



# Sistema IR Presentation

June 2008

# 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.

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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.

# 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

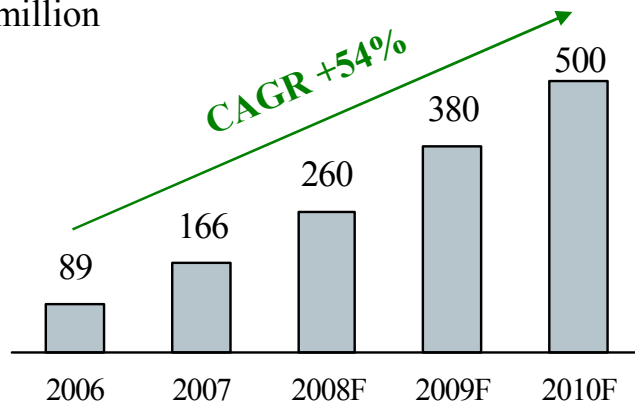
**Sistema creates value for its shareholders by investing in growing businesses and turning them into market leaders**

# 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

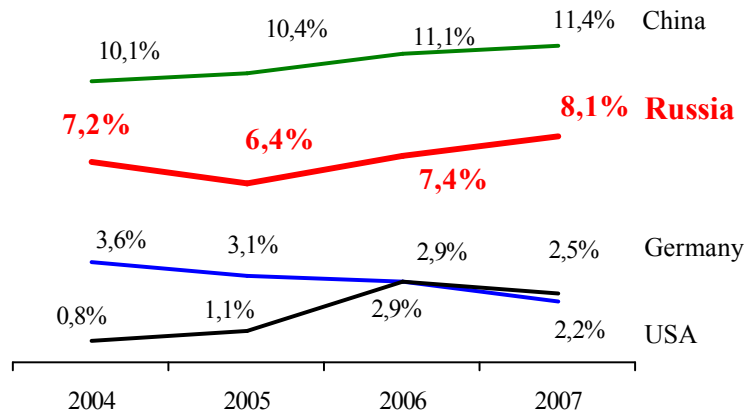
- June 2007 Privatization structure (based on the Rostelecom model) unfavorable to Sistema rejected by the Government
- Oct 2007 North-West Telecom sold 15% stake in Telecom Invest (owns 31% of Megafon)
- May 2008 New appointments at telecom regulator

