



SISTEMA

Investor Presentation

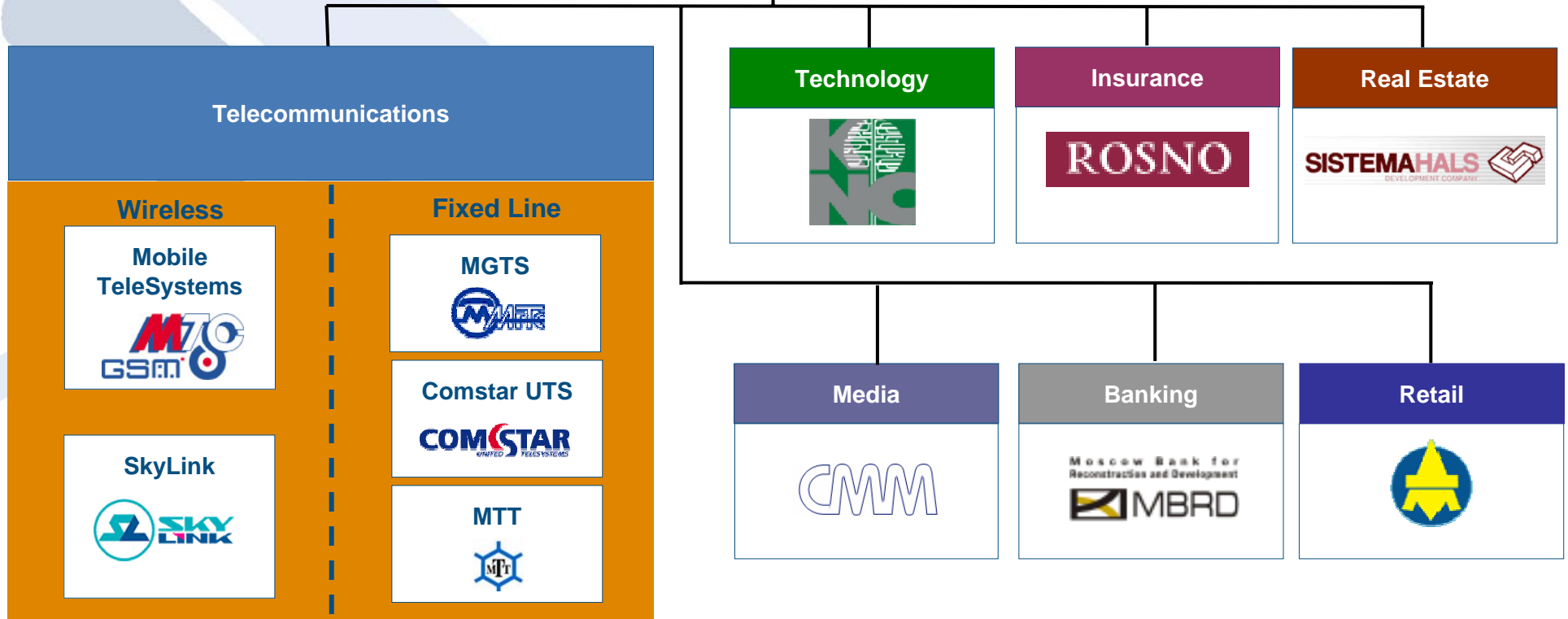
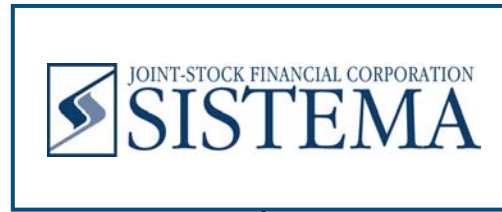
March 2005

Introduction to Sistema

- **The largest private sector consumer-services company in Russia and the CIS**
 - Consolidated revenue of \$3.8bn and \$4.1bn and OIBDA of \$1.6bn and \$1.8bn for 2003 and 9m 2004, respectively
 - Over 35m customers across all business lines
- **Market leadership in key high-growth service-based industries**
 - Management control and consolidation of main businesses
- **History of successful partnerships with “best-in-class” strategic partners**
 - Deutsche Telekom, Allianz AG, Siemens, etc.
- **Proven “know how” of business development in Russia / CIS**
 - Superior pool of management talent and established relationship network
 - Operating since 1993 with significant greenfield successes (e.g. wireless, insurance, etc.)
- **Committed to best practices in corporate governance**
 - US GAAP auditing since 1997
 - Formalised and highly-disciplined approach to decision-making
 - Further introduction of independent directors

