

Explanatory notes
submitted to the decision of Annual General Meeting of Shareholders
of Open Joint-Stock Company «Sistema-Hals»
on June 30, 2008

1. Upon the first question of the agenda: «About entrusting to the Registrar of Open Joint-Stock Company «Sistema-Hals» – Open Joint-Stock Company «REESTR» of the Company Counting commission functions»

According to the Federal Law “On Joint-Stock Companies” at the Company in which the holder of the shareholders’ register is the registrar, irrespective of shareholders of joint-stock company quantity, the fulfillment of functions of the Counting commission can be entrusted to him.

Board of Directors recommended the General Meeting of Shareholders to entrust to the registrar of OJSC «Sistema-Hals» – OJSC «REESTR» the fulfillment of functions of the Company Counting commission.

The order of decisions adoption: the Decision starts working simply by the majority of voices of the shareholders, participating at the meeting.

Resolution Draft:

To entrust to the registrar of OJSC «Sistema-Hals» – OJSC «REESTR» the fulfillment of the Company Counting commission functions.

2. Upon the second question of the agenda: «About determination of the procedure of the Annual General Meeting of shareholders of OJSC «Sistema-Hals»

This question of the shareholders’ meeting agenda is an organizational one. It is about the conducting of the shareholders meeting and concerns the competence of the General Meeting of Shareholders.

According to item 6.2. of «Regulations on General Meeting of Shareholders of OJSC «Sistema-Hals» Chairman of the Board of Directors carries out the functions of Chairman at the General Meeting of Shareholders. According to these Regulations:

1. Chairman of the meeting:

- opens and closes the meeting;
- announces the agenda and the order of speeches and reports, concerning the agenda, announces the termination of discussing problems and the beginning of votes counting;
- gives floor for speeches of the meeting participants and answering questions;
- signs the minutes of the general meeting of shareholders.

2. Counting commission:

- brings to notice of the meeting participants the information on registration of the meeting participants, if there is a quorum and other information of organizational character;
- explains to shareholders (their representatives) a voting procedure;

- ensures a voting procedure, the counting of votes, summarizing of voting outcome and drawing up a report on results of the voting.

3. Functions of the secretary are executed by the Corporate secretary.

Corporate secretary procures minutes of General Meeting of Shareholders preparation.

Within the limits of the given question the participants of the meeting should make a decision on determination of point of Annual General Meeting of Shareholders order, including the definition of order of voting summing up and announcement of decisions adopted by the Annual General Meeting of Shareholders on questions of the agenda. It is proposed to announce the results of voting and decisions, adopted by the Annual General Meeting of Shareholders of OJSC «Sistema-Hals» concerning the agenda.

The order of decisions adoption: the Decision starts working simply by the majority of voices of the shareholders, participating at the meeting, excepting the issue on amending and supplementing the Charter of OJSC «Sistema-Hals» on which decision should be adopted by experienced majority in three quarters of voices of shareholders, participating at the meeting, and the issue on election of members of OJSC «Sistema-Hals» Board of Directors on which decision should be adopted by cumulative voting.

Resolution Draft:

1. For holding the AGM meeting, elect the Chairman of the Board of Directors of OJSC «Sistema-Hals» Dmitry Zubov for the fulfillment of the Chairman of the General Meeting of Shareholders' functions.
2. To entrust to the corporate secretary of OJSC «Sistema-Hals» Pavel Dorofeev the fulfillment of the secretary obligations of the Annual General Meeting of Shareholders' functions.
3. To announce the results of voting and decisions adopted by the General Meeting of Shareholders of OJSC «Sistema-Hals».

3. Upon the third question of the agenda: «About approval of the annual report, annual accounting reports, including profit and loss report of OJSC «Sistema-Hals» for 2007

According to the current legislation of the Russian Federation and the Company's Charter every year on the Annual General Shareholders' Meeting there should be considered the issue «On approval of the annual report, annual accounting reports, including profit and loss report of OJSC «Sistema-Hals»». The following is represented for adopting at the Annual General Shareholders' Meeting:

- the annual report of OJSC «Sistema-Hals» for 2007;
- the accounting reports of OJSC «Sistema-Hals» for 2007, according to Russian standards of book-keeping;
- the profit and loss report of OJSC «Sistema-Hals» for 2007;
- Board of Directors recommendations on the order of the Company profit distribution by the results of 2007 financial year;
- conclusion of the Company Audit commission and conclusion of auditors - Closed Joint-Stock Company «DELOITTE & TOUCHE CIS» and Audit company «Refin Audit» Ltd.