**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

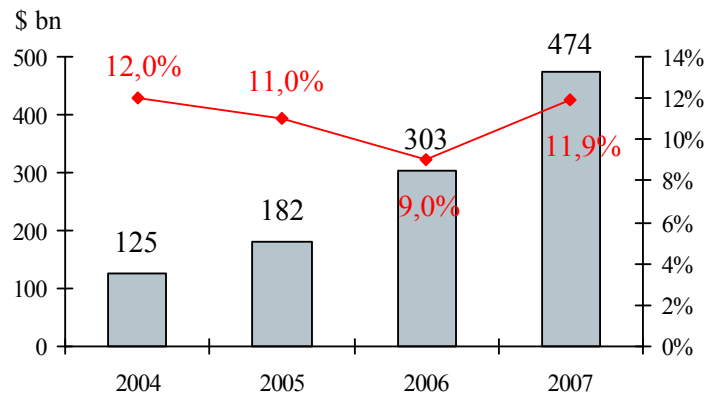
## REAL GDP GROWTH



## 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

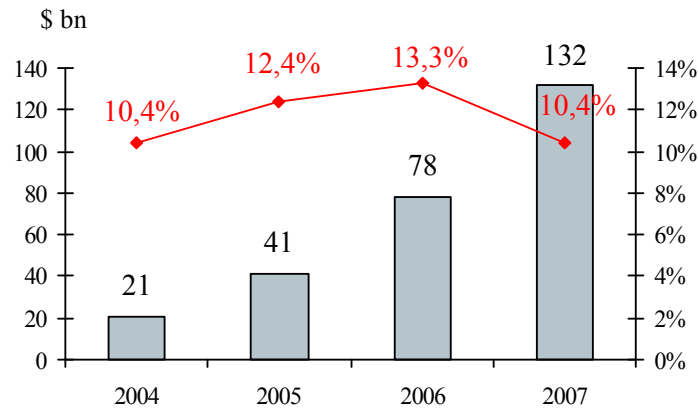


**A favorable macroeconomic environment for Sistema businesses**

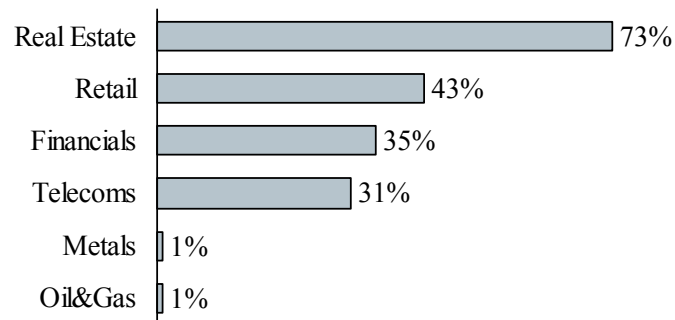
# Russian Consumer Market



## 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

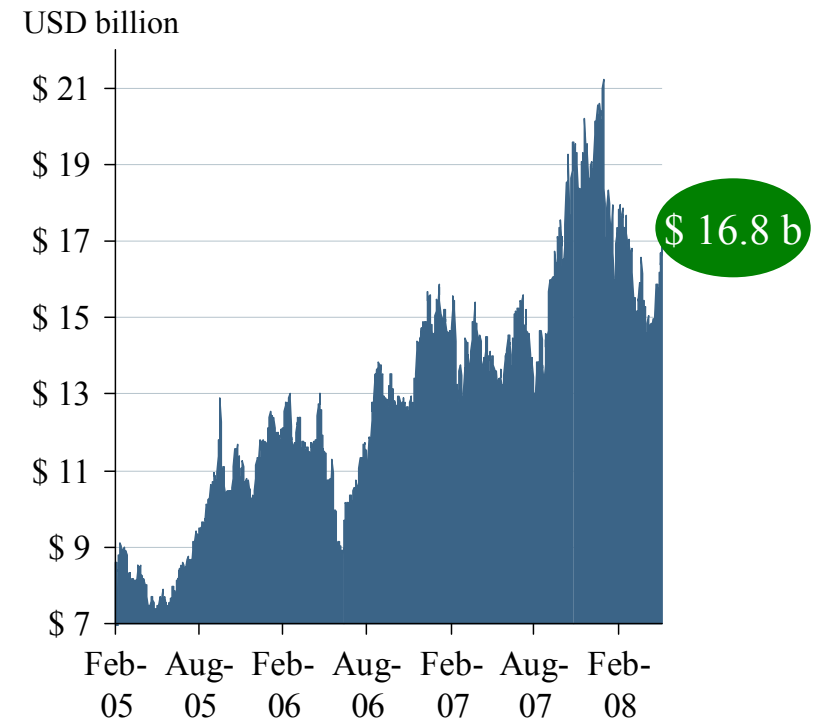
**Political stability and uninterrupted economic growth makes Russia a safe harbor for international investment**