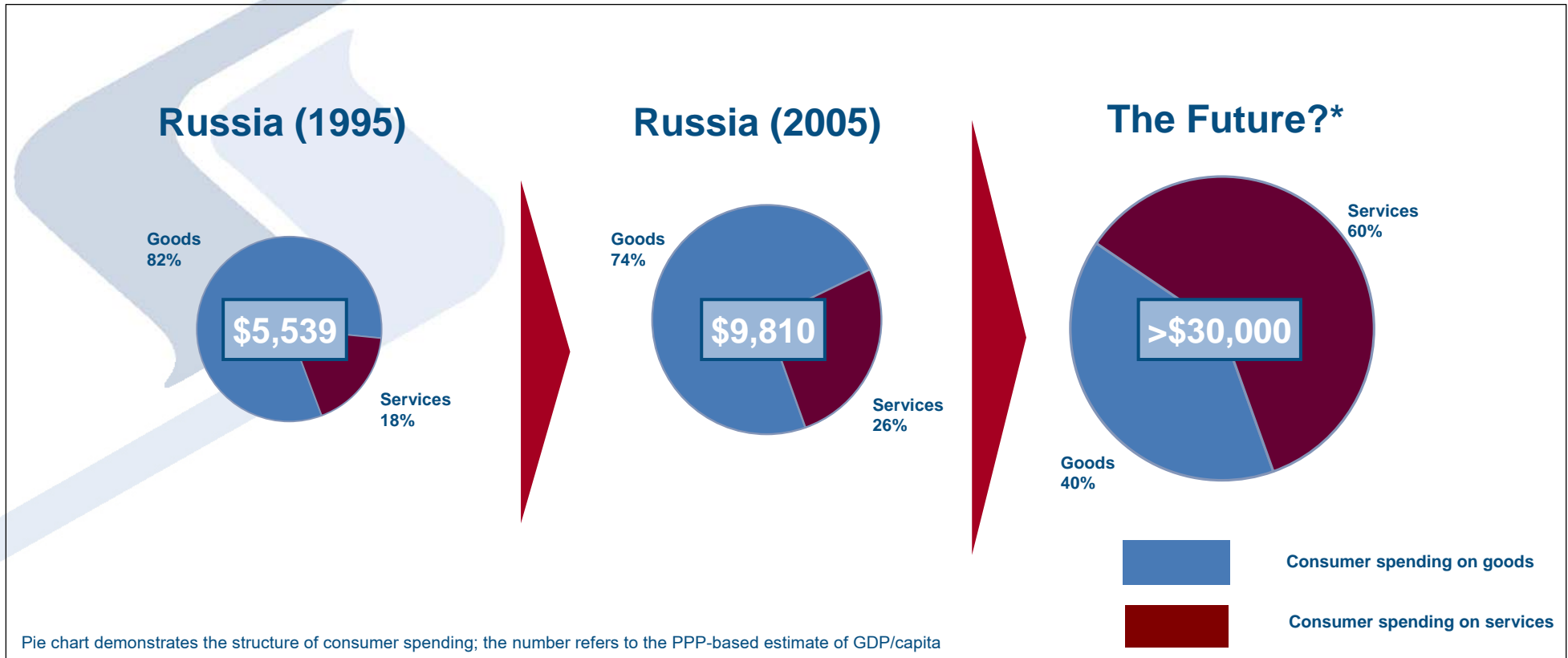
Positioned to capture growth in disposable income in Russia and the CIS

Leadership in Service-Based Industries



Control and consolidation of high-growth service-based businesses

Beneficiary of Russia's Convergence



Source: Euromonitor

* - UK in 2005 used as proxy

Spending patterns of Russian consumers increasingly mirror those of consumers in CEE and Western Europe

Sistema's "Business of Growing Businesses"

Attractive Opportunities

DIRECT INVESTMENTS



PRIVATISATIONS



Business Level Value Added

MANAGING GROWTH

- Properly engineered from the start
- Import know-how and technology
- Acquisitions of under-developed businesses: management as a partner
- Capital for growth

RESTRUCTURING

- Business process re-engineering
- Market-based motivation systems
- Introducing viable private sector models
- Management integration

Group Strategy

- Well-informed, return-focused investment approach
- Focus on the existing business segments
- Privatization and consolidation opportunities in telecoms
- Organic and M&A growth in other service industries - insurance, real estate, banking, etc.

