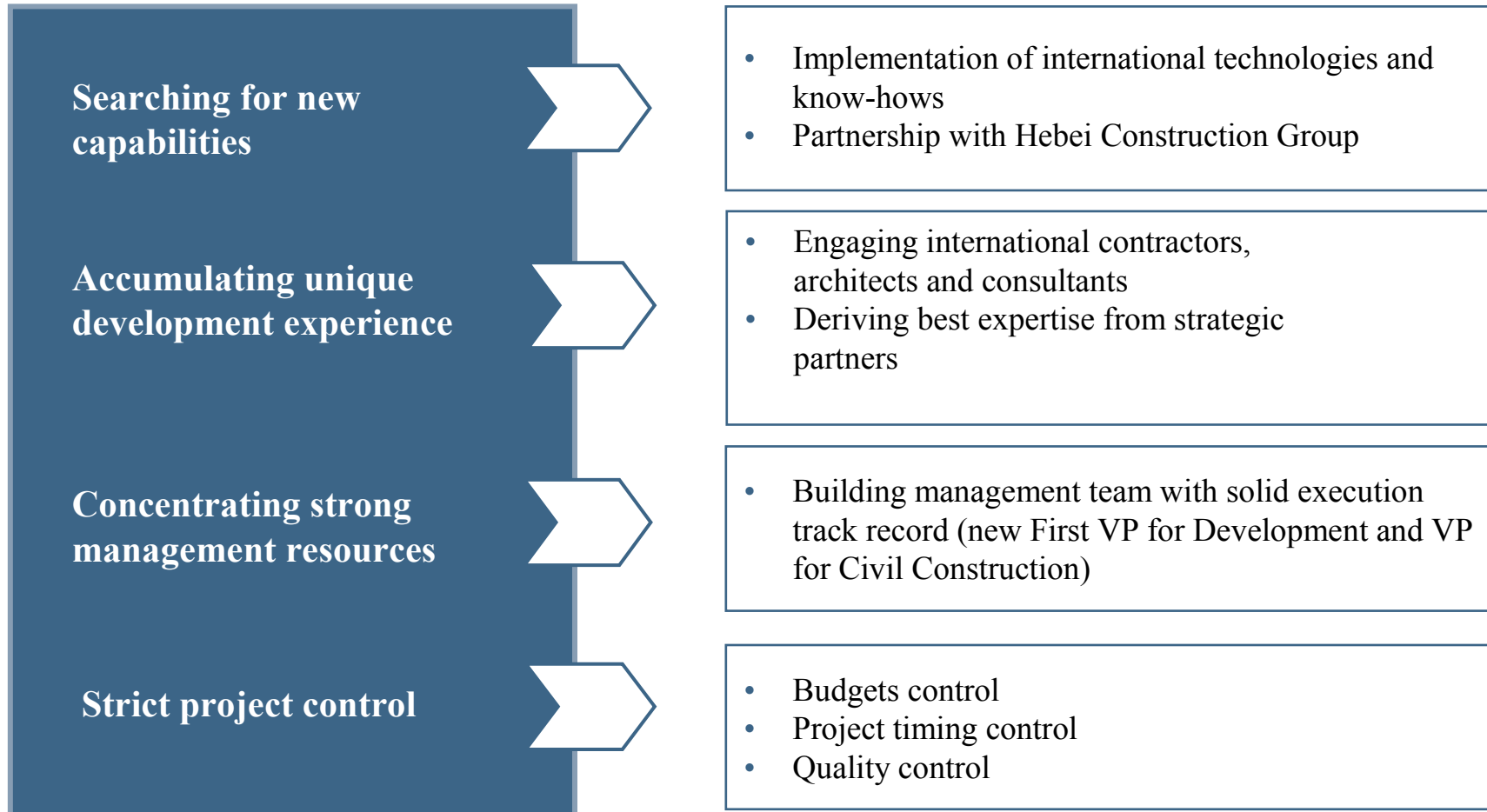


**Target portfolio (2012)\***



\* based on Company's management estimations

# Execution Strategy



**Strong execution discipline enables the Company to handle a planned number of projects at various stages simultaneously**