# 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 Dalkobank, 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



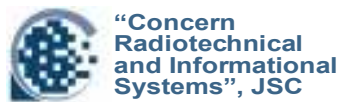
*Real Estate*

**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

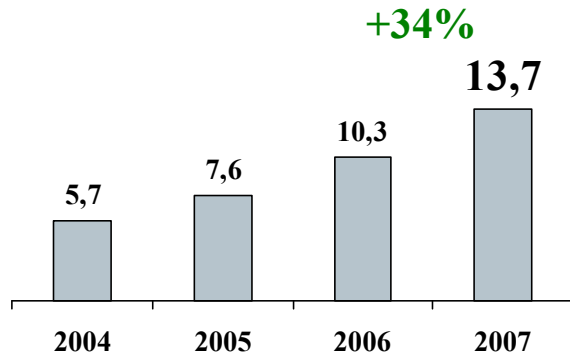


# Sistema Consolidated Financials

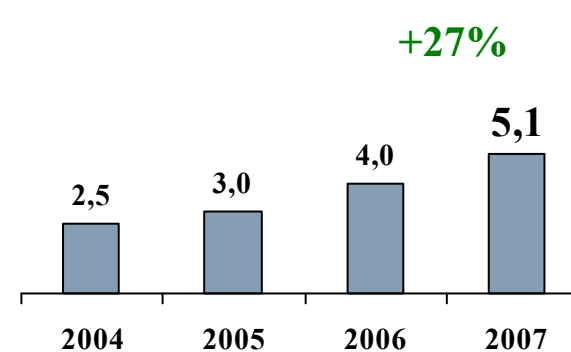
US GAAP, USD billion



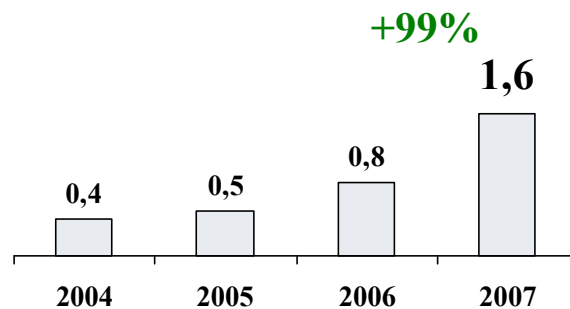
### REVENUES



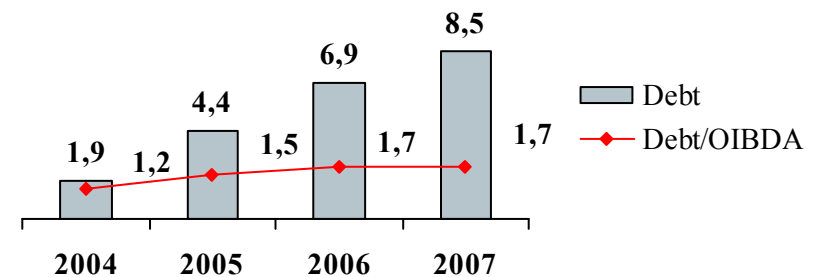
### OIBDA



### NET INCOME



### CONSOLIDATED DEBT



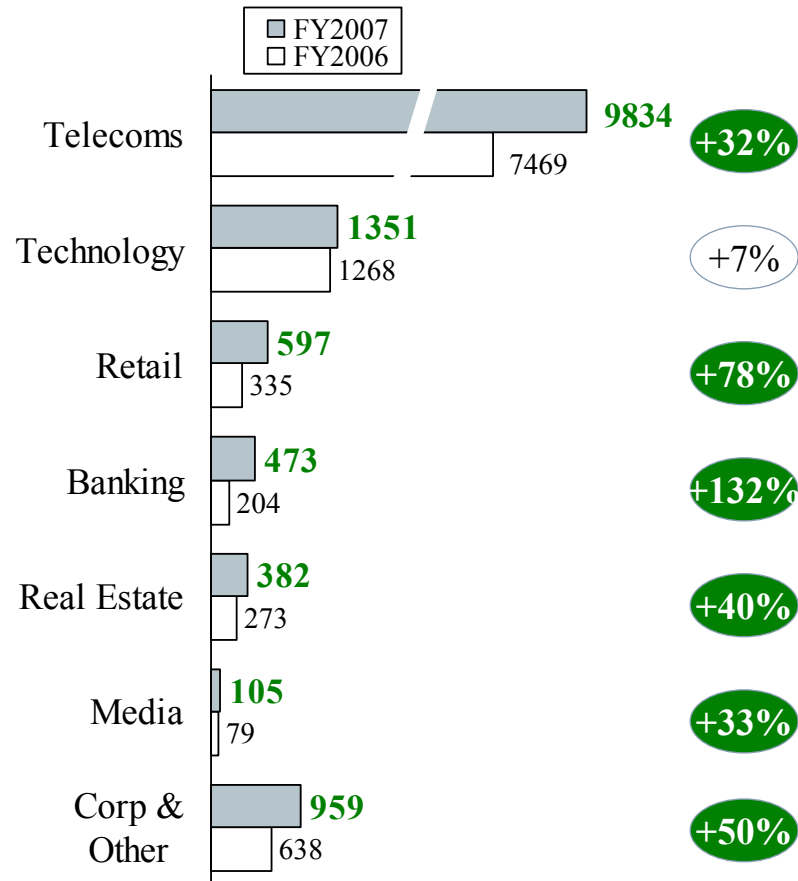
**Accelerated growth while maintaining a sound financial position**