A Winning Model for Emerging Markets



**Financial
Control &
Targets (KPI)**



M&A Support



**Access to
Capital**



**Government &
Regulatory
Support**

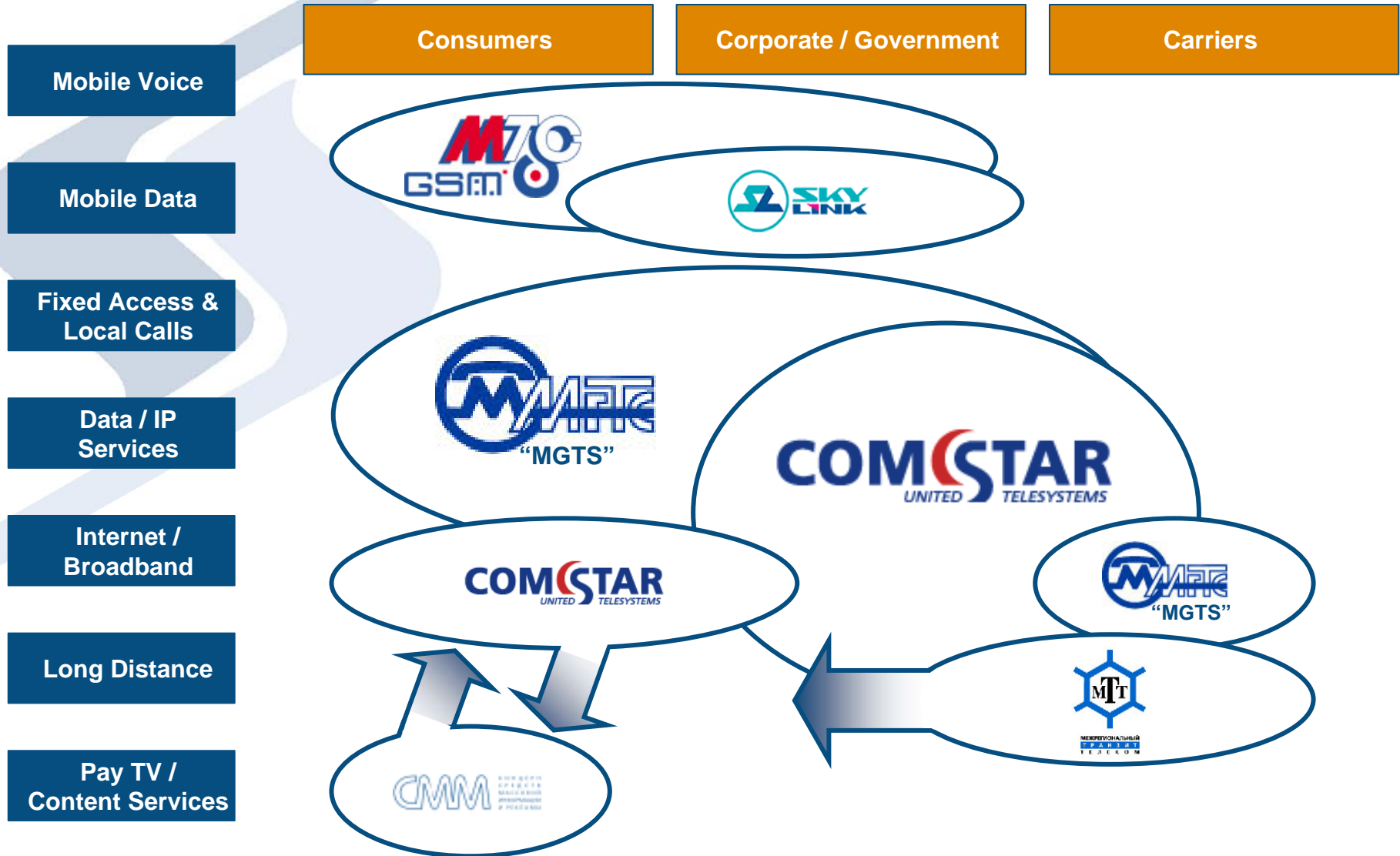


**Management
Talent**



**Strategic
Partnerships**

Telecoms – Creating a Russian Champion



Potential to become Russia's integrated operator

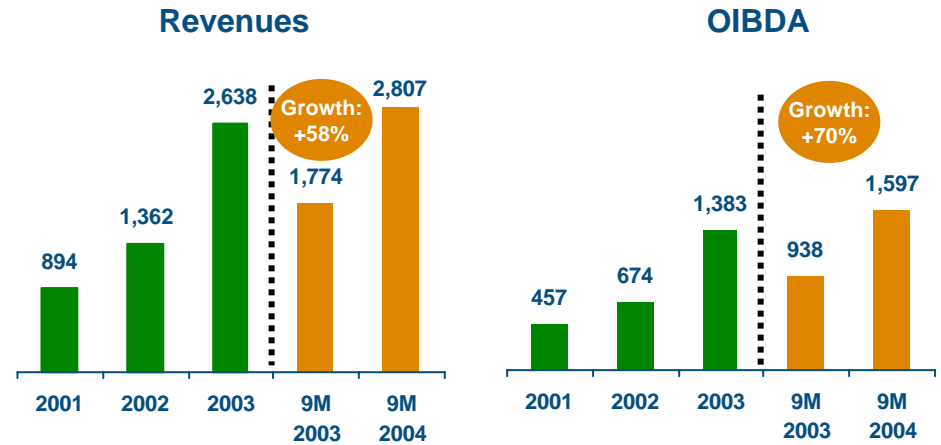
Wireless – MTS: The Number 1 Operator in EEMEA