The order of decisions adoption: the Decision starts working simply by the majority of voices of the, shareholders, participating at the meeting.

Resolution Draft:

To approve the annual report, the accounting reports, including the profit and loss report of OJSC «Sistema-Hals» for 2007.

4. Upon the fourth question of the agenda: «About distribution of profit (including dividend payment) and loss of OJSC «Sistema-Hals» by the results of 2007»

According to the results of 2007, the net profit on RAS (Russian accounting standards) has made 144.664.000 RUR, under the consolidating reporting in compliance with standards US GAAP (General Accepted Accounting Principles) has made 34.680.000 USD.

It's submitted to the shareholders' meeting to approve the decision – to direct the net profit, received by the Company on the results of 2007, for financing of the basic industrial and investment activity with the purpose of the Company increase of capitalization and not to pay dividends for 2007.

The order of decisions adoption:

The Decision starts working simply by the majority of voices of the shareholders, participating at the meeting.

Resolution Draft:

To direct the net profit, received by the Company on the results of 2007, for financing of the basic industrial and investment activity with the purpose of the Company increase of capitalization. Not to pay dividends for 2007.

5. Upon the fifth question of the agenda: «About amending and supplementing of the Charter of OJSC «Sistema-Hals»

According to paragraphs 13.5.19 of item 13.5 of the Company's Charter the approval of the internal documents, which govern activities of the Company's management bodies applies to the competence of General Meeting of Shareholders. The decision starts only under the offer of Board of Directors. The basic changes concern, first of all, changes of the competence of the Company's management bodies – Management Board and Board of Directors.

The competence of the Board of Directors in the Company's Charter is added by following questions:

- evaluation of risk management system (process), internal control systems;
- approval of the Company's corporate structure;
- determination of the Company's debt management policy;
- definition of priority directions of the Company's activity, including the adoption of development strategy of the Company, including consideration of development strategy of the basic affiliated and subsidiary companies, and reports on their activities.

The competence of the Management Board in the Company's Charter is added by following question:

- the elaboration for submission to Board of Directors the strategy of the Company's development, including development strategy of the basic affiliated and subsidiary companies, and reports on their activities.

Additionally it's proposed to supplement the Company's Charter with the following questions: attraction of independent appraisers while executing the activity; entrusting to the Company's registrar fulfillment of functions of the Counting commission on General Meetings of Shareholders; creation of others (except for committees and commissions) internal structural formations under Board of Directors of the Company and consideration of reports on results of their activity; determination of periodicity of the Board of Directors sessions (as required, but not less often than 1 (one) time in 6 (six) weeks), and also assignment in the Charter named above competences of the Management Board and the Board of Directors.

For approval of the General Meeting of Shareholders of OJSC «Sistema-Hals» is presented an issue on amending and supplementing the Charter of OJSC «Sistema-Hals».

The project of amendments and supplements to the Charter of OJSC «Sistema-Hals», recommended by the Board of Directors, is attached.

The order of decisions adoption:

The decision is adopted by experienced majority in three quarters of voices of shareholders, participating at the meeting.

Resolution Draft:

To approve amending and supplementing of the Charter of OJSC «Sistema-Hals»

6. Upon the sixth question of the agenda: «About approval of the Regulations on the Board of Directors of OJSC «Sistema-Hals» redrafted»

For approval of OJSC «Sistema-Hals» General Meeting of Shareholders is presented an issue on the confirmation of new edition of the Regulations on the Board of Directors of OJSC «Sistema-Hals». The Regulations establishes main principles and rules, determining the activity of the Board of Directors of OJSC «Sistema-Hals», according to Civil Code of the Russian Federation, Federal Law «On Joint-Stock Companies», applied rules and norms of corporate management and the Charter of OJSC «Sistema-Hals», systematizes and regulates its activity.

Suggestion of this question on the confirmation of the Company's General Meeting of Shareholders is connected with the necessity of putting Regulations on the Board of Directors of OJSC «Sistema-Hals» in conformity with presented amendments and supplements to the Charter of OJSC «Sistema-Hals».

The Project of the Regulations on the Board of Directors of OJSC «Sistema-Hals», recommended by the Board of Directors for approval by the General Meeting of Shareholders, is attached.

The order of decisions adoption: the Decision starts working simply by the majority of voices of the shareholders, participating at the meeting.

Resolution Draft:

To approve the Regulations on Board of Directors of OJSC «Sistema-Hals» redrafted.