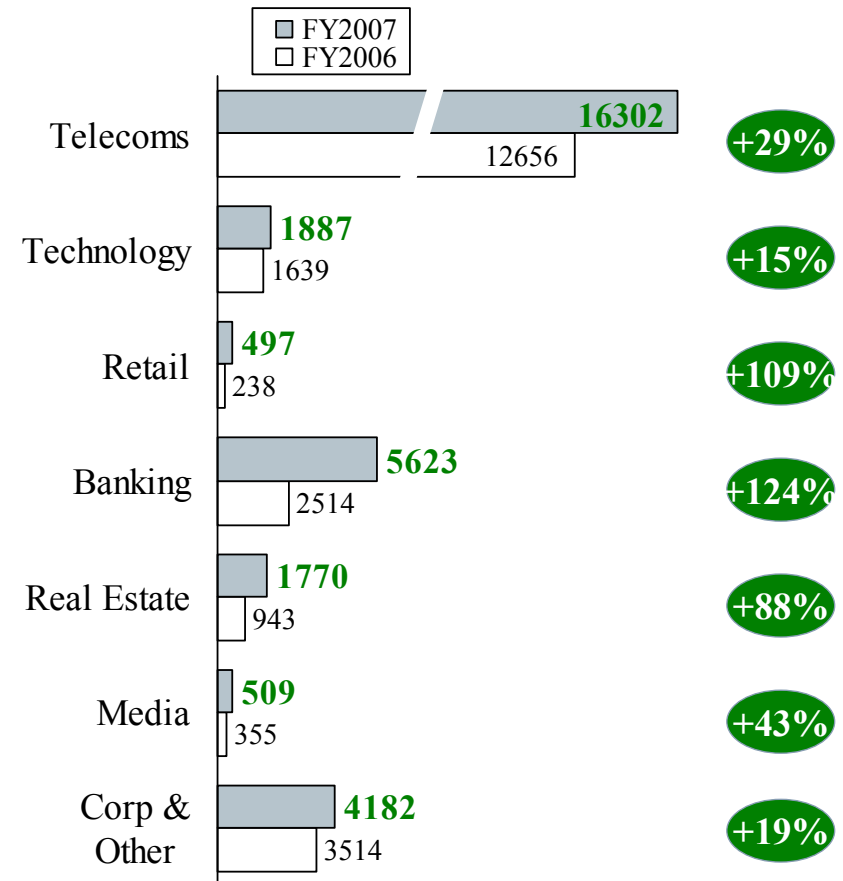
# Segment Analysis (1)

US GAAP, USD billion

## REVENUE GROWTH\*



## ASSETS GROWTH



\* Revenue net of intersegment transactions

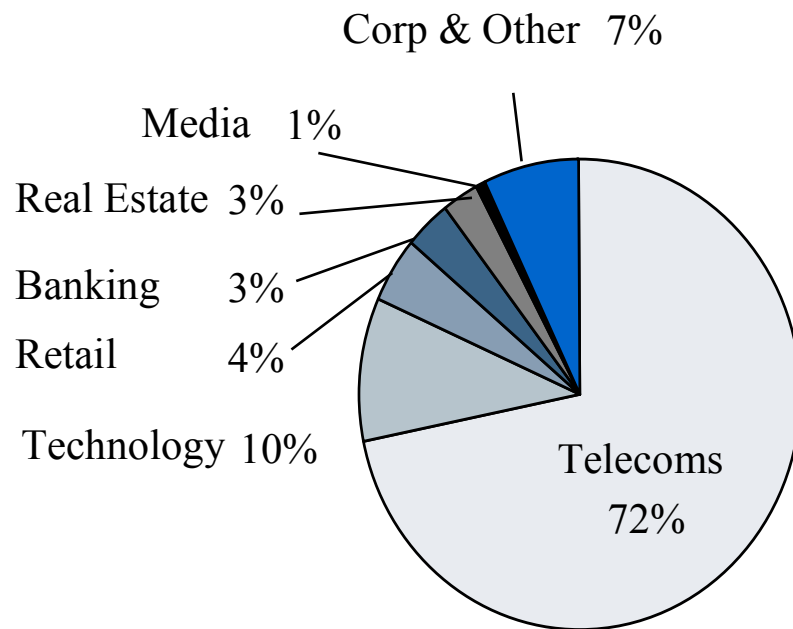
**In 2007 the majority of our business lines demonstrated double-digit revenue and assets growth**

