



JOINT-STOCK FINANCIAL CORPORATION
SISTEMA

Restructuring of Sistema's Portfolio in the Current Market Conditions

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Unaudited and Pro Forma Financial Information

The Bashkir OEG summary historical consolidated financial data contained herein is unaudited, and has been extracted from the historical financial statements of the individual companies comprising the acquired Bashkir OEG companies. Such financial statements were prepared in accordance with Russian accounting standards, which differs substantially from U.S. GAAP.

The pro forma financial information referred to herein has been prepared for illustrative purposes only and does not purport to represent what our results of operations or financial condition actually would have been if the acquisition had occurred on the dates provided, nor does it purport to provide an accurate picture of the financial information or actual results of Sistema or Bashkir OEG, nor does it purport to project our results of operations for any future period or our financial condition at any future date, and does not reflect any adjustment to liabilities for restructuring nor the impact of any potential synergies deriving from the acquisition. The unaudited consolidated financial data for the Bashkir OEG companies included in the pro forma financial information contained herein does not represent a proper consolidation in accordance with U.S. GAAP.

1. Strategic priorities



✓ 1. To maximize value of ALL assets:

- Achieve of strong and transparent financial results
- Provide high quality asset management – including through partnerships with leading companies
- Diversify risk and raise capital - including by creating partnerships with leading companies

✓ 2. To maintain strict financial discipline, based on:

- Priority of TSR and ROIC indicators in making investment decisions
- Transparent system of KPIs for all public and non-public companies

✓ 3. To simplify the corporate management structure

✓ 4. To optimize the existing portfolio structure and asset management

✓ 5. To further develop investor relations and best practices of corporate governance



**Create and
maintain
shareholder
value**

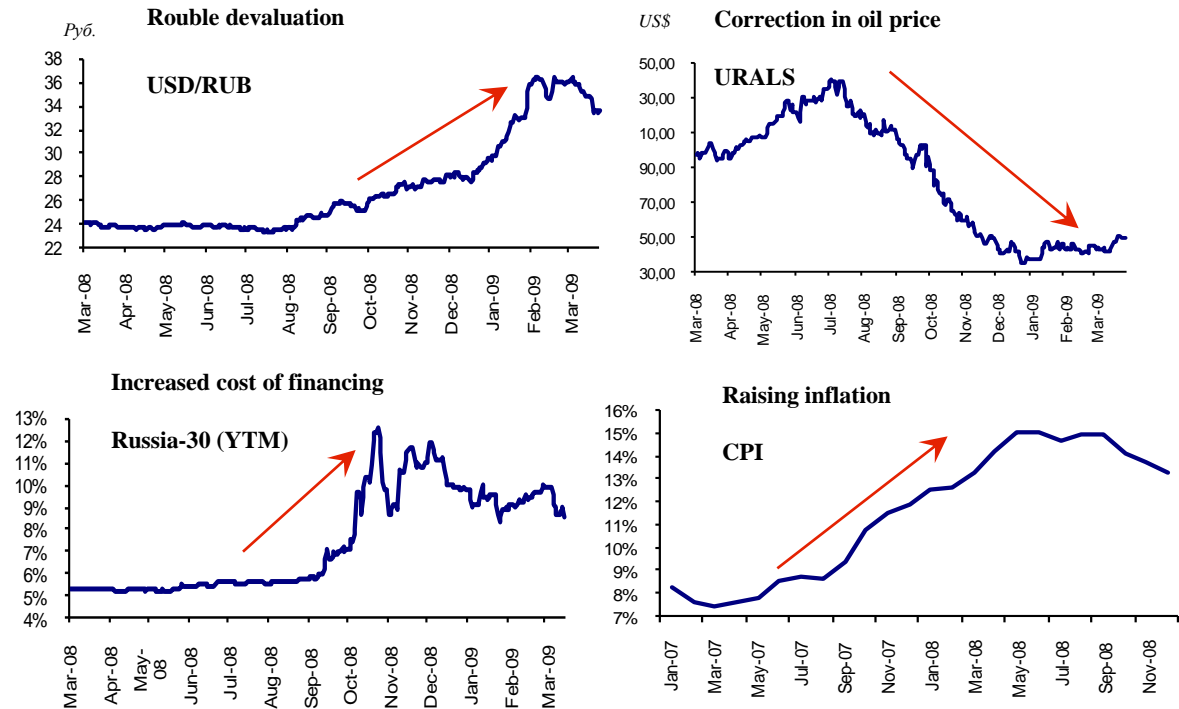
Increase in shareholder value is the key priority for Sistema