- **Sistema has developed MTS into the largest operator in Russia and the CIS**
 - Largest in terms of subscribers (38.1m) and licensed POPs (225.8m)
 - Leveraged DT's technical know-how in initial network development
 - Established and maintained leadership positions in Russia, Ukraine, Uzbekistan and Belarus⁽¹⁾

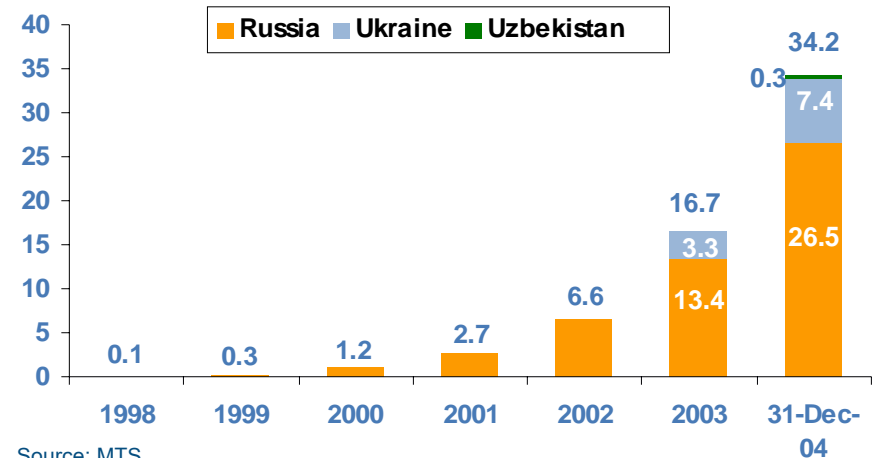
- **Strategic focus on**
 - Delivering strong free cash flow growth
 - Integration of acquired assets
 - Continued expansion of footprint in Russia and the CIS

(1) Via 49%-owned JV
 (2) As presented in Sistema's consolidated financials

MTS' Key Financials (US\$m)⁽²⁾



MTS' Consolidated Subscriber Base (m)



Source: MTS

Fixed Line – MGTS: A PTO Growth Story

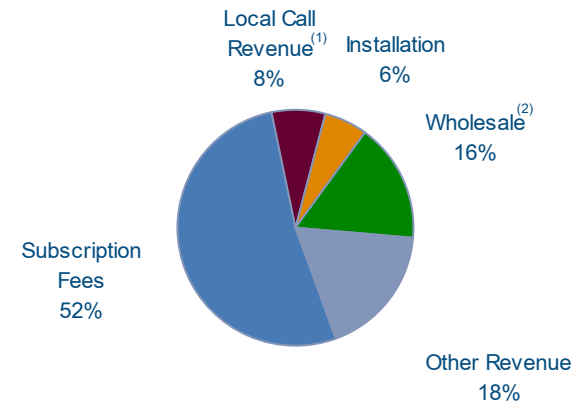
■ Incumbent fixed line operator in the most attractive Russian telecoms market

- Operates in the 10m POPs Moscow market representing 20% of Russian economy
- Provides fixed line voice and data transmission services
- c.4.2m lines in service – greater than in the Czech Republic

■ Multiple value drivers

- Organisational efficiencies
- Digitalisation of the network
- Tariff rebalancing
- VAS and DSL opportunity

2003 Revenues



Total: \$380m

Notes:

1. Call revenue from corporate and public sector users
2. Including interconnection and leased line revenue

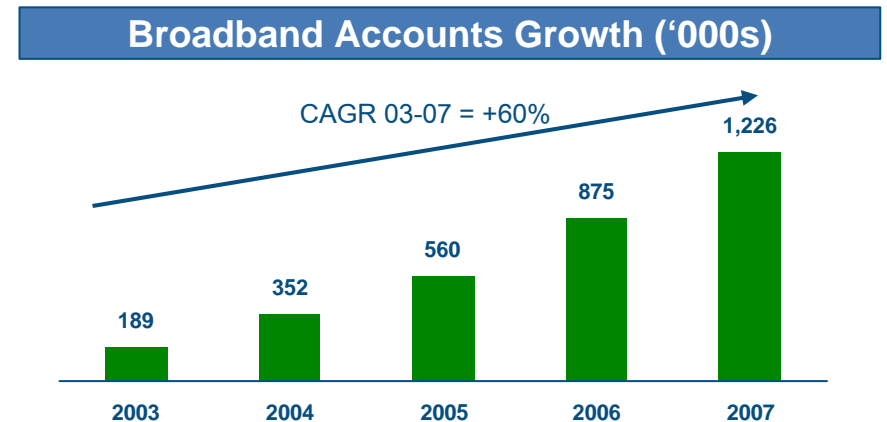
US GAAP Standalone/\$m	2001	2002	2003	9M2003	9M2004
Total Revenues	274	303	380	279	344
Growth %		10.4	25.5		23.3
OIBDA	117	117	142	107	120
Margin %	42.9	38.6	37.3	38.4	34.9
Operating Income	66	65	83	64	71
Margin %	24.1	21.4	21.7	22.9	20.6
Net Debt	171	143	112	117	151
Total Assets	925	968	1,105	1,065	1,224

Incumbent operator in the most attractive Russian telecom market

Fixed Line – Comstar UTS: Moscow’s Broadband Future

- **Full business integration through an integration of voice, data and internet service providers in Moscow**
- **Leading provider of corporate and carrier communications services**
 - 35% market share of corporate subscribers ex-MGTS in 2003
 - 531,743 active lines, 26,213 corporate clients, 53 fixed line and 4 wireless operator customers
- **Leading position in ADSL and dial-up internet services**
 - Unmatched access to MGTS’ last-mile network plus strong marketing/sales capabilities
 - 42% market share of internet access market in 2003
 - Over 120k ADSL and c.350k dial-up subs

Key US GAAP Financials US\$m	2003	9M 2004
Revenue	\$248	\$209
OIBDA	\$90	\$69
<i>Margin</i>	36.1%	32.9%
Operating Income	\$57	\$46
<i>Margin</i>	23.1%	22.1%
Net Income	\$42	\$36
<i>Margin</i>	16.8%	17.4%
Capex	\$60	\$30
Net Debt	\$12	\$6
Total Assets	\$357	\$392



Source: Pyramid Research, 2004.

Technology – Major Diversified Russian Technology Business



Telecom Equipment and Software

- Switching stations / billing systems
- Pursue attractive acquisitions in CIS and CEE with focus on software solutions



IT & Systems Integration

- Product distribution and software solutions
- Focus on high value-added systems integration



Semiconductor Design & Manufacturing

- Largest manufacturer in Russia
- Low capex strategy and focus on increasing capacity utilisation



Electronic Devices & Consumer Electronics

- A single umbrella brand for a range of consumer electronic products
- Favourable market trends

Consolidated Revenue Summary (US\$m)⁽¹⁾

	2001	2002	2003	9M2003	9M2004
Revenue	\$30	\$76	\$86	\$64	\$320
Growth %		153.3%	13.2%		402.0%
OIBDA	\$1	\$9	(\$1)	\$2	\$16
Op. Income	(\$1)	\$6	(\$3)	(\$0)	\$14

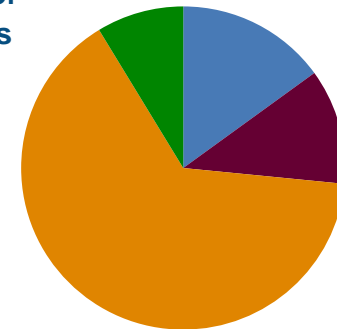
Revenue Breakdown 9M 2004⁽¹⁾

Electronic Devices & Consumer Electronics
8%

Telecom Equipment
15%

Microelectronics
12%

IT and System Integration
65%

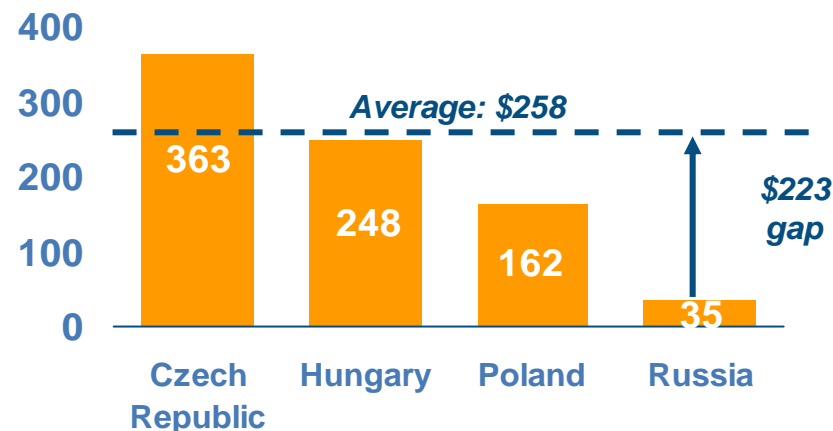


(1) Consolidated Segment Financials – US GAAP, includes Kvazar Micro starting from 2004