# Segment Analysis (2)

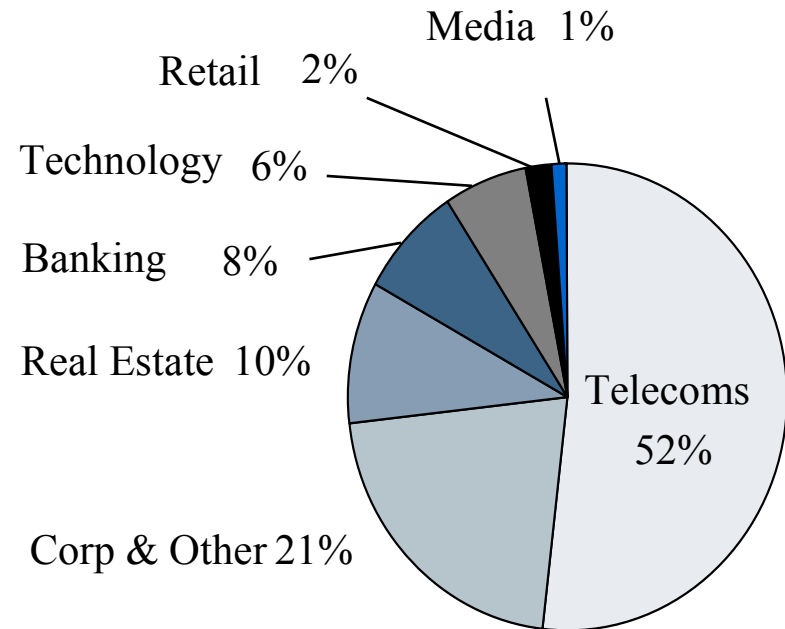
US GAAP



**REVENUE\* (2007)**



**TOTAL DEBT (2007)**



\* Revenue net of intersegment transactions

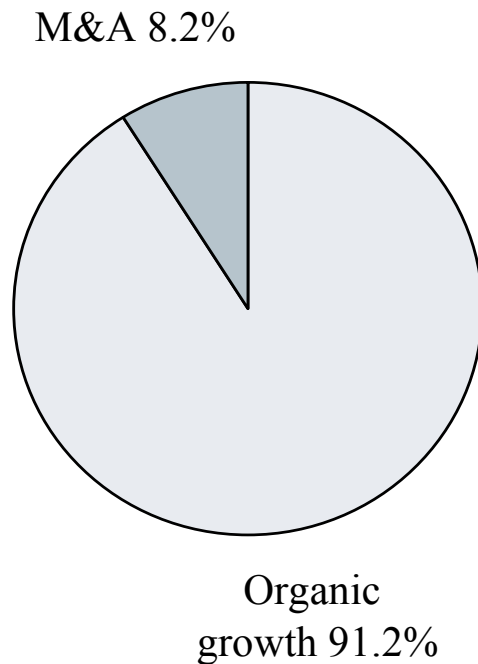
**Non-telecom businesses accounted for 28% of consolidated revenues; revenue breakdown is in line with debt allocation**