2. Specifics of the current phase: market conditions



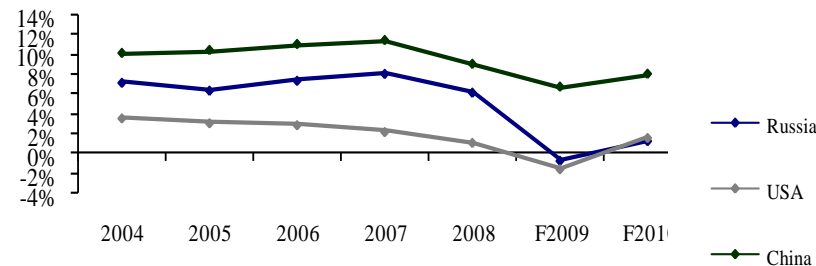
- Long-term outlook remains favorable in all key segments
- At the same time current market conditions are still challenging
- Main risk factors:
 - ! Availability of funding
 - ! FX volatility
 - ! Inflation
 - ! Potential changes in consumer behavior patterns
- The outlook has considerably shortened
- Public capital markets are practically inactive – in both re-distribution of the financial resources and in adequate asset valuation
- Speculative interest in companies is increasing, while investment valuation approach is declining

MARKET OVERVIEW, 2008-2009



Source: CB RF, Bloomberg

Real GDP growth trends



Source: IMF

Despite challenging market conditions Sistema uncovers possibilities for growth and development

3. Portfolio and its current condition



✓ **Key telecom businesses continue to deliver healthy growth**

	Revenue 2008, Y-o-Y	Revenue Q4 2008 Y-o-Y	OIBDA 2008, Y-o-Y	OIBDA Q4 2008, Y-o-Y
MTS	+24%	+4%	+22%	+3%
COMSTAR-UTS	+11%	(2%)	+10%	0%

✓ **Consumer assets operating in segments which are mostly affected by the crisis receive new opportunities for growth and market share expansion**

✓ **Construction development is among the segments mostly affected by the crisis. The cause of the problem is financial rather than operating: maturing debt and re-financing**