7. Upon the seventh question of the agenda: «About approval of the Regulations on the Management Board of OJSC «Sistema-Hals» redrafted»

For approval of OJSC «Sistema-Hals»' General Meeting of Shareholders is presented an issue on the confirmation of new edition of the Regulations on the Management Board of OJSC «Sistema-Hals». The Regulations establishes main principles and rules, determining the activity of the Management Board of OJSC «Sistema-Hals» in accordance with the legislation and applied rules and norms of corporate management and the Charter of OJSC «Sistema-Hals», systematizes and regulates its activity.

Suggestion of this question on the confirmation of the Company's General Meeting of Shareholders is connected with the necessity of putting the Regulations on the Management Board of OJSC «Sistema-Hals» in conformity with presented amendments and supplements to the Charter of OJSC «Sistema-Hals».

The Project of the Regulations on the Management Board of OJSC «Sistema-Hals», recommended by the Board of Directors for approval by the General Meeting of Shareholders, is attached.

The order of decisions adoption: the Decision starts working simply by the majority of voices of the shareholders, participating at the meeting.

Resolution Draft:

To approve the Regulations on the Management Board of OJSC «Sistema-Hals» redrafted.

8. Upon the eighth question of the agenda: «About payment of remuneration to the members of the Company's Board of Directors for 2007»

For approval of OJSC «Sistema-Hals»' General Meeting of Shareholders is presented an issue on payment of remuneration to the members of the Company's Board of Directors for 2007.

According to the Regulations about remunerations and compensations, paid to the members of the Board of Directors of OJSC «Sistema-Hals», approved by the General Meeting of Shareholders on June, 25th 2007 (minutes No.16) every member of the Board of Directors is paid fixed remuneration for carrying out of additional duties (Chairman/Vice-Chairman of the Board of Directors), for fulfillment of duties of Committees Chairmen, and also remuneration on the results of activities for a year.

According to recommendations of the Company's Board of Directors it is offered to pay remuneration to the members of the Company's Board of Directors for 2007 according to the accounts shown in the table:

NAME	Status of member of BOD	Remuneration for carrying out of additional duties (Chairman/Vice- Chairman of BD), USD	Remuneration for carrying out of Committees Chairmen duties, USD	Remuneration for results of activities for 2007, USD	TOTAL to member of BOD, USD
1. Abramson Valery	non-executive	10,000		100,000	110,000

Mikhailovich					
2. Buyanov Aleksey Nikolaevich	non- executive			100,000	100,000
3. Gummer John	independent		5,000	200,000	205,000
4. Goncharuk Alexander Yurievich	non- executive			100,000	100,000
5. Daft Douglas Nevill	independent		5,000	200,000	205,000
6. Drozdov Sergey Alekseevich	non- executive		5,000	100,000	105,000
7. Evtushenkov Felix Vladimirovich	executive			100,000	100,000
8. Zubov Dmitry Lvovich	non- executive	15,000	5,000	100,000	120,000
9. Tsenin Robert Yudgin	independent		5,000	200,000	205,000
TOTAL (according to kinds of remuneration)		25,000	25,000	1,200,000	1,250,000

Total amount of remuneration to the members of the Company's Board of Directors for 2007 at a rate of equivalent to 1,250,000.00 US dollars makes 0.0369% of net profit of OJSC «Sistema-Hals» for 2007 after the taxation on US GAAP.

The order of decisions adoption: the Decision starts working simply by the majority of voices of the shareholders, participating at the meeting.

Resolution Draft:

1. To pay out remuneration to the members of the Company's Board of Directors for 2007 at a rate of 1,250,000.00 USD in accordance with the Regulations about remunerations and compensations, paid to the members of the Board of Directors of OJSC «Sistema-Hals», approved by General Meeting of Shareholders on June, 25th 2007 (minutes No.16).
2. To make payment of remuneration to the members of the Company's Board of Directors in the following order:
 - to the Chairman of the Board of Directors of OJSC «Sistema-Hals» Dmitry Zubov – 120,000.00 US dollars;
 - to Vice-Chairman of the Board of Directors of OJSC «Sistema-Hals» Valery Abramson – 110,000.00 US dollars;
 - to the member of the Board of Directors of OJSC «Sistema-Hals», Chairman of the Tender & Procurement Committee of the Board of Directors Sergey Drozdov – 105,000.00 US dollars;
 - to independent directors of OJSC «Sistema-Hals» – per 205,000.00 US dollars;
 - to all other members of the Board of Directors of OJSC «Sistema-Hals» – per 100,000.00 US dollars.

9. Upon the ninth question of the agenda: «About approval of OJSC «Sistema-Hals» Auditor»

The issue on approval of Auditor of OJSC «Sistema-Hals» for checking of financial and economic activity of the Company is presented for decision of the General Meeting of Shareholders of OJSC «Sistema-Hals».