# New Projects

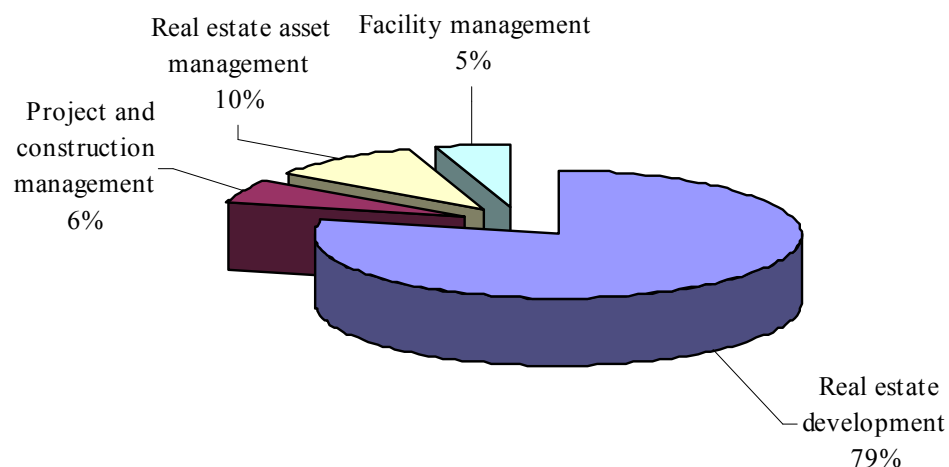


Project name	Description	Portfolio selection criteria					
		Focus		IRR, %		Size, sq.m	
<b>Khamovniki</b>	<p><b>Location:</b> Russia, Moscow, 23/7and 23/5 Lev Tolstoy Street.</p> <p><b>GBA:</b> 2.2 hectares, 70,000 sq.m..</p> <p><b>Description:</b> land plot in premium location in city centre.</p> <p><b>Purpose:</b> mixed use elite office-residential complex, elite units sales and rental income from offices.</p>	Elite residential	✓	>20	✓	>30,000	✓
<b>Gorky 8</b>	<p><b>Location:</b> Russia, Moscow, Rublevo-Uspenskoye Highway</p> <p><b>GBA:</b> 9 hectares</p> <p><b>Description:</b> land plot comprising more than 70 townhouses and shopping mall (app. 35,000 sq.m) in premium suburban location</p> <p><b>Purpose:</b> rental income generating property.</p>	Elite residential	✓	>20	✓	>30,000	✓
<b>Gorky 8, Second phase</b>	<p><b>Location:</b> Russia, Moscow, Rublevo-Uspenskoye Highway</p> <p><b>GBA:</b> 61 hectares</p> <p><b>Description:</b> land plot in premium suburban location</p> <p><b>Purpose:</b> land development, land plot sales.</p>	Land plot	✗	>20	✓	>30,000	✓

# Financial Highlights



	2007 (USD '000)	2006 (USD '000)
<b>Revenues</b>	<b>452,196</b>	<b>282,899</b>
<b>Operating expenses, including:</b>	<b>(400,154)</b>	<b>(199,903)</b>
Stock-based compensation	(99,807)	-
<b>Operating income</b>	<b>52,042</b>	<b>82,996</b>
<b>OIBDA <sup>[1]</sup></b>	<b>66,912</b>	<b>90,140</b>
<b>OIBDA excl. non-recurring items <sup>[2]</sup></b>	<b>166,719</b>	<b>90,140</b>
<b>Net income</b>	<b>34,681</b>	<b>55,574</b>



- Consolidated revenue from Real Estate Development grew by **72.7 %** year-on-year to USD 356.0
- Asset Management consolidated revenues increased by **67.2%** year-on-year to USD 44.8 million
- Facility Management division reported year-on-year revenue growth of **127.5%** to USD 22.8 million

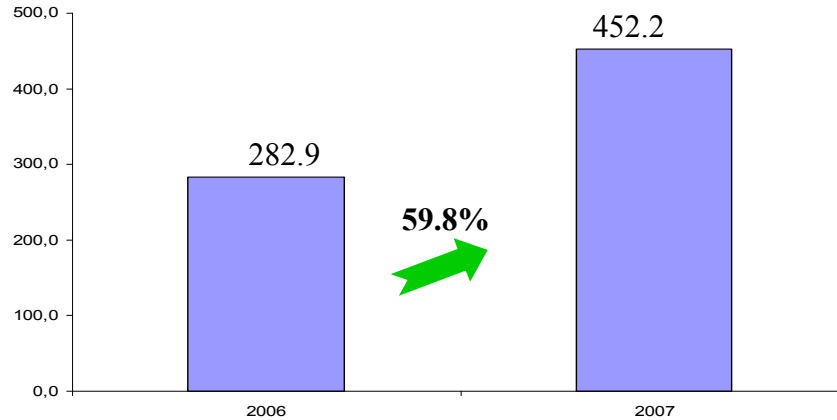
<sup>[1]</sup> OIBDA is a non-US GAAP measure.

<sup>[2]</sup> OIBDA excluding non-recurring expense on stock based compensation.