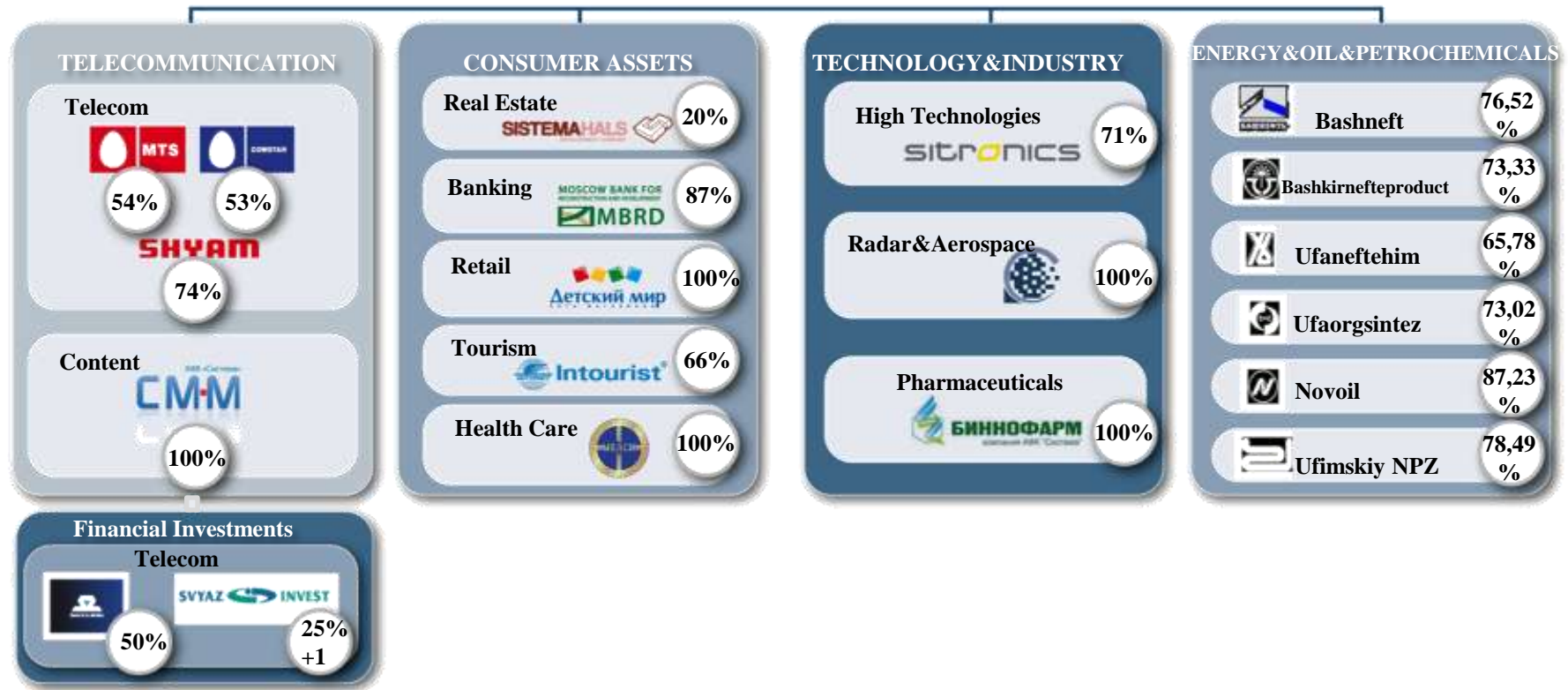
- **Sistema-Hals' debt as of 3Q 2008 - US\$ 1.3 billion, +29% Y-o-Y**

✓ **Sistema operates in segments which maintain long term growth potential**

✓ **Debt financing together with own resources remains as the main source of capital, however a limited one**

Market challenges require immediate and adequate reaction as well as alignment with strategic priorities

4. New Portfolio Structure



Sistema has expanded its portfolio of consumer-oriented assets

5. Sistema`s response to market challenges



Operating and financial optimization

- ✓ Adjust accelerated expansion plans
- ✓ Optimize CAPEX and administrative expenses
- ✓ Manage FX risks
- ✓ Identify alternate sources of funding

Portfolio optimization

- ✓ Increase the expected project returns
- ✓ Decisively review all business models, including their revision as appropriate
- ✓ Re-structure businesses
- ✓ Exit from the projects with a declining expected rate of return
- ✓ Establish partnerships with leading companies with geographical and industry expertise
- ✓ Industry diversification

Optimization process involves the operating and financial aspects of the business as well as the structure of Sistema`s investment portfolio



OPERATING AND FINANCIAL OPTIMIZATION

ADJUST STRATEGY AND OPTIMIZE CAPEX / OPEX:

- **MTS:** CAPEX optimization in 2009 - \$1.5 billion (\$2.2 billion in 2008)
- **Sistema-Hals:** Revision of the portfolio with focus on the most efficient projects
- **Shyam:** CAPEX needs are subject to available financial resources from public markets, government financing is under consideration
- **Stream TV:** Optimization of the ownership structure, now **Comstar UTS** is leading the project
- **Other assets of Sistema:** Revision of budgets of all companies and CAPEX / OPEX optimization

OPTIMIZE DEBT:

Response to changes in currency exchange rate:

- Partial conversion of debt into RUB
- Increase of RUB denominated debt, including:
 - ✓ **MTS** plans to place two RUB bond issues for the total amount of RUB 30 billion
 - ✓ **Sistema** plans to place RUB bond issue for the total amount of RUB 20 billion
 - ✓ **MBRD** plans to place RUB bond issue for the total amount of RUB 5 billion

Refinancing

Sistema-Hals debt deconsolidation

Meeting current obligations

- **Sistema, Sitronics and MBRD** have successfully exercised their respective put options for RUB 6 billion, RUB 3 billion and RUB 3 billions