# Sistema results vs estimates

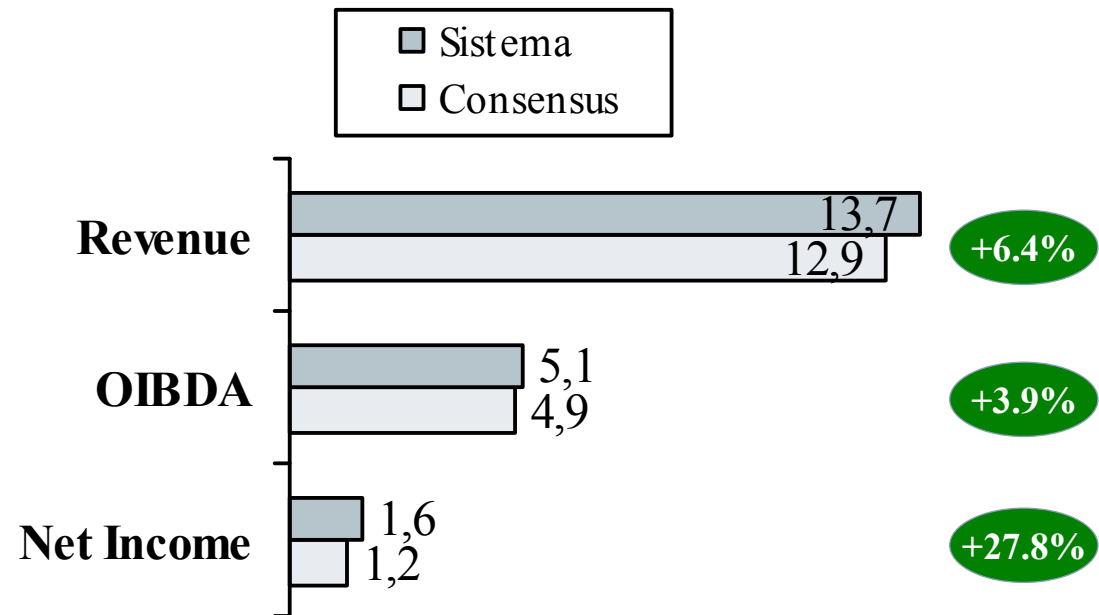
US GAAP



## REVENUE BREAKDOWN



## RESULTS VS ESTIMATES

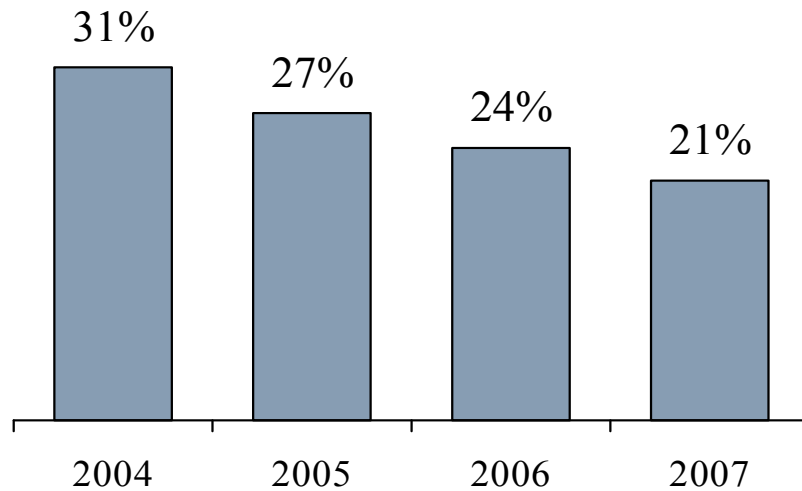


**Sistema results outperformed consensus estimates due to accelerated organic growth of non-public assets**

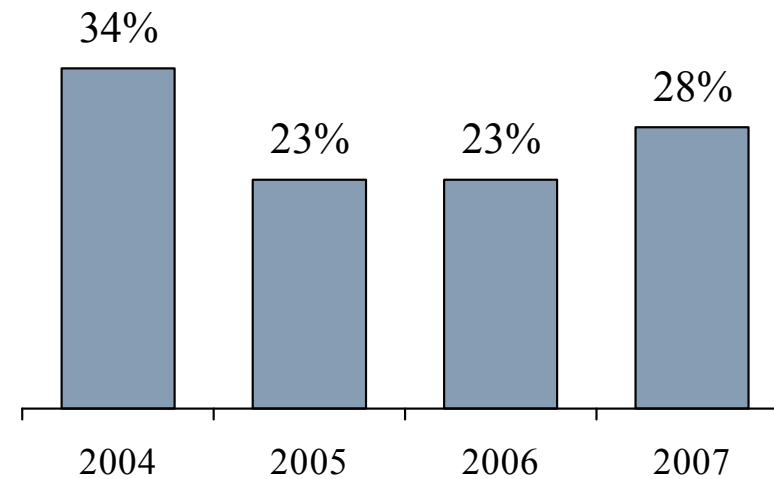
# Portfolio Management Indicators



## RETURN ON TOTAL ASSETS (1)



## RETURN ON EQUITY (2)



*Notes:*

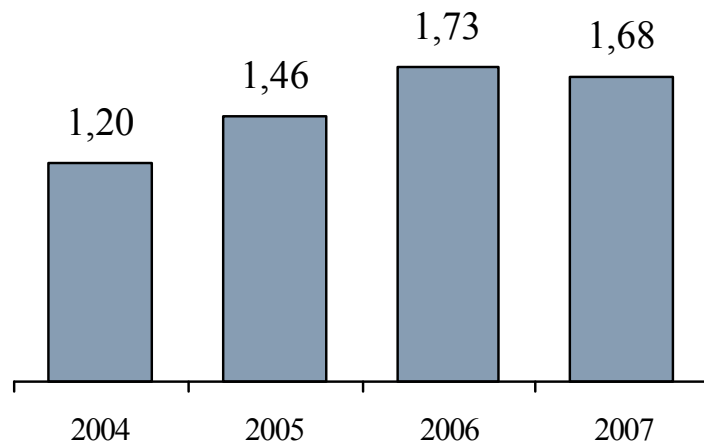
- 1. Calculated as OIBDA / Average Total Assets*
- 2. Calculated as Net Income / Average Book Equity*

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

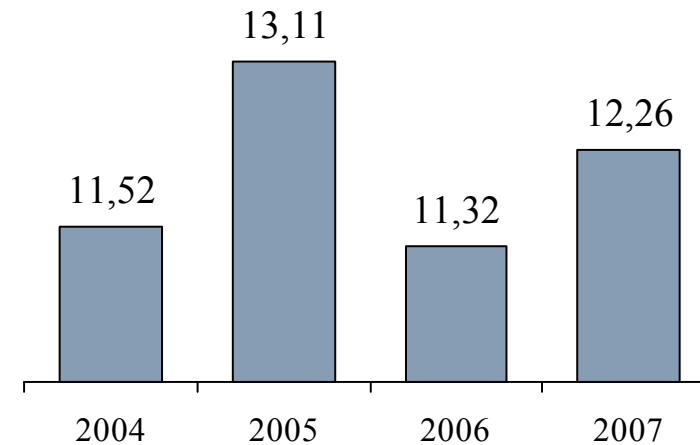
# Strong Financial Position



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

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## STRATEGY

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# Sistema Portfolio Strategy