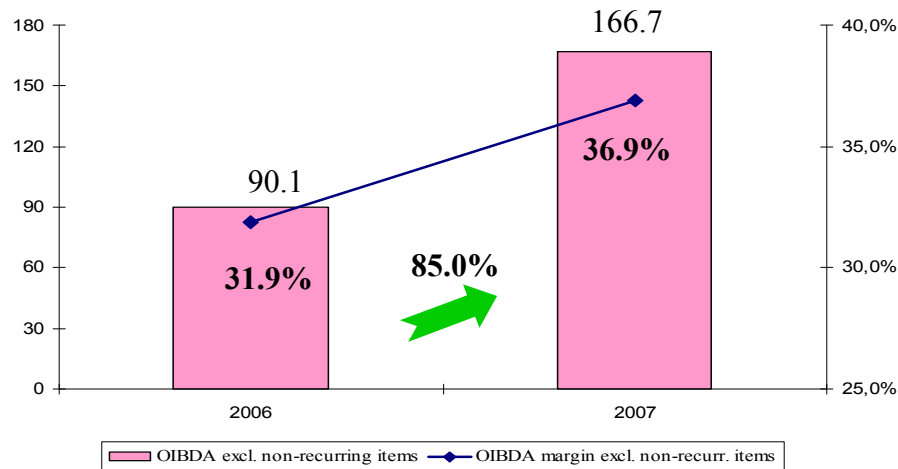
# Financial Highlights



## Strong revenue increase



## Operational efficiency growth



- Sistema-Hals consolidated revenue for 2007 increased by **59.8%** year-on-year to USD 452.2 million
- Sistema-Hals consolidated OIBDA excluding non-recurring expense on stock based compensation increased by **85.0%** to USD 166.7 million and represented an OIBDA margin of **36.9%**, a solid increase on the previous year.
- The Company's consolidated net income for the full year 2007 amounted to USD **34.7** million.

[1] OIBDA is a non-US GAAP measure.

[2] OIBDA excluding non-recurring expense on stock based compensation.

# Unique development experience



## Pokrovka, 40



**Location:**  
Moscow, Russia

**GBA:**  
24,169 sq.m. (comprising 14,710 sq.m. of office space and 9,459 sq.m. of hotel space)

**Launch date:**  
2007

A hotel belonging to the MaMaison Residence chain (ORCO Property Group) and a first-class office centre housing the headquarters of the Pipe and Metallurgical Company (TMK).

## Mokhovaya, 13



**Location:**  
Moscow, Russia

**GBA:**  
13,540 sq.m.

**Launch date:**  
2007

The historical building was constructed in 1934 by the famous Russian architect Ivan Zholtovsky. In the course of the building's renovation, the plaster cornices, doorways, stairs, ceiling paintings and other interior details were restored. As part of the renovation, a new section was created and joined to the historical part of the building. All of the utilities were replaced, a three-level underground car park was built and the interior rooms were rearranged. AFK Sistema's head office was installed in the Mokhovaya office centre.

## Zhivopisny ("Picturesque") cable-stayed bridge



**Location:**  
Moscow, Russia

**Description:**  
The total span of the bridge is 1,460 m, of which 409.5 meters of roadway are suspended from the bridge's tower with the help of 72 cables.

**Launch date:**  
2007

The bridge facility's main attraction will be an observation platform with a restaurant in the shape of a flying saucer suspended from an arched tower at a height of 87.3 meters. Zhivopisny will be the longest cable bridge in Moscow and the third longest in Russia. Sistema-Hals PSO received a gold medal at the Brussels International Show-Room for Innovation, Scientific Research and New Technologies for the bridge's innovative designs.



# Key ongoing projects



## Michurinsky Prospect, 39

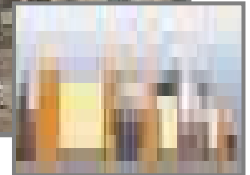


**Location:**  
Moscow, Russia

**GBA:**  
43,029 sq.m.

**Market value\*:**  
USD 24.2 million

## Regional Mall “Leto”



**Location:**  
St. Petersburg, Russia

**Land plot:**  
17.7 hectares

**GBA:**  
104,810 sq.m.

**Market value\*:**  
USD 76.5 million

## Leningradsky Towers



**Location:**  
Moscow, Russia

**GBA:**  
110,070 sq.m.

**Market value\*:**  
USD 291.1 million

## Serebryanny Bor (3<sup>d</sup> phase)



**Location:**  
Moscow, Russia

**GBA:**  
21,234 sq.m.

**Market value\*:**  
USD 37.4 million

*\*Market value according to the interest of Sistema-Hals  
Source: C&WS&R report as of 1 January 2008*

# Investment Case



- **Extensive portfolio of projects:**
  - contains excellent potential for further growth in value
  - focus on premium segments
  - enables the Company to obtain additional funding
  - located in the most promising regions across Russia and the CIS with focus on Moscow
- **Strong management team with solid execution track record**
- **Best industry expertise**
- **Leading position in growing Russian and CIS real estate market: sustainable sales and rental rates growth**
- **Alliances with strong financial and strategic partners**

## Contacts



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