PORTFOLIO OPTIMIZATION

SALE OF PROJECTS DUE TO REVISION OF EXPECTED RETURN ON INVESTMENT:

- ✓ **Sale of MTT -**
 - **43.4%** stake was sold to Synterra Group
 - Transaction price: **US\$22 million**
 - Transfer of debt obligations for the total amount of **US\$32 million**

INDUSTRY DIVERSIFICATION, INCREASE OF PROFITABILITY:

- ✓ **ACQUISITION OF BASHKIR OIL AND ENERGY GROUP:**
 - Increase of the stake in Bashkir Oil and Energy Group up to controlling interest (**~79-95%**)
 - Transaction price: **US\$ 2.5 billion**
 - Financing of the deal through debt up to **US\$ 3 billion**

INVESTMENT PARTNERSHIP:

- ✓ **REDUCTION OF THE STAKE IN SISTEMA-HALS**
 - Between **19.5%** and **51%** of Sistema-Hals shares are being transferred to VTB
 - Parties have agreed the terms of the restructuring of Sistema-Hals' debt to VTB for the total amount of **RUB 23.5 billion**
 - Parties have agreed to cancel Sistema guarantees for Sistema-Hals' debt to VTB

8. Acquisition of Bashkir OEG – key considerations



Getting control in all Bashkir oil companies



Acquired

After the deal

	Bashneft	Ufaneftekhim	NOVOIL	Ufaorgsintez	Ufimski NPZ	Bashkirnefteproduct
Acquired	55.04%	42.24%	60.26%	50.23%	53.68%	47.89%
After the deal	76.52%	65.78%	87.23%	73.02%	78.49%	73.33%

Financing of the deal using long-term debt instruments

Transaction price- US\$ 2.5 billion

US\$ 2 billion paid on closing the deal, US\$ 0.5 billion to be paid 14 months later

Sources of financing

- US\$ 2 billion loan from VTB Bank for a term of 7 years
Collateral – acquired shares in BashTEK plus a 17% stake in MTS
- Additional loans amounting up to US\$ 1 billion

Improvement of Sistema portfolio structure

- ✓ Long term source of growth of Sistema’s shareholder value
- ✓ Increase of ROIC
- ✓ Positive impact on Sistema’s consolidated financials
- ✓ Diversification of Sistema’s investment portfolio and reduction of risk
- ✓ Source of stable cash flows for Sistema in the form of dividends
- ✓ The ability to create additional shareholder value using core competencies of Sistema in the areas of corporate management and increased operating efficiency

The deal is aimed at enhancing the structure of Sistema’s investment portfolio and achieving stable growth of its shareholder value

9. Bashkir OEG in figures



Sistema estimates

Financial results for the 9 months of 2008							
US\$ millions	Bashneft	Bashkirnefte-product	Ufimski NPZ	Ufaorgsyntez	Ufaneftehim	NOVOIL	Total
Revenues	4 160	643	420	238	650	448	6 557
Operating income	731	78	119	21	203	102	1 254
<i>Operating income, %</i>	18%	12%	28%	9%	31%	23%	19%
Net income	500	59	79	14	144	72	868
<i>Net income, %</i>	12%	9%	19%	6%	22%	16%	13%

Unaudited, subject to changes

10. Attracting a partner for Sistema-Hals



Attracting a financial partner in the project

- Transfer of 19.5% stake of Sistema-Hals to VTB. VTB also received a call option to acquire a further 31.5% stake in Sistema-Hals
- Parties have agreed the primary parameters for the restructuring of Sistema-Hals' debt to VTB for the total amount of RUB 23.5 billion that includes Sistema's guarantees for Sistema-Hals' debt to VTB
- Sistema-Hals' minority shareholders have the right to participate in a mandatory buyout, according to the Russian legislation

Optimization of Sistema's investment portfolio structure

- In accordance with Sistema's corporate strategy
- Reduction of Sistema's total debt obligations
 - Deconsolidation of US\$ 1.3 billion of debt (as at 9M 2008)
 - Restructuring of Sistema-Hals debt to Sistema around US\$ 310 million (as at March 2009)
- Maintain presence in the Russian real estate sector

The deal optimizes Sistema debt obligations and secures participation in a sector with huge potential