Insurance – Creating a Market Leader

- **Leading, respected brand in Russia**
- **Access to Allianz resources and knowledge**
- **Balanced portfolio with leadership in key segments**
 - Not dependent on any single line of business
 - VMI, Property/Inward Re, MOD/Casco, OMTPL as well as unique niche products (e.g. consumer credit insurance)
- **Conservative approach to risk management and claims payment**
 - Employing Allianz best practices
 - Value-based management approach
- **Multi-channel distribution network**
- **Attractive market opportunity**
 - High geographical concentration: Moscow accounts for 55% of total premium written
 - Addressable market size of US\$5.2bn
 - Extremely high market fragmentation with consolidation imminent (1,435 licensed Russian insurers as of 1 July 2004)

CEE Market, 2003 Premiums per Capita (US\$)



Financial Performance⁽¹⁾

US\$m	2001	2002	2003	9M2003	9M2004
Total GPW	\$131	\$158	\$218	\$157	\$260
Growth %		20.5%	38.1%		65.6%
Reinsurance outwards	(\$14)	(\$19)	(\$47)	(\$28)	(\$24)
Change in provisions	(\$37)	(\$13)	(\$8)	(\$13)	(\$55)
Net premiums earned	\$80	\$126	\$163	\$116	\$181
Operating Income	(\$14)	\$3	\$17	\$10	\$14

Note

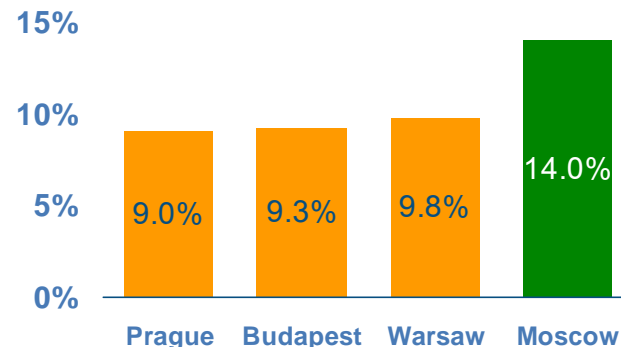
1. Based on Rosno accounts as consolidated within Sistema

Real Estate – Leader in a Booming Market

Office Space per Capita (m²)



Property Yields



Business Description & Strategy

- **A leading owner, developer and manager of office buildings, housing and land in Moscow**
 - Sistema-Hals successfully completed over 20 projects since 1994 including properties for Daimler Chrysler, Dresdner Bank and Samsung
- **Key activities:**
 - Develop projects either to hold as investment properties or sell upon completion
 - Ownership and management of investment properties
- **Replicate success in office market in other real estate product types, leverage expertise and deal flow & diversify revenue base**

Portfolio and Valuation



- **Sistema attributable equity value of \$238m from valued portfolio**
- **Completed projects held as investments include:**
 - Hals-Tower (Class B office building), Serebryany-Bor (cottages)
- **Development properties include:**
 - Pokrovka 40 (hotel and office complex), Mokhovaya 13 (Class A office building), Pekin Hotel (Moscow), former Sport Hotel (Moscow) as well as retail, residential and cottage properties
- **MGTS switching station sites**

Banking – Retail-Driven Growth Strategy

- **Moscow Bank for Reconstruction and Development (MBRD): a commercial bank for internal and external clients**
 - Branches also in St.Petersburg, Rostov-on-Don, Krasnodar and Syktyvkar
 - Corporate and retail banking services provided to over 1,370 corporate clients and companies of Sistema/their employees
- **Signed a non-binding Term Sheet with Sabre Capital to acquire a 25% stake in MBRD and execute retail roll-out**
 - Leverage 35m plus captive customer base and Sabre Capital industry expertise (e.g. co-branding with MTS, cross-selling with ROSNO, etc.)
 - Focus on deposits and consumer lending

