



OPEN JOINT STOCK COMPANY
JOINT STOCK FINANCIAL CORPORATION
“SISTEMA”

Extraordinary Shareholders Meeting (held by letter ballot with the ballot papers acceptance deadline on October 1, 2009)

Explanatory Note for the Agenda Issue: «Approval of interrelated non-arm's-length transactions associated with the sale of the ordinary shares of OJSC Comstar-UTS and CJSC UTS ».

The General Shareholders Meeting of OJSC JSFC Sistema (hereinafter – the Company) is to consider the issue of Approval of interrelated non-arm's-length transactions associated with the sale of the ordinary shares of OJSC Comstar-UTS and CJSC UTS.

The subject of the transactions is the sale of the ordinary certified shares of OJSC Comstar-UTS and CJSC UTS, being the owner of the stake in OJSC Comstar-UTS, to MTS. The total block of shares of OJSC Comstar-UTS, which as the result of the transaction should be transferred to MTS Group, includes 50.91 % of all the Comstar issued shares.

The values of the shares for sale amounts to USD 1,272 bln, or \$5.98 per GDR, which is approximately 30% higher than the weighted average market price of Comstar and it shows the fair valuation of Comstar-UTS business by the securities market participants, and is in line with the DCF-based internal valuation of Comstar business.

The transaction shall make it possible an MTS-based integrated telecom company and provide a basis for consolidation of the market positions by means of improving the quality of services, expanding geography of operations, enhancement of data transmission services, Internet services, combination of fixed and mobile telecommunication services and combination of brands. Improvement of the Company's image as an employer is also expected due to overall expansion of operations.

In addition to the strategic perspectives the transaction will also create considerable synergies in the areas of financial, operating and investment activities of both companies. The total synergies are estimated to amount up to USD 331 mln.

The risks associated with the transaction are first of all related to the operational integration, technological compatibility and finance. The specifics of the above risks are well known, thus the overall level of the risks is assessed as low.

Taking into consideration that the transaction price is fair and it makes it possible to build value both at the level of JSFC Sistema and OJSC MTS, the shareholders are suggested to approve the proposed transaction.