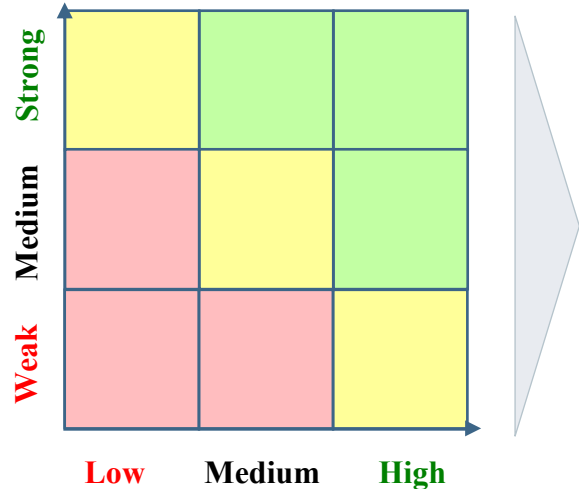


## PORTFOLIO MATRIX

## SISTEMA STRATEGY

### Company Competitiveness

- Market share
- Efficiency v. competition
- Competitive advantage



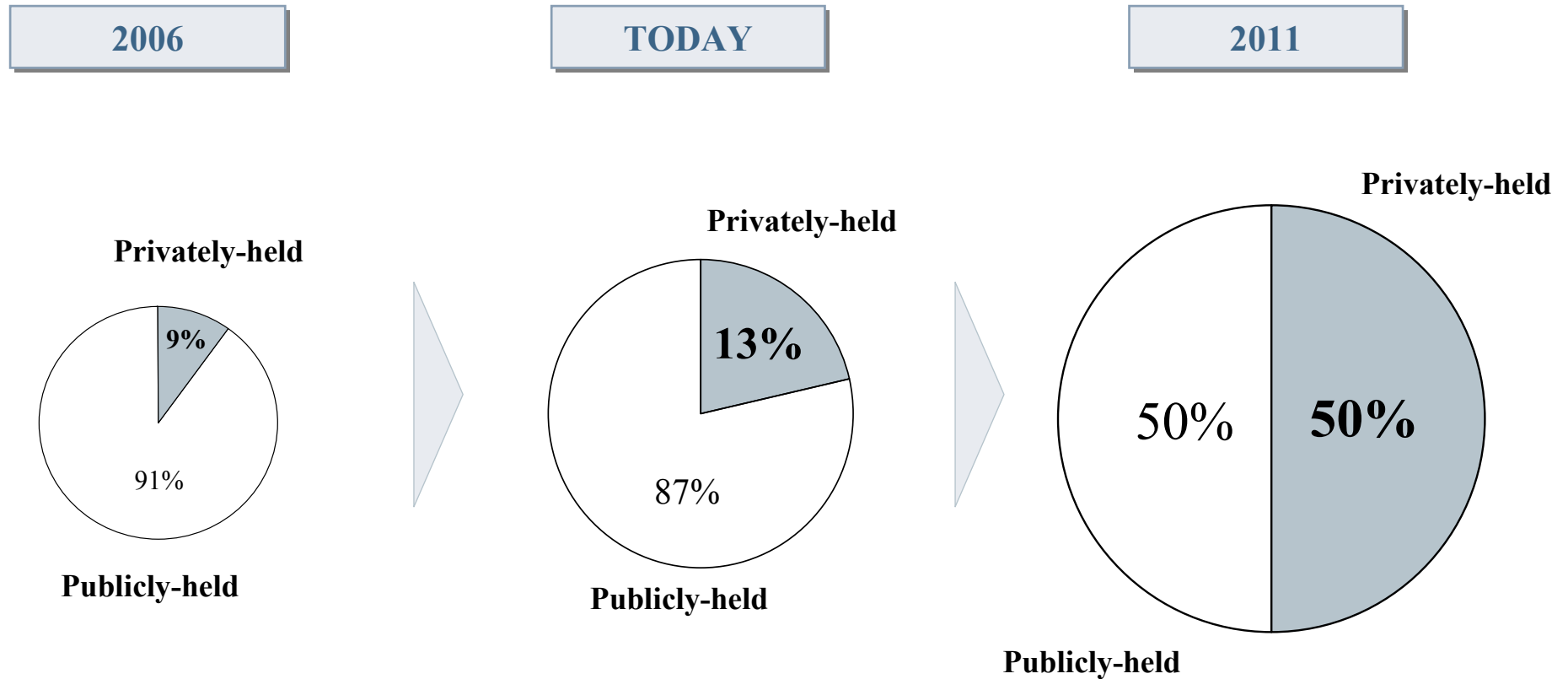
### Market Attractiveness

- 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>INVEST</b>	B2G and B2B prime contractor, secure stable long-term contracts
	<b>RESTRUCTURE</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	ROSSpetstechmontazh
	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



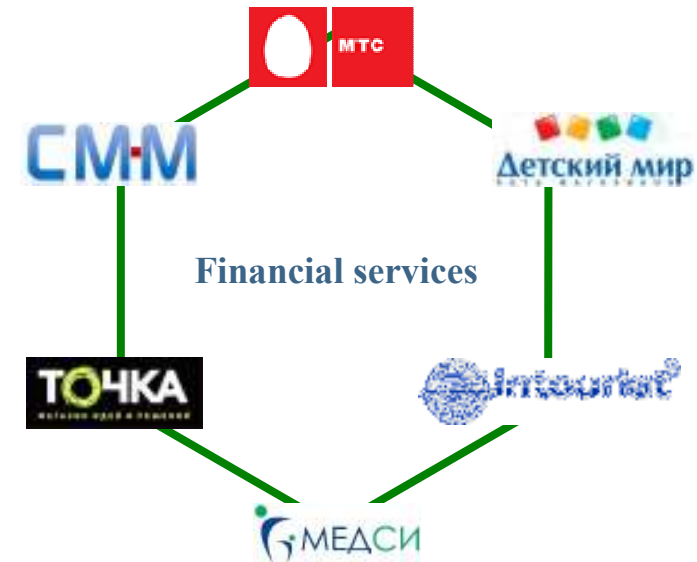
Financial services

## 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

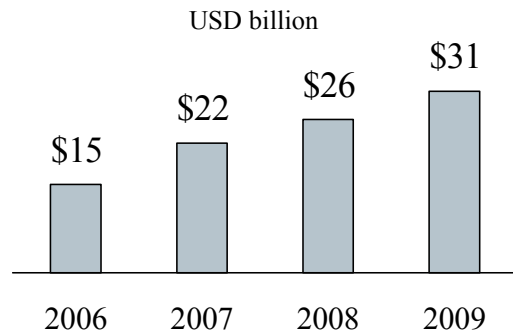


**Bilateral programs initially, followed by the creation of a unified Sistema program when all conditions are met**

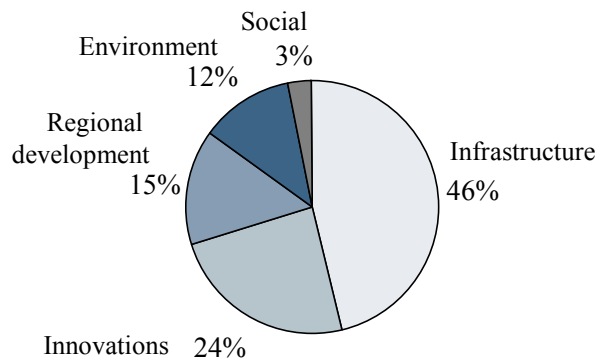


# Sistema State Partnerships and Programs

## 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

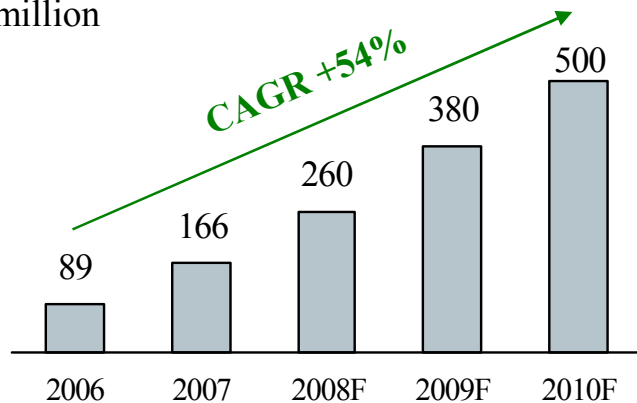
**To date an attractive financial investment; Bashkirian assets represent an excellent opportunity to create one of the leading oil and petrochemical companies in Russia**

# 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

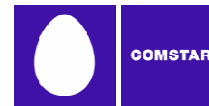


1997: Sistema acquires control of Soviet-era children goods flagship store in Moscow for **USD 20 m**

## LEADING BUSINESSES TODAY



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



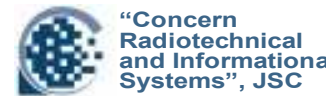
Leading provider of integrated telecommunication services in Russia with **MCap of USD 4.4 bln** and **5 m active lines**



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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