Co-Branded Products

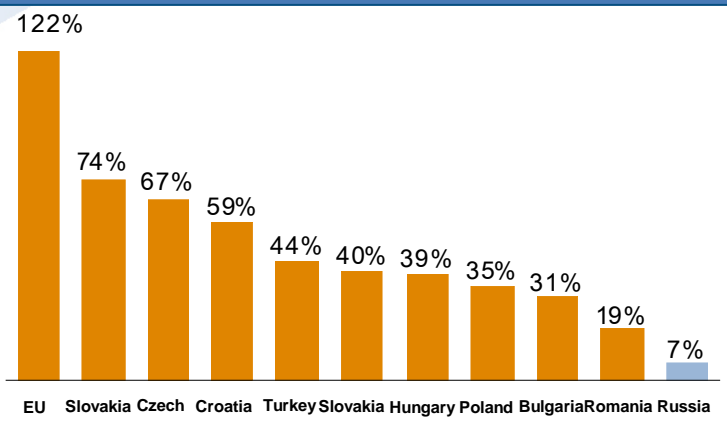


КРЕДИТНАЯ
MTS.CARD

ИНФОРМАЦИЯ ДЛЯ АБОНЕНТОВ
 МТС ПО НОМЕРУ 0515



Deposits to GDP



Financials

US\$m	2001	2002	2003	9M2003	9M2004
Revenue	\$19	\$37	\$58	\$40	\$49
Growth %		92,1%	56,7%		22,7%
Interest income	\$15	\$29	\$47	\$35	\$42
Operating income	\$6	\$9	\$3	\$6	\$15
Loans to customers	\$176	\$181	\$307	-	\$439
Total assets	\$325	\$283	\$596	-	\$491

Note: MBRD financial results are shown as presented in Sistema consolidated financials

Developing Russia's leading retail bank



Other - Retail & Media Businesses

Retail

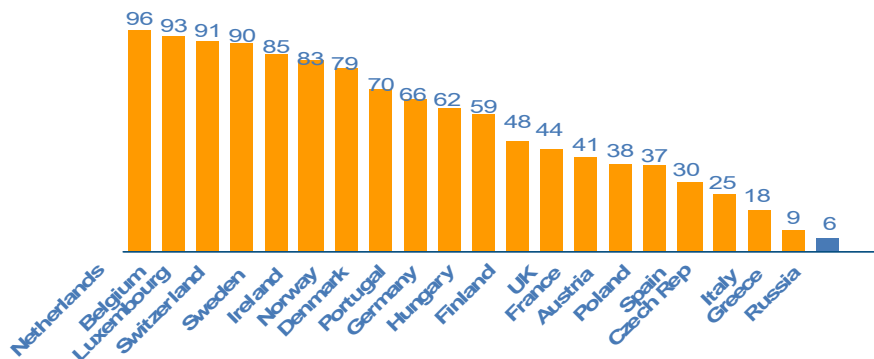


- **Russia's largest retailer of children's goods**
 - Currently 9 stores primarily in Moscow
- **Detsky Mir brand amongst strongest in Russia**
 - Experience in children's goods retailing dating back to 1950s
 - No close competitors in the mid-market
- **Central Moscow "landmark" Detsky Mir**
- **2003 revenues of \$55.5m, 9M 2004 revenues of \$51.0m**
- **Strategy identified to expand number of stores in major cities and towns in Russia**

Media

- **Focus on Pay-TV and content production: strategy to build a leading Russian Pay TV operator with national reach and captive subscriber base**
 - Leverage access to Comstar UTS' subscriber base and MGTS' ADSL network to provide "triple play" services (telephony, broadband, content)
- **On 15 November 2004 Sistema launched a pilot to test its broadband entertainment offering, as part of core multimedia strategy**