According to the current legislation of the Russian Federation and the Company's Charter the auditor is annually confirmed at the General Meeting of Shareholders and acts until the next General Meeting of Shareholders of OJSC «Sistema-Hals».

According to the current legislation, the annual reporting of OJSC «Sistema-Hals» should be verified by the auditor, who is not connected by valuable interests with the Company and its shareholders.

Audit of OJSC «Sistema-Hals» accountability for 2007 was carried out by CJSC «Deloit and Tush CIS».

The Board of Directors of OJSC «Sistema-Hals» recommended confirming as auditors of the Company CJSC «DELOITTE & TOUCHE CIS» and CJSC Audit Company «AORA». CJSC Audit Company «AORA» is recommended for conducting an audit in accordance with Russian Standards of Book-Keeping, and CJSC «DELOITTE & TOUCHE CIS» for conducting an audit in accordance with the standards of US GAAP.

The order of decisions adoption: the Decision starts working simply by the majority of voices of the, shareholders, participating at the meeting.

Resolution Draft:

To confirm as auditors of OJSC «Sistema-Hals» CJSC Audit Company «AORA», CJSC «DELOITTE & TOUCHE CIS».

10. Upon the tenth question of the agenda: «About determination of the number of members of the Board of Directors of OJSC «Sistema-Hals»

In accordance with item 13.5.4. of the Company's Charter the number of members of the Board of Directors of OJSC «Sistema-Hals» is defined by the decision of the General Meeting of Shareholders.

It's proposed to approve the quantitative structure of the Board of Directors of OJSC «Sistema-Hals» in number of 10 members.

The order of decisions adoption: the Decision starts working simply by the majority of voices of the shareholders, participating at the meeting.

Resolution Draft:

To approve the quantitative structure of the Board of Directors of OJSC «Sistema-Hals» in number of 10 members.

11. Upon the eleventh question of the agenda: «About election of members of the Board of Directors of OJSC «Sistema-Hals»

For approval of the General Meeting of Shareholders is presented an issue on the Board of Directors of OJSC «Sistema-Hals» members' election. Authorities of new structure of the

Board of Directors will act until next General Meeting of Shareholders of OJSC «Sistema-Hals» if the Extraordinary General Meeting of Shareholders doesn't approve another decision.

The quantitative structure of the Board of Directors of OJSC «Sistema-Hals», proposed for election, defined in the previous question, consists of 10 members.

The order of decisions adoption:

According to the current legislation of the Russian Federation it and the Charter of OJSC «Sistema-Hals» elections of the Board of Directors members should be carried out by cumulative voting. At cumulative voting number of votes, belonging to each shareholder, is multiplied by number of persons, which should be elected to the Company's Board of Directors. And a shareholder has the right to give the voices thus completely for one candidate or to distribute them among two or more candidates. Electees to the structure of the Board of Directors are considered the candidates who have polled the greatest votes.

Information of candidates to the Board of Directors of OJSC «Sistema-Hals» is attached.

Resolution Draft:

To elect the Board of Directors of OJSC «Sistema-Hals» in the following structure:

1. Abugov Anton Vladimirovich
2. Buyanov Aleksei Nikolaevich
3. Gummer John
4. Goncharuk Alexander Yurievich
5. Daft Douglas
6. Drozdov Sergey Alekseevich
7. Evtushenkov Felix Vladimirovich
8. Zubov Dmitry Lvovich
9. Tsenin Robert Yudgin
10. Yakubovskiy Dmitry Olegovich.

12. Upon the eleventh question of the agenda: «About election of members of OJSC «Sistema-Hals» Revision commission»

For approval of the General Meeting of Shareholders is presented an issue on election of members of OJSC «Sistema-Hals» Revision commission. Revision commission is an independent constantly acting body which is carrying out control above financial and economic activity of OJSC «Sistema-Hals».

Revision commission is elected at Annual General Meeting of Shareholders and acts until next General Meeting of Shareholders of OJSC «Sistema-Hals».

Information of candidates to Audit commission is attached.

The order of decisions adoption:

The shares belonging to the members of the Board of Directors of OJSC «Sistema-Hals» or executive boards of OJSC «Sistema-Hals» cannot participate in voting on this question. The Decision starts working by the majority of voices of the shareholders, participating at the meeting.

Resolution Draft:

To elect Revision commission of OJSC «Sistema-Hals» in the following structure:

1. Gorbatova Larisa Valeryevna
2. Pimenov Yury Arkadieievich

3. Potapenko Igor Alexandrovich.