



JOINT-STOCK FINANCIAL CORPORATION

SISTEMA

Sistema JSFC

Capital Markets Day

October 20, 2009

Leonid MELAMED
President and CEO

Disclaimer

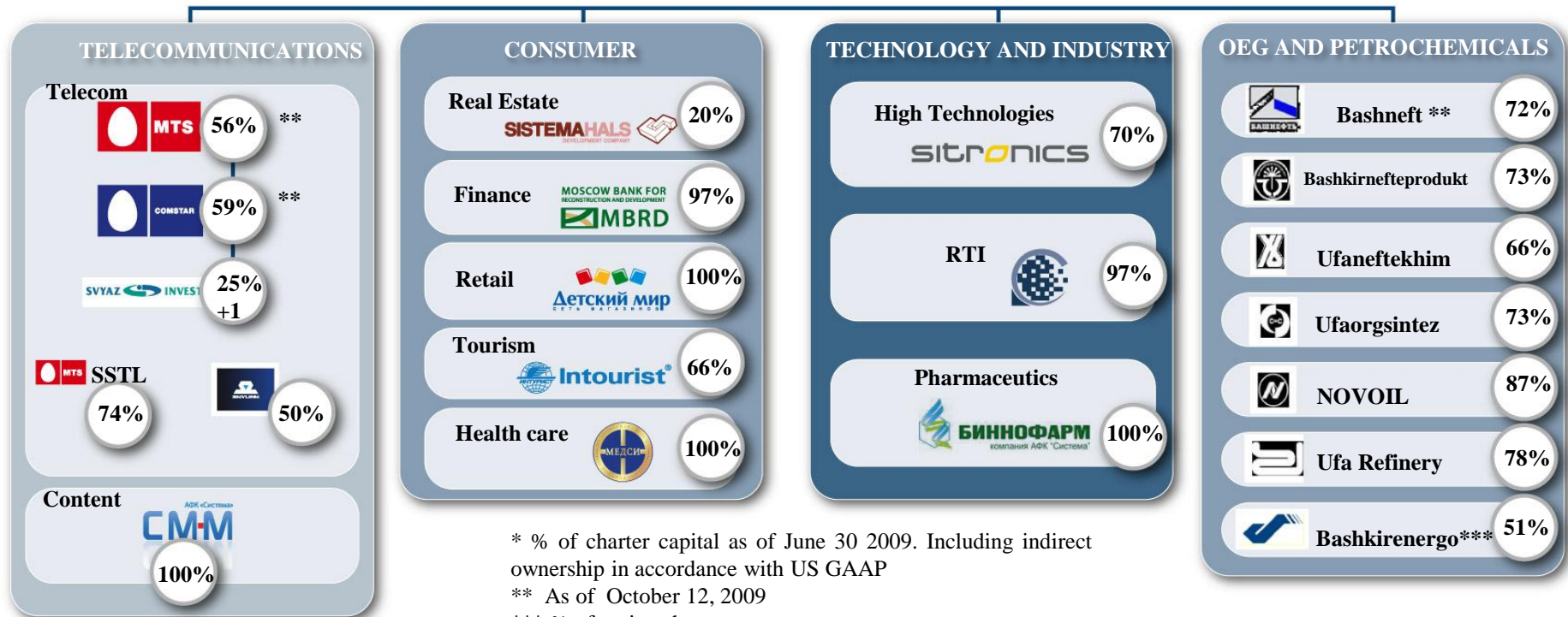


Certain statements in this presentation may contain assumptions or forecasts in respect to forthcoming events within JSFC Sistema. The words “expect”, “estimate”, “intend”, “will”, “could” and similar expressions identify forward-looking statements. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not intend to update these statements to reflect events and circumstances occurring after the above-mentioned date or to reflect the occurrence of unanticipated events. Many factors could cause the actual Sistema’s results to differ materially from those contained in our projections or forward-looking statements, including, among others, deteriorating economic and credit conditions, our competitive environment, risks associated with operating in Russia, rapid technological and market change in our industries, as well as many other risks specifically related to Sistema and its operations.



1. Company at a glance

1.1. Sistema – diversified investor focused on growth



* % of charter capital as of June 30 2009. Including indirect ownership in accordance with US GAAP
 ** As of October 12, 2009
 *** % of voting shares

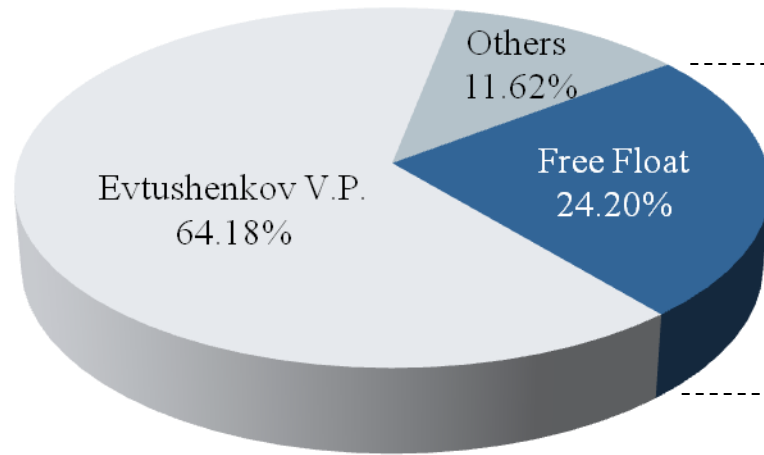
- The largest public diversified financial corporation in Russia
- Focused on long-term increase of shareholder value by ensuring high return on invested capital and diversifying investments
- Investment portfolio of unique businesses – leaders in respective markets of presence
- Effective matrix management system
- IPO in 2005. Shares and depositary receipts of Sistema and key companies are traded on leading stock exchanges (NYSE, LSE, MICEX, RTS, MSE)

Sistema is focused on generating stable growth of shareholder value.

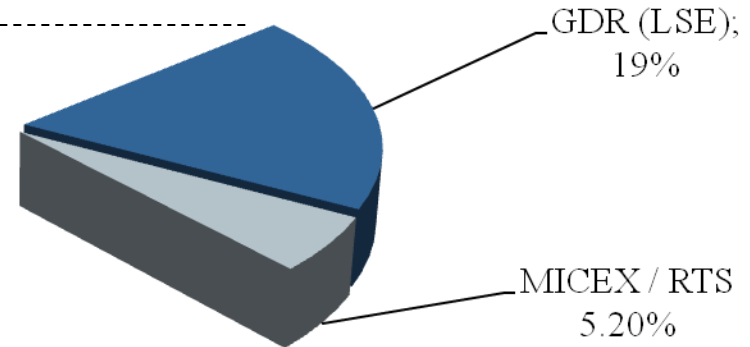
1.2. Equity capital structure



Equity capital 100%



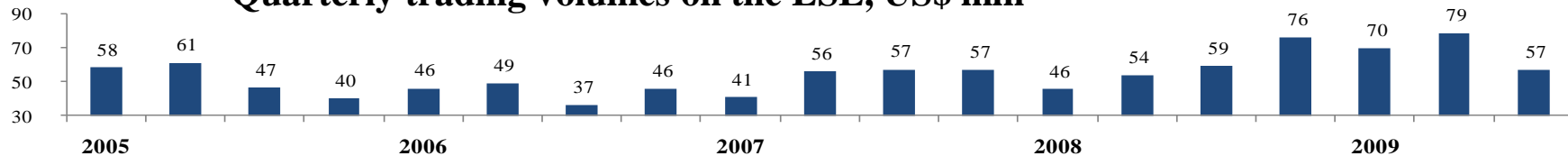
Free float 24.2%



- Equity capital - 9.65 bln ordinary shares
- RUB 0.09 nominal value
- ~24% in free float
- “Others” include the Board of Directors, management and ex-management

- 19% was floated on the LSE in the form of GDRs, MAINMARKET (“SSA”); 1 GDR = 20 ordinary shares
- RTS (“AFKS”) listing: RTS Classica, “B”
- MICEX (“AFKC”), ISIN RU000A0DQZE3

Quarterly trading volumes on the LSE, US\$ mln



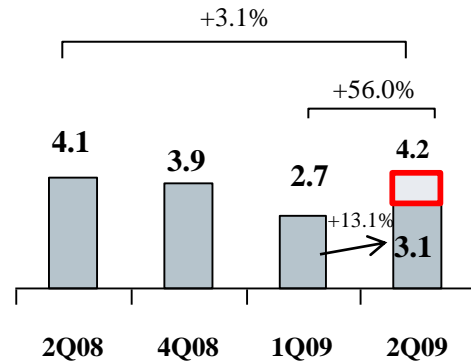
~ 24% of all shares are in free float on the LSE and the Russian stock exchanges.

1.3. Key financial highlights (consolidated, last reported date 2Q09)

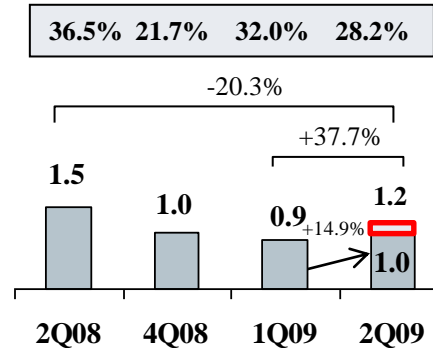


US GAAP, US\$ bln

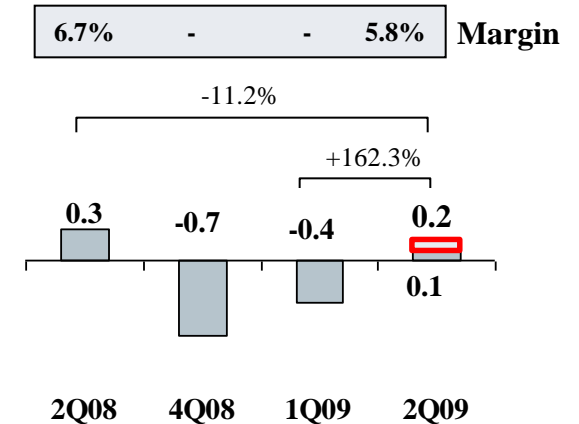
REVENUES



OIBDA

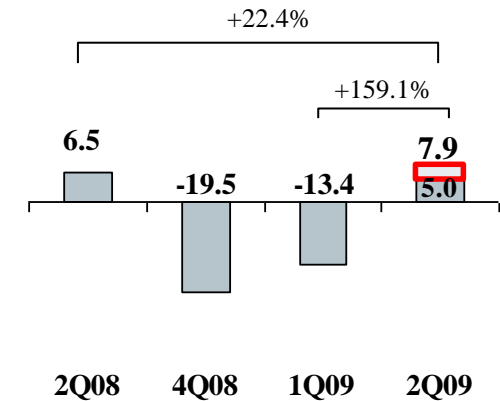
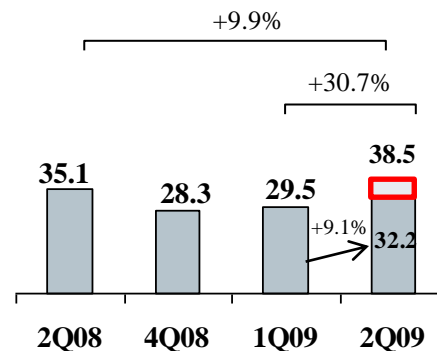
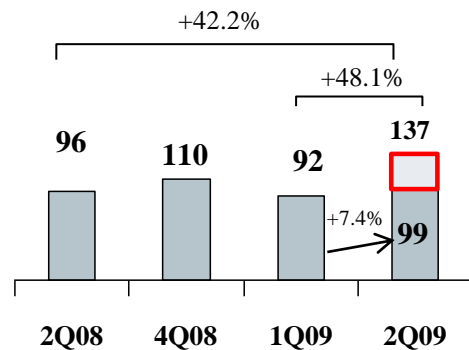


NET INCOME/ LOSS



Here and further results of BashTEK

RUB bln



*Average currency rates RUB/US\$: 2Q 2009 - 32.2145, 1Q 2009 - 33.9308, 4Q 2008 - 27.2646, 2Q 2008 - 23.3711.

Converted into RUB by multiplying US GAAP financial results by average exchange rate RUB/US\$

Sistema demonstrated q-o-q and y-o-y growth in 2Q 2009 despite currency fluctuations.



2. Strategic overview

2.1. Strategic objectives: “5 X 5 > 25”



We announced our current strategy a year ago. Its core points are as follows:

1. Create an additional value for all assets

- Achieve strong and transparent financial results
- Provide high quality asset management – including via partnering with leading companies in their respective sectors
- Diversify risks and attract capital – including via partnering with leading companies in their respective sectors

2. Maintain strict financial discipline

- Make investment decisions based on core indicators, such as TSR and ROIC
- Introduce transparent KPIs for all public and non-public companies

3. Simplify the corporate management structure

4. Enhance portfolio strategy and asset management

5. Follow best IR and corporate governance practices



Return on invested capital (ROIC) – above 25% within 5 years and beyond

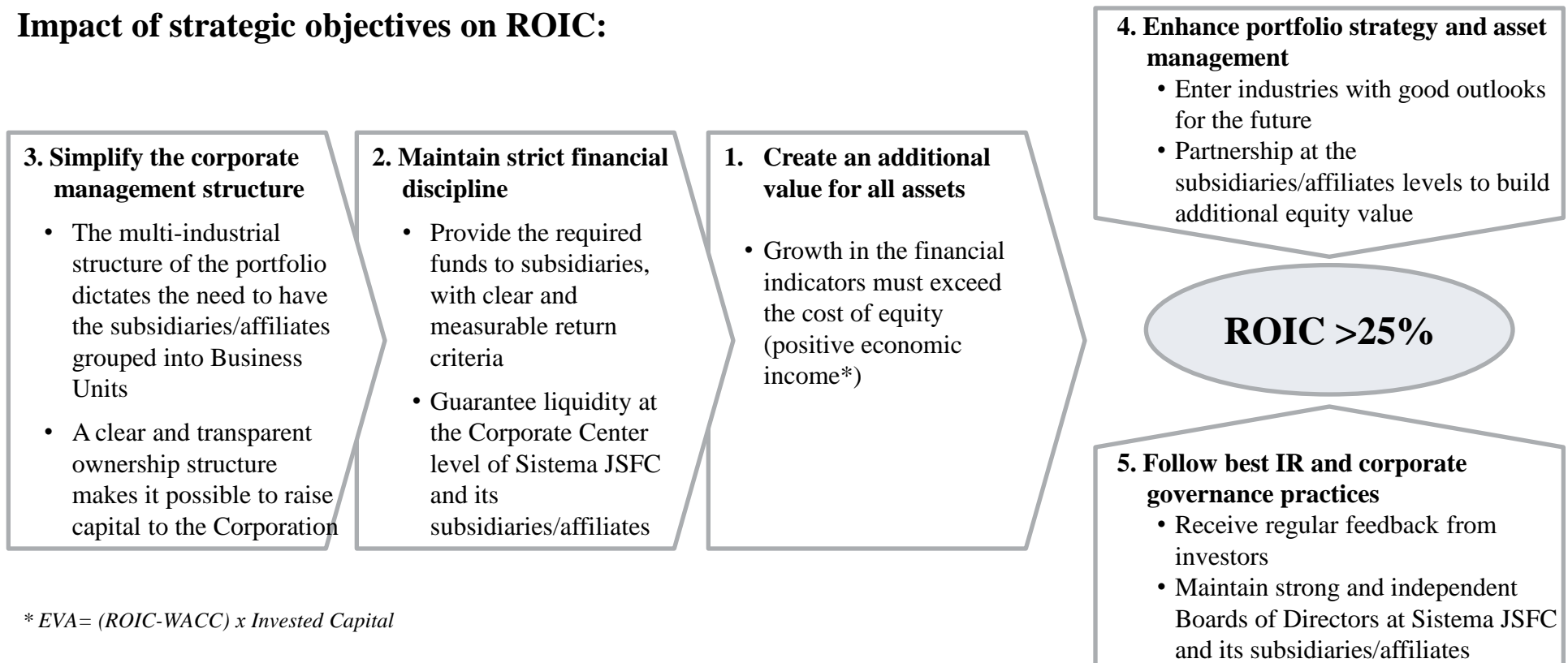
Our key priority is to significantly increase the return on investments in the portfolio companies of Sistema JSFC.

2.2. Why did we adopt this strategy?



- **Sistema JSFC is an investment company**
- **Return on invested capital is the key performance indicator (KPI) of any investment company; in our case, TSR is the main indicator (as Sistema JSFC is a public company)**
- **The management is unable to directly influence TSR, however we can influence ROIC. Meeting ROIC targets directly impacts long term growth of TSR**

Impact of strategic objectives on ROIC:



* $EVA = (ROIC - WACC) \times Invested\ Capital$

Sistema is focused on its main goals – to create value and provide the required level of TSR while communicating its achievements to the market.

2.3. What was achieved over the last year?



Strategic objectives “5 X 5 > 25”

№	Most important strategic projects and initiatives	1. Create asset values	2. Maintain strict financial discipline	3. Simplify the management structure	4. Enhance portfolio strategy	5. Follow best IR & corporate governance practices
1.	Created Business Units and enhanced the motivation system	✓	✓		✓	✓
2.	Engaged a partner for Sistema-Hals	✓	✓		✓	
3.	Acquired controlling stakes in the BashOEG companies	✓	✓		✓	
4.	Sold the stake in Comstar-UTS	✓	✓	✓	✓	
5.	Sold MTT	✓			✓	
6.	Agreed to build the ‘90 nm’ microchip plant	✓	✓		✓	
7.	Built GMP-compliant plant at Zelenograd	✓				
8.	Consolidated Comstar-Direct and Stream TV in Comstar-UTS			✓	✓	
9.	Consolidation the Bashkir oil assets in Bashneft	✓		✓		✓
10.	Sale of the stake in Svyazinvest <i>(the deal is not closed yet)</i>	✓	✓	✓		
11.	Partnership in Shyam <i>(the deal is not closed yet)</i>		✓		✓	✓

All of the major projects were aimed at simultaneously meeting a number of strategic objectives.

2.4. Establishment of BUs and enhancement of the motivation system

Summary

- In July 2008, implemented the matrix organizational structure
- Established Business Units with a broad industry expertise
- In June 2009, enhanced the long-term and short-term incentive systems:
 - Cash Income and ROIC are the core indicators for an annual incentive bonus
 - TSR is the long-term incentive indicator

Achievements vs. strategic priorities of Sistema

1. *Created the additional asset value*
 - Annual management incentives (the bonus) are aligned with TSR of Sistema, ROIC of Sistema and the BU, and Cash Income
2. *Maintained strict financial discipline*
 - Management incentives are aligned with certain Debt/OIBDA ratio
4. *Enhanced portfolio strategy*
 - Industrial portfolios are managed by the Business Units
5. *Corporate governance and IR*
 - Corporate governance and IR are improved and became closer to the best practice

The motivation system enhancements have realigned management incentives with creating value and strengthening the financial discipline in Sistema.

2.5. Engaging a partner for Sistema-Hals



Summary

- In April 2009, closed the transaction
- Sistema JSFC signed an agreement with VTB Bank to sell a block of shares of Sistema-Hals
- Between 19.5% to 51% of Sistema-Hals' shares will be transferred to VTB (the final stake will depend on the realization of an option held by VTB Bank for 31.5%)
- Approved the terms of restructuring of Sistema-Hals' debt to VTB Bank

Achievements vs. strategic priorities of Sistema

1. *Created the additional asset value*
 - Maintained the minority participation with the intention to increase the value as markets recovery
2. *Maintained strict financial discipline*
 - Reduced consolidated debt of Sistema by ~US\$ 1.2 billion

* Weighted average capitalization index, which includes: Open investments, Eastern property holdings, RGI group, Mirland, Raven Russia

The deconsolidation of Sistema-Hals has improved the financial stability of Sistema JSFC.

2.6. The acquisition of a controlling stake in BashOEG



Summary

- In April 2009, closed the transaction
- Sistema JSFC signed an agreement for the acquisition of the blocks of shares of Bash OEG
- As the result of this transaction the ownership interest of Sistema JSFC in BashOEG amounts to between ~72% and ~95%
- The transaction price is US\$2 billion. The financing was obtained from VTB Bank at the prevailing market terms for a period of 7 years

Achievements vs. strategic priorities of Sistema

1. *Created additional asset value*
 - The transaction was closed at the time when the crude oil price was at the bottom (growth potential)
 - A potential for creating additional value by means of establishing a VIOC
2. *Maintained strict financial discipline*
 - A source of a stable cash flow for Sistema JSFC
4. *Enhanced portfolio strategy*
 - Diversified the investment portfolio of Sistema JSFC and mitigated risks

The objective of the transaction was to enhance the structure of Sistema's investment portfolio and provide a stable growth of its shareholder value.

2.7. Selling the stake in Comstar-UTS



Summary

- In October 2009, closed the transaction
- MTS purchased 50.91% stake in Comstar-UTS from Sistema for RUB 39.15 billion (approximately US\$ 1.32 billion)
- Transferred the operating control of Comstar-UTS to MTS
- Following the transaction, MTS is expected to become the base for creating the largest integrated telecom player in the CIS (implementation of the Plan «1,2,3,4»)

Achievements vs. strategic priorities of Sistema

1. *Created additional asset value*
 - The synergies from this transaction synergy will exceed US\$ 200 million
 - MTS and Comstar-UTS management joint seek further synergies
2. *Maintained strict financial discipline*
 - Cash inflow to the Corporate Center of Sistema JSFC from the transaction
3. *Optimized the management structure*
 - Reduced the number of S/As, directly owned by the Corporate Center of Sistema JSFC
4. *Enhanced portfolio strategy*
 - The synergies are realized via a direct ownership of the Comstar-UTS stake by MTS

The Comstar-UTS transaction is in line with the strategic objective to create an integrated telecom player.

2.8. Selling the stake in MTT



Summary

- In March 2009, closed the transaction
- Sistema signed an agreement to sell 43.4% equity stake in MTT (59% of voting shares) for US\$ 22 million to Synterra
- US\$ 32 million of MTT debt to Sistema was converted into the debt obligation of Synterra; Total external debt of the company is more than US\$ 140 million
- Comstar-UTS will provide long-distance/international communications services

Achievements vs. strategic priorities of Sistema

1. *Created additional asset value*
 - Cannibalization of Comstar -UTS long-distance/international communication revenues was eliminated
4. *Enhanced portfolio strategy*
 - Lack of synergies with the rest of telecom businesses reduced the investment attractiveness of the asset for Sistema
 - Well-timed leave the project with declining profitability

The sale of MTT stake facilitated the growth of ROIC at Comstar-UTS as the competition among subsidiaries for long-distance/ international communication services was eliminated.

Summary

- In October 2009, Sistema and RUSNANO signed the investment agreement to set up a serial production of VLSICs based on the 90 nm technology
- The launch of production is planned for 2010 and is expected to reach the full capacity in 2011-2012
- The investment into the project will amount to RUB 16.5 billion, that on the basis of parity would provide RUSNANO in cash and Sistema (represented by Sitronics) will provide Micron's equipment.
- RUSNANO will contribute RUB 6.5 billion,

Achievements vs. strategic priorities of Sistema

1. *Created additional asset value*
 - Agreed to implement a landmark project for Sitronics with IRR in excess of 30%
2. *Maintained strict financial discipline*
 - +50% growth of Sitronics' OIBDA by 2013 is attributed to the project (increase of Sitronics' debt capacity)
 - Project liquidity is improved due to the participation of RUSNANO as a financial investor

The construction of 90 nm microchip factory in cooperation with RUSNANO will create additional value in Sitronics due to the project's IRR of more than 30%.

2.10. GMP-compliant facility at Zelenograd



Summary

- In October 2009, opened a biopharmaceutical facility in Zelenograd, the ceremony was attended by the Prime Minister of Russia, Mr. V. Putin
- Sistema invested over RUB 4.3 billion
- Characteristics of the facility:
 - Full-cycle GMP-compliant manufacturing facility
 - Current portfolio of 22 prescription drugs
 - By the end of 2009, 18 mln doses of hepatitis B vaccine will be produced under the contract with the State

Achievements vs. strategic priorities of Sistema

1. *Created additional value*

- The launch of the facility following the investment and construction stage was value creating
- The factory is located in the newly established biopharmaceutical cluster in Zelenograd and thus has access to less expensive R&D
- Stable revenues at Binnopharm are guaranteed with long-term State contracts for medications

Binnopharm launched production and started shipments of drugs under contracts with the State. The company will be generating cash flows as early as in 2009.

Summary

- In the beginning of 2009, closed two transactions
- Comstar-UTS consolidated the telecom business of SMM:
 - Comstar-Direct (Moscow)
 - Stream-TV (regions)
- Comstar-UTS enlarged the subscriber base in Moscow and the regions, as well as the platform for triple-play services

Achievements vs. strategic priorities of Sistema

3. *Optimized the management structure*

- Split telecom and media assets within Sistema's portfolio into:
 - Telecom players: MTS, Comstar-UTS and SSTL
 - Content player: SMM (and RWS)
- Improved transparency of its operations

4. *Enhanced portfolio strategy*

- Built a telecom and content player in accordance with the stated strategy for creating telecom and media assets

Following these two transactions, Sistema launched the reorganization of its telecommunications portfolio comprising the MTS-Comstar-UTS deal.

2.12. Consolidation of the Bashkir oil assets at Bashneft



Summary

- In September 2009, the Board of Directors of Sistema decided to sell Sistema's controlling stakes in OJSC Uralneftekhim, OJSC Novoil, OJSC Ufaorgsintez, OJSC Ufa Refinery and OJSC Bashkirnefteprodukt to OJSC ANK Bashneft
- On October 1, 2009, Sistema sent a public offer to minority shareholders of OJSC ANK Bashneft to buy out their stakes (at RUB 286.5 per share)

Achievements vs. strategic priorities of Sistema

1. *Created additional asset value*
 - Realized synergies by combining assets into one company
3. *Optimized the management structure*
 - Built a vertically-integrated oil company on the basis of the Bashkir oil operations and eliminated the duplication of functions
5. *Corporate governance and IR*
 - Achieved a higher level of transparency in the ownership and management of oil assets

Sistema has been consistently implementing the strategy of building a vertically integrated oil company.

2.13. Sale of the stake in Svyazinvest



Summary

- Transaction status: negotiations in progress
- Sistema offered the following original terms to the State for the asset swap:
 - Contribution from Sistema: 25%+1 share in Svyazinvest
 - Contribution from the State: 28% in MGTS + debt of Comstar-UTS to Sberbank (RUB 26 billion)
- Negotiations are in progress, no final terms of the transaction have been approved by Sistema and/or Comstar-UTS

Strategic rationale for Sistema

1. *Creating additional asset value*
 - Exchange a financial investment for a strategic one
 - Increase a control over MGTS to improve synergies with the Moscow business of Comstar-UTS
2. *Maintain strict financial discipline*
 - Reduce the consolidated debt of the Group by RUB 26 billion
3. *Optimize the management structure*
 - Simplify the organizational structure at Comstar-UTS

The deal is not closed yet

The potential transaction with the State is at the discussion stage. Sistema aims to achieve a mutually beneficial asset swap.

Summary

- Transaction status: negotiations in progress
- Sistema made the following proposal to potential partners in the SSTL project:
 - Stake offered: 20-30%
 - Contribution from a partner: cash and industry expertise
- List of potential partners defined
- Negotiations continue, no final terms have been approved by Sistema

Strategic rationale for Sistema

1. *Maintain strict financial discipline*
 - Cash contribution from a partner will facilitate funding of the project in 2010-2012
4. *Enhance portfolio strategy*
 - The engagement of a partner will reduce start-up risks for Sistema

The deal is not closed yet

The engagement of a partner will facilitate obtaining the equity financing that the start-up requires.

2.15. Further development of Sistema's strategy



- Further simplify the portfolio structure
- Asset management through 4 existing Business Units
- The development mainly through organic growth with an optimal level of capital costs
- Non-organic growth, mainly through mergers and partnerships rather than acquisitions
- Attract partners to build industrial expertise and fundraising
- Reduce S,G&A expenses relative to the Group's revenues
- Businesses that are now under Startup should reach the stage of generating positive cash flow
- Further improvement of corporate governance practices and the system of motivation
- Reduce administrative costs on the Group's revenues

Sistema continues to refine its profitable growth strategy.

2.16. Strategic summary



- Sistema has invested into a unique portfolio of promising projects with high revenue and margin growth potential, moderate synergies and leading market positions
- Sistema expects double digit growth rates in majority of markets where it is present
- Initiatives over the last 12 months were undertaken in line with the approved Group strategy and existing market trends
- Sistema continues to execute on this strategy
- Throughout the Group, the management is motivated to create equity value



3. Financing the Growth

3.1. Sources of funding for Sistema



Equity:

- **IPO** (2005),
Net proceeds **US\$1.56 bln**
- **Partnerships**
VTB @ Sistema-Hals
- **Disposal of investments**
Rosno, **US\$0.6 bln** (2007)

Public debt :

- **International capital markets**
 - **US\$ 100 mln** '04 CLN (matured)
 - **US\$ 350 mln** '08 Eurobond (matured)
 - **US\$ 350 mln** '11 Eurobond
- **Local capital markets**
 - **RUB 6 bln** '13 putable bond
 - **RUB 20 bln** '14 putable bond
 - **RUB 19 bln** '16 putable bond (planned)

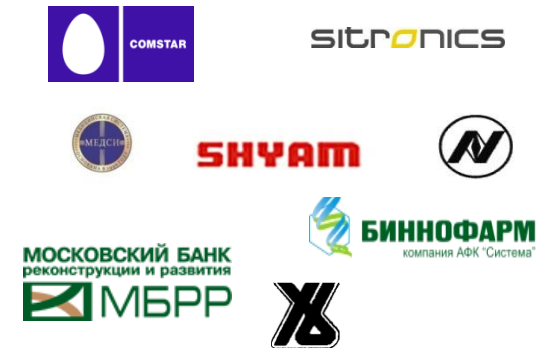
Private debt :

- Loans from banks
- Syndications

Including **US\$ 2 bln** loan from VTB Bank to finance the acquisition of Bashkirian assets



- New acquisitions
- New investments
- Development financing
- Liquidity management
- Operating expenses



Sistema has been using both equity and debt to finance its growth.

3.2. Maintaining the right balance between expected growth and funding



- Target ROIC (>25%) is reviewed in accordance with existing market conditions (growth prospects, funding capabilities, cost efficiencies, etc.)
- Relevant top-down KPIs are set for portfolio companies
- Management's efforts are focused on meeting these KPIs
- Maintaining the right balance between investment performance and funding is key for the financial stability of Sistema
- Underperforming investments are reviewed for exit or optimization

Sistema balances its investments with funding sources.

3.3. Approaches to debt financing



NOW

**Efficient debt
management**

- ✓ **Servicing of debt in full**
- ✓ **Extending debt maturity profile**
- ✓ **Optimizing FX basket (“natural hedge”)**
- ✓ **Fixing imbalances between debt and CFs**

MEDIUM - LONG TERM

**Less debt
More equity**

- ✓ **Debt redemption by using dividend flows and proceeds from sale of investments**
- ✓ **Converting debt to equity**
- ✓ **Hybrid instruments**
- ✓ **New equity placement**

Sistema is focused on reducing its debt load in a controlled manner while maintaining investments at the required level.

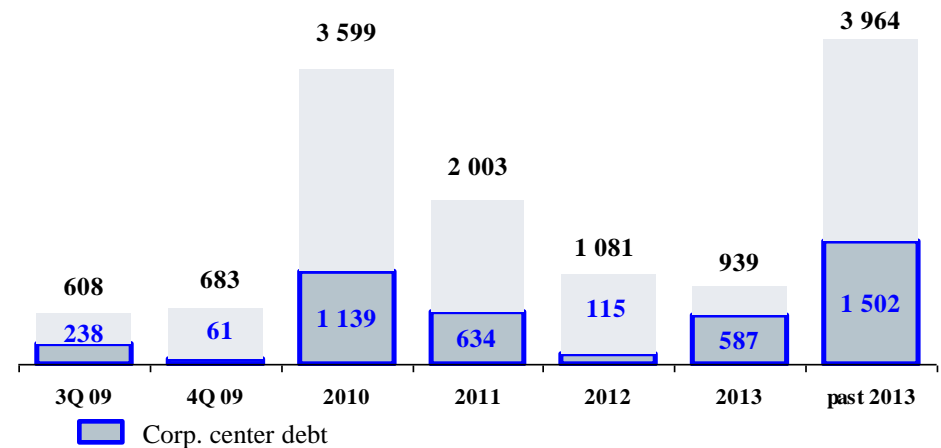
3.4. Debt management – key achievements



Obligations met in 1H 2009*	1Q 09	2Q 09
US\$ mln		
Corp Center, including	322	275
<i>Sistema RUB bonds 01 (put option)</i>	204	
Telecom assets, including	379	757
<i>MTS syndicated loan</i>		630
Consumer assets, including	146	362
<i>MBRD RUB bonds 02 (put option)</i>		102
<i>MBRD RUB bonds 03 (put option)</i>		102
<i>MBRD Eurobonds</i>		100
High Technology, including	210	158
<i>Sitronics RUB bonds 01</i>	102	
TOTAL	1057	1552

- ✓ **Servicing of debt in full**
- ✓ **Extending debt maturity profile**
- ✓ **Optimizing FX basket (“natural hedge”)**
- ✓ **Fixing imbalances between debt and CFs**

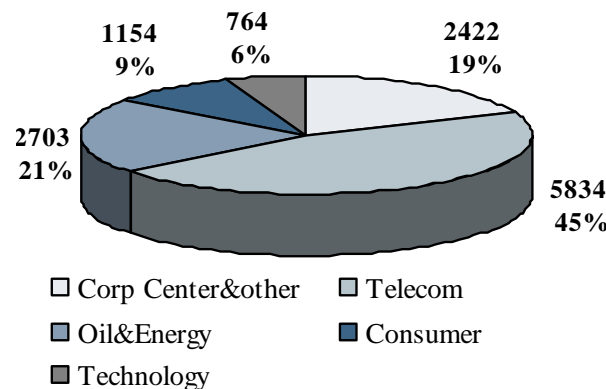
Remaining debt maturity profile, (US\$ mln)*



* Source: Management accounts, 1H 2009

Remaining debt US \$12.9 bln by segments

(1H 2009)

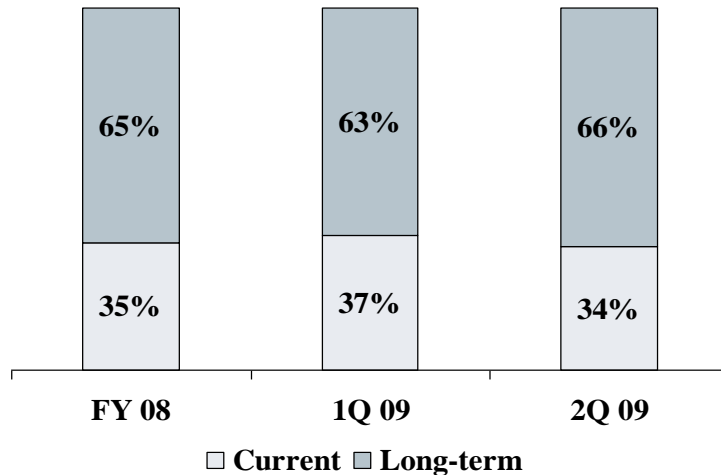


Sistema meets all of its financial obligations in full.

3.5. Debt management – key achievements



Current vs. long-term debt



- ✓ Servicing of debt in full
- ✓ **Extending debt maturity profile**
- ✓ Optimizing FX basket (“natural hedge”)
- ✓ Fixing imbalances between debt and CFs

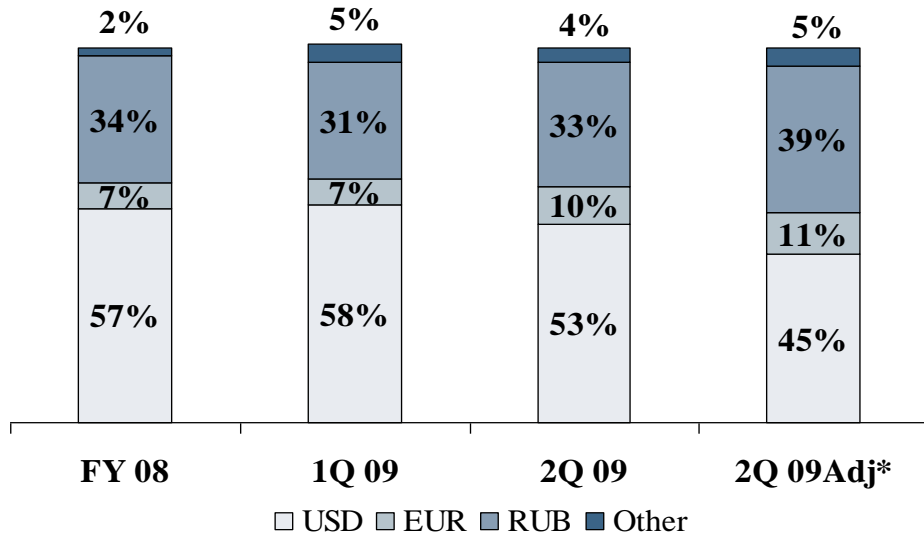
- Recent transaction: US\$ 2 bln 7 year loan from VTB Bank to finance BashOEG deal
- Debt maturity profile has not substantially changed due to deconsolidation of ~US\$1.2 bln of Sistema-Hals debt
- Corporate loans are substituted by public debt with 5-7 year duration

Sistema reduces its refinancing risks by extending debt maturity profile.

3.6. Debt management – key achievements



Currency debt breakdown



* Excluding US\$ 2 bln borrowed to acquire Bashkir oil companies

- ✓ Servicing of debt in full
- ✓ Extending debt maturity profile
- ✓ **Optimizing FX basket**
- ✓ Fixing imbalances between debt and CFs

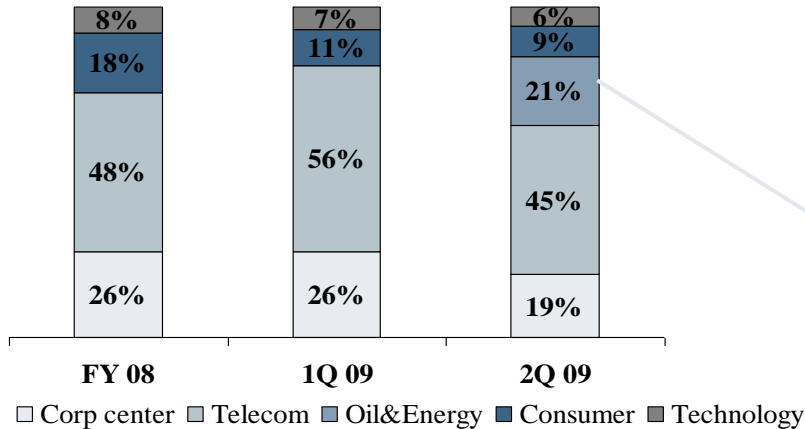
- “Natural hedge” strategy, balancing RUB and hard currency debt
- Taking view on FX rather buying expensive hedge
- Matching debt currency to operational CFs

FX risks are managed mainly through “natural hedge” strategy.

3.7. Debt management – key achievements



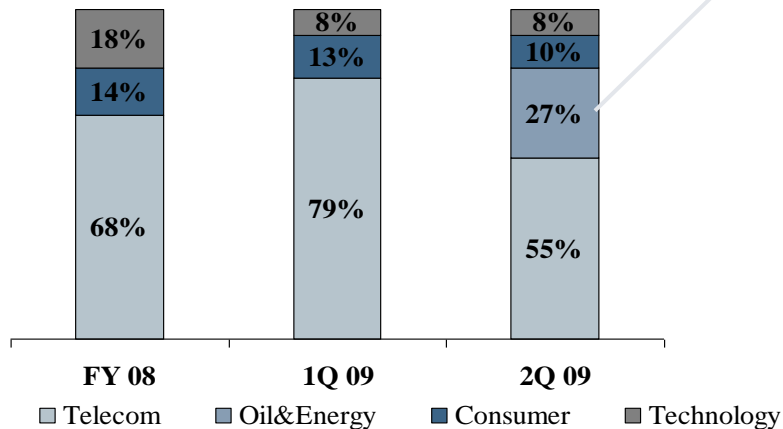
Segmental debt breakdown



- ✓ Servicing of debt in full
- ✓ Extending debt maturity profile
- ✓ Optimizing FX basket
- ✓ **Fixing imbalances between debt and CFs**

BashOEG deal

Segmental revenue breakdown



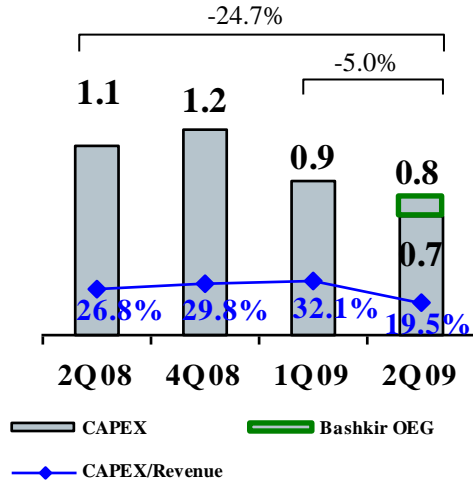
- Recent transactions (in progress) to balance CFs and debt, associated with Bashkirian assets:
- Transfer of share ownership to Bashneft
 - Creation of VIOC
 - Bashneft new debt issue (RUB 50 bln)
 - Substitution of debt to the VTB Bank to the US\$ 2 bln
 - Bashneft CFs to be used for the full debt servicing

Systema reduces its refinancing risks by extending debt maturity profile.

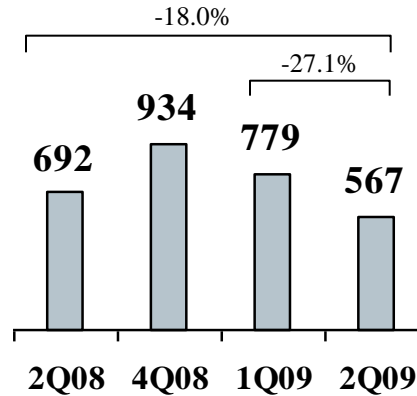
3.8. Efficient spending: CAPEX | S,G&A in 2Q 2009



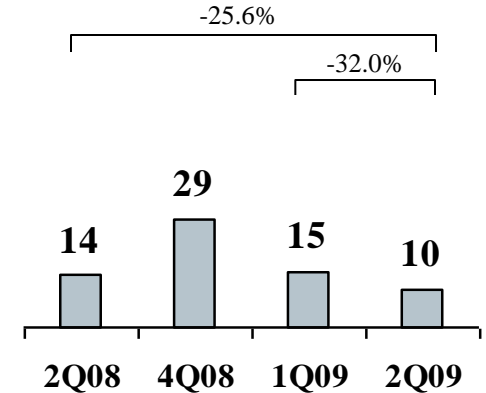
Consolidated CAPEX (US\$ bln)



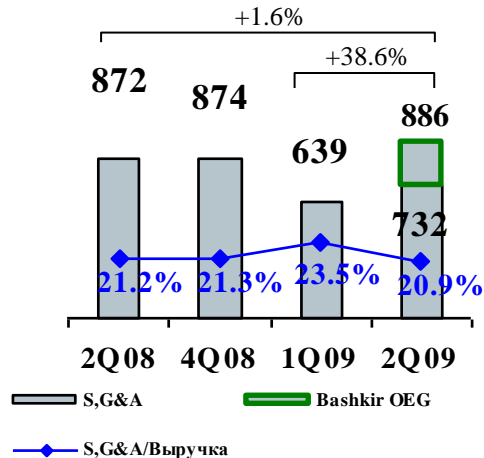
Telco BU Assets CAPEX (US\$ mln)



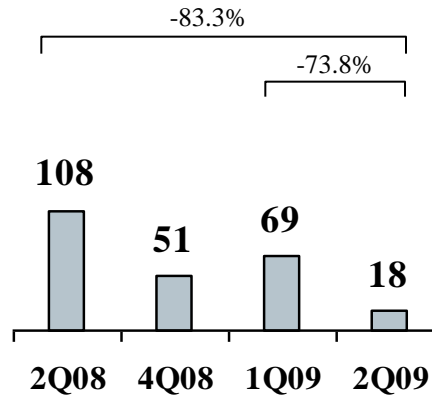
Consumer BU Assets CAPEX (US\$ mln)



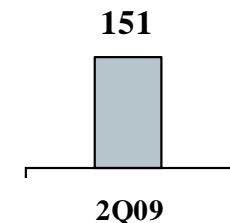
Consolidated S,G&A (US\$ mln)



Technology & Industry BU CAPEX (US\$ mln)



Oil & Energy BU CAPEX (US\$ mln)



Sistema is taking active measures to optimize investment programmes in business units and its overhead costs; 2Q costs were up mainly due to the consolidation of Bashkir assets.



THANK YOU !
YOUR QUESTIONS, PLEASE

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