2004 Pay-TV Penetration (%)



Source: Screen Digest, Comcon Consulting

Highlights of Sistema's Consolidated Financials

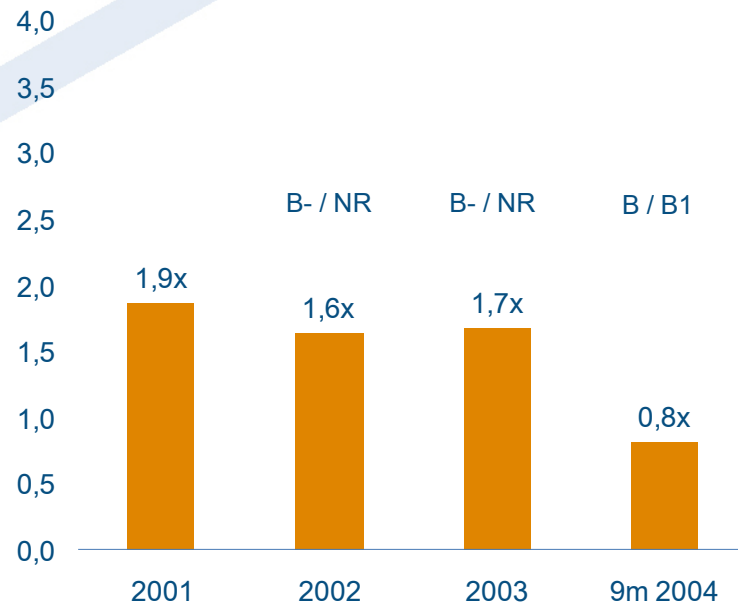
US GAAP, US\$m	Audited			Reviewed	
	2001	2002	2003	9M 2003	9M 2004
Profit & Loss					
Revenues	721	890	3,760	2,609	4,136
<i>Growth (y-o-y)</i>	-	23.5%	322.7%	-	58.5%
Depreciation and amortisation	(60)	(72)	(521)	(354)	(541)
Operating Income ⁽¹⁾	241	296	1,106	761	1,307
<i>Growth (y-o-y)</i>	-	22.8%	273.9%	-	71.7%
<i>Margin</i>	33.4%	33.3%	29.4%	29.2%	31.6%
Net Income	135	166	387	176	337
<i>Growth (y-o-y)</i>	-	22.7%	133.2%	-	91.4%
<i>Margin</i>	18.8%	18.7%	10.3%	6.7%	8.1%
OIBDA ⁽²⁾	301	368	1,627	1,116	1,847
<i>Margin</i>	41.8%	41.4%	43.3%	42.8%	44.7%
Balance Sheet					
Total Assets	1,969	2,343	6,840	NA	7,679
Total Debt	525	608	2,685	NA	2,550
Net Debt	433	451	2,402	NA	2,241
Minority Interest	364	388	1,357	NA	1,704
Shareholders' Equity	414	595	989	NA	1,335
Cash Flow					
Cashflow from Operations	82	136	935	658	1,531
Cashflow from Investments	(168)	(140)	(2,273)	(1,855)	(1,257)
Cashflow from Financing	118	69	1,464	1,214	(249)

Notes: (1) Operating Income is calculated as revenues less operating costs, plus income from equity investees and net gain or loss on sale of subsidiaries. (2) OIBDA represents the sum of operating income, depreciation and amortisation

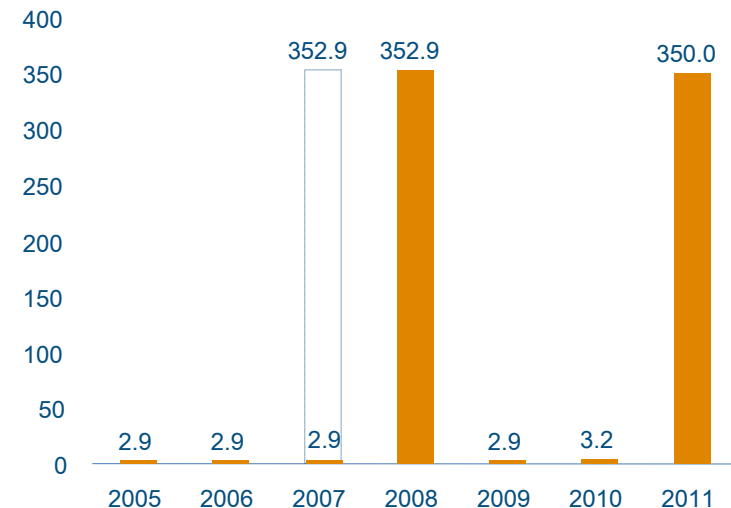
Strong Financial Position

- Sistema has strong liquidity and credit profile at the holding company level
- High and growing dividend from MTS (\$110m in 2004) compared with c. \$70m of annual interest costs
- Long maturity profile does not imply significant repayments until 2007 or 2008

Consolidated Total Debt/OIBDA



Corporate Level Debt Maturity Profile (1)



Note:

1. \$350m 2011 bond has put option for Sistema in 2007

Capital Allocation Strategy

Business Segment	USES OF CASH		SOURCES OF CASH		SISTEMA'S Holdco Cash Impact
	Capex	Acquisitions	Operating FCF	Access to Third Party Capital	
MTS	High	Continued	+++	Established	+
MGTS	Tariff Driven	None	+	Established	+
Comstar UTS	Moderate	Possible	++	None	+
Technology	Moderate	Possible	Break-even	None	-
Insurance	Moderate	Yes	Break-even	Possible	-
Real Estate	High	Yes	++	Established	+ -
Banking	High	Possible	Break-even	Established	-
Retail	High	Possible	Negative	Established	-
Media	High	Possible	Negative	None	-

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