Diversification / change in portfolio

- Strengthened Sistema's financial position
- Reduced dependency on external market volatility
- Increased the quality of Sistema's income sources

Increase of profitability

- The acquisition of BashTEK increases the average profitability of Sistema's portfolio
- Partnership with VTB raises an expected return from investments in Sistema-Hals

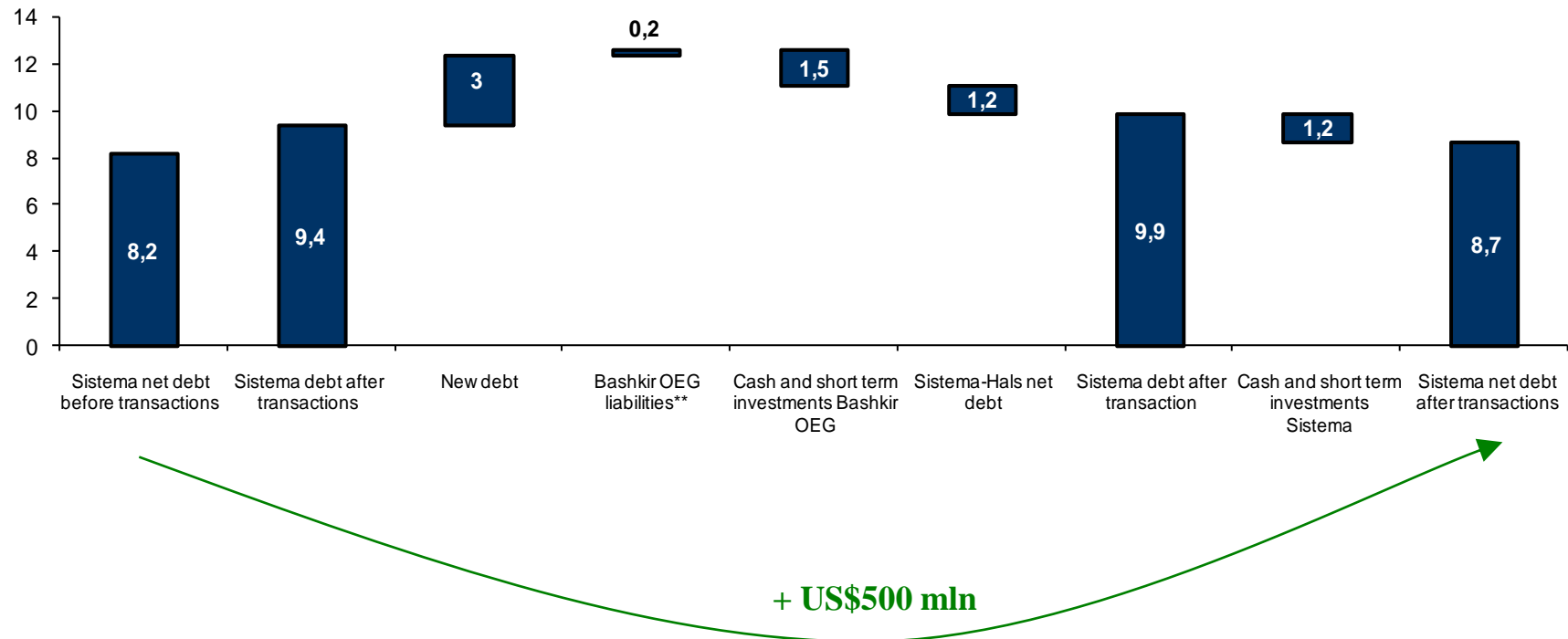
Increase of shareholder value

- Favourable impact on Sistema shareholder value and future growth prospects
- Increase the stability of Sistema's cash flows
- Optimization of debt structure

12. Consolidated debt profile following the portfolio restructuring



Pro-forma as at 3Q 2008 (Sistema + Bashkir OEG – Sistema-Hals)
 Bashkir OEG unaudited results



* Sistema and Sistema-Hals results are based on US GAAP; Bashkir OEG results based on RAS standards

** Non financial debt

Sistema's consolidated net debt is expected to increase by just US \$500 mln as a result of the portfolio restructuring (as at 3Q 2008)

13. Bashkir OEG: Strategic development plans



Target Industry Position:

CREATE THE MOST EFFICIENT AND TECHNOLOGICALLY ADVANCED COMPANY IN THE RUSSIAN OIL INDUSTRY, WITH AN EMPHASIS ON OIL REFINING AND PETROCHEMICALS

Line of business:

- PRODUCTION:
- REFINING:
- TRADING & RETAIL:

Strategic priorities:

- Increase production efficiency and optimize expenses
- Develop new oil fields
- Balance the volume of Bashkir OEG's extraction and utilisation of the capacity of crude oil from other producers
- Increase both processing depth and develop new products
- Develop petrochemicals
- Optimize balance between sales through partners and own retail network
- Explore options for increasing exports of processed oil products



Strategic objective is to create one of the largest and technologically advanced players in the Russian oil industry on the basis of Bashkir OEG

14. Bashkir OEG: priority measures to be taken (2)



Production and logistics

- Optimize refining capacities
- Implement a cost reduction programme in extraction and refining

Marketing and sales

- Switch to a single brand
- Develop own sales and purchasing channels
- Increase the profitability of petrol stations network

Finance

- Optimise cash flows
- Introduce adequate investment and loan policies

Transparency of information

- Introduce best practice standards of information disclosure
- Create a joint communications platform
- Disclose publicly justification for all decision making

HR and corporate governance

- Create a new organisational structure for the management company
- Implement effective management incentive schemes
- Strengthen management team

IT and security

- Introduce a joint IT platform
- Implement operations and reporting management systems

Concrete strategic measures will lead to increased transparency and efficiency in Bashkir OEG



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Thank you for your attention

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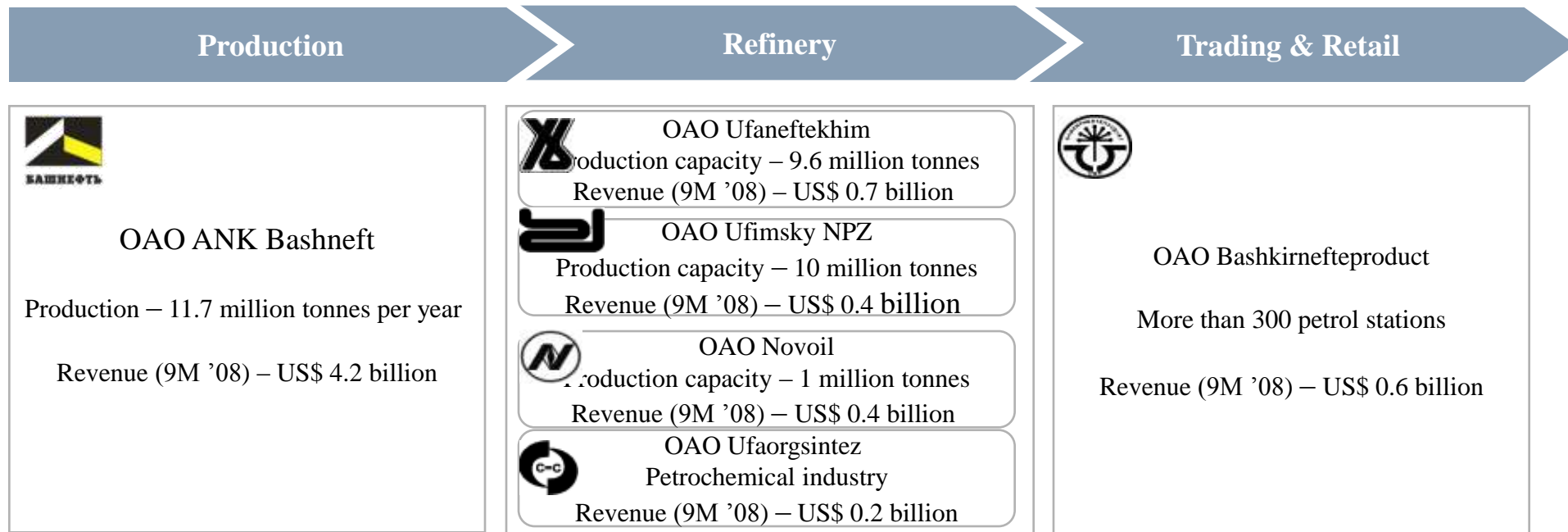
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Appendix 1: Bashkir OEG - overview



