



Investor Presentation

October 2006

Safe Harbor Statement

Some of the information in this presentation may contain projections or other forward-looking statements regarding future events or the future financial performance of Sistema Joint Stock Financial Corporation (“Sistema”). You can identify forward looking statements by terms such as “expect,” “believe,” “anticipate,” “estimate,” “intend,” “will,” “could,” “may” or “might,” the negative of such terms or other similar expressions. 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 date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, general economic 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.

Investment Highlights

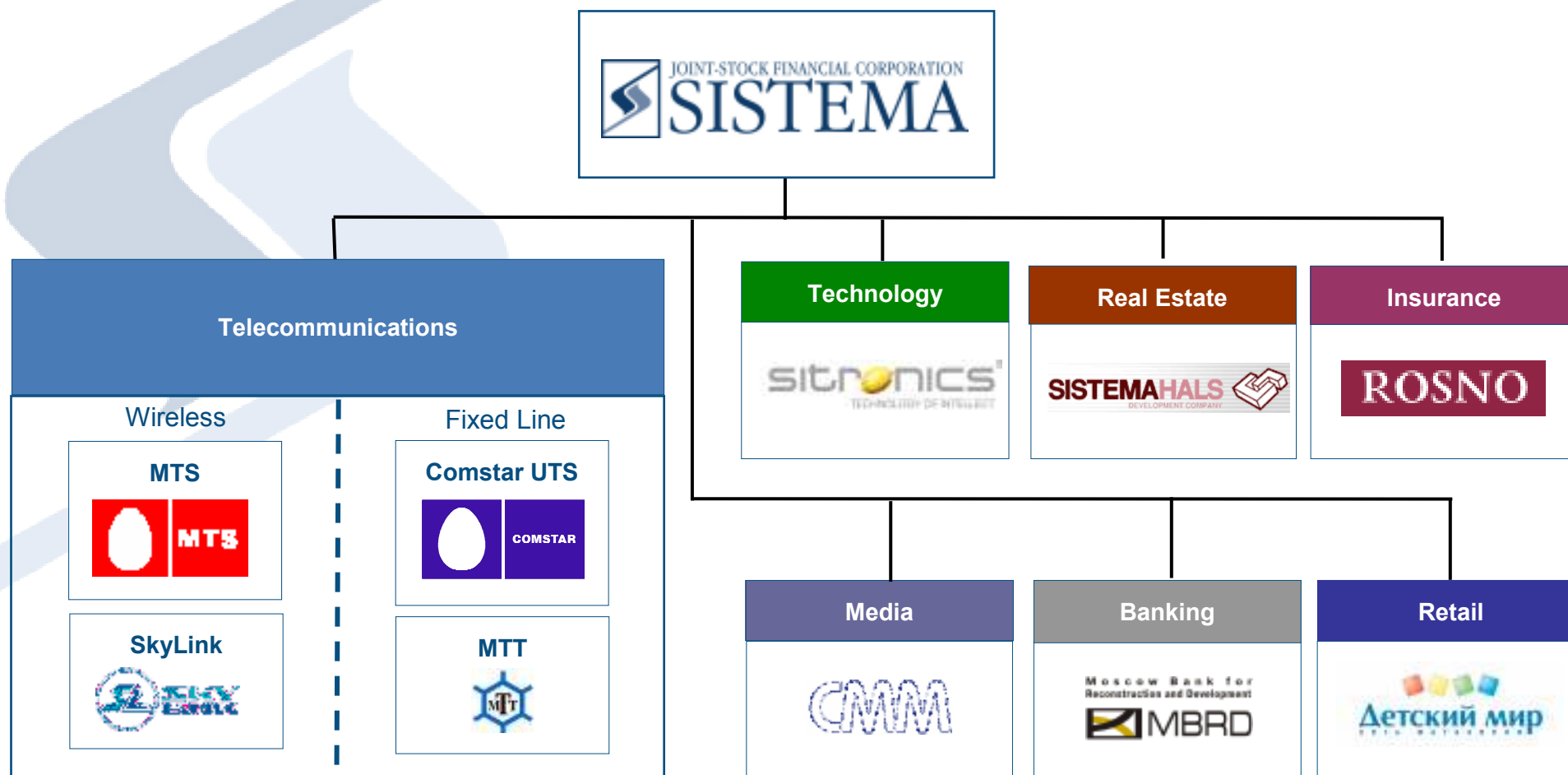
- ❑ The largest **listed** consumer-services company in Russia and CIS
- ❑ A diversified **portfolio** of telecommunications, IT services, real estate, insurance, banking, media and retail assets
- ❑ One of the most **valuable** emerging markets companies with over 65 million customers
- ❑ “**Strategic trust**” relationships with Russian and international players
- ❑ Attracts **best** and **brightest** management and employees. Stock option plans in place for management in key operating companies
- ❑ **Committed** to best practice of corporate governance
 - ❑ US GAAP financials since **1997**
 - ❑ **Five** Board Committees
 - ❑ **Four** Independent Directors
 - ❑ **Nine** Non-executive Directors out of **Eleven**

Summary Financials (US\$m)

	1H'06	1H'05	2005	2004
Revenues	4,598	3,360	7,594	5,734
<i>Growth (y-o-y)</i>	36.8%		32.4%	
Operating Income	1,038	941	1,957	1,665
<i>Margin</i>	22.5%	28.0%	25.8%	29.0%
Net Income	310	228	534	411
<i>Growth (y-o-y)</i>	35.9%		29.9%	
<i>Margin</i>	6.7%	6.8%	7.0%	7.2%
OIBDA	1,653	1,421	2,982	2,462
<i>Margin</i>	36.0%	42.3%	39.3%	42.9%
Total Assets	17,293	11,610	13,091	8,823
Total Debt	5,705	3,562	4,371	3,065
Minority Interest	344	354	741	589
Shareholders' Equity	3,942	2,927	3,234	1,442
CF from Operations	678	585	1,771	1,904
CF from Investments	(1,979)	(1,767)	(4,271)	(2,064)
CF from Financing	2,032	1,764	2,479	381

Uniquely positioned to benefit from disposable income growth in Russia and the CIS

Leading Positions in Key Service Sectors



Diversified portfolio guaranteeing continued growth over the long term

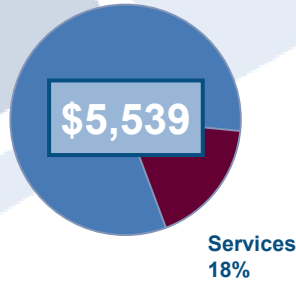
Positive Macroeconomic Backdrop

Russia (1995)

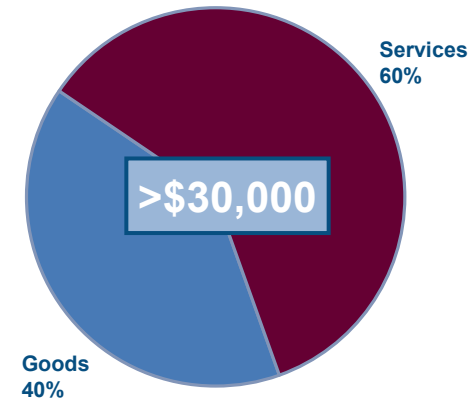