- Bashkir OEG is a leading Russian oil producer (Top-10) and oil refiner (Top-5)
- The group includes six companies located in the Bashkortostan: one oil producing, four oil refining companies, as well as the network of petrol stations
- Bashkir OEG sells its products in the Russian market and also exports to Ukraine, Poland, the Czech Republic, Germany, Slovakia and Hungary

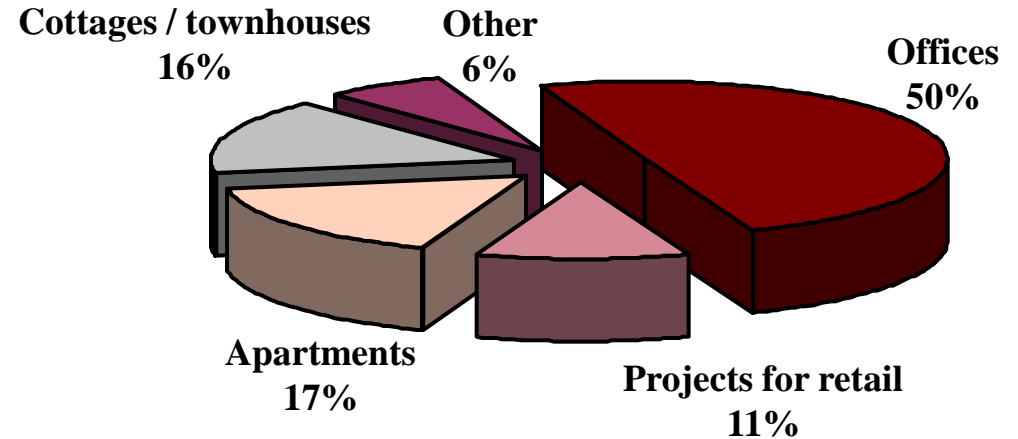


Bashkir OEG's financial indicators are based on Russian accounting standards and are provided in US\$

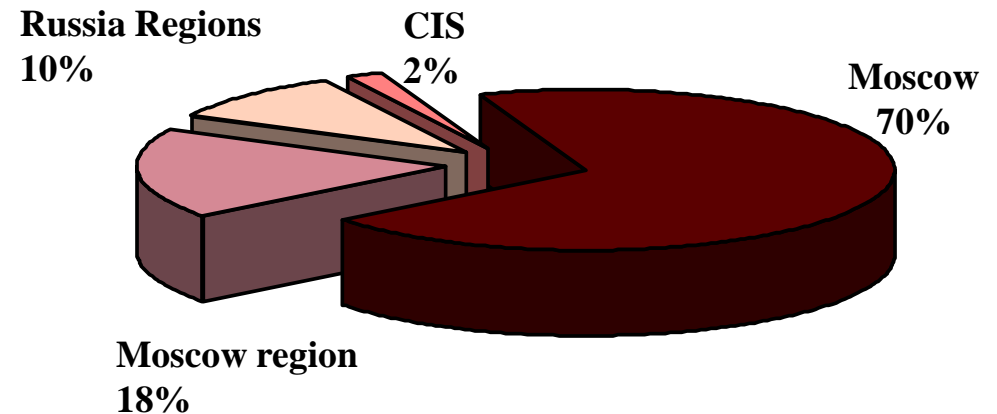


- **Sistema-Hals JSC** - a diversified company operating in the Russian and CIS construction and real estate market
- **Consolidated revenue** - for 9 months of 2008 - **US\$ 325.8 mln**
- **OIBDA** - for 9 months of 2008 **US\$ 42.9 mln**
- **Net loss** – for 9 months of 2008 - **US \$72.5 mln**
- **Construction portfolio** - as at 1 January 2009
 - **105** projects
 - with a total area of **4.52 mln sq. m.**
 - total market value of **US\$ 4.7 bln** (source Cushman & Wakefield); **US \$ 3.8 bln** as at 1 July 2008
 - consolidated debt of **US\$ 1.3 bln** (as at 9 months 2008)

Portfolio structure*



Location of projects*



* Source C&WS&R report 1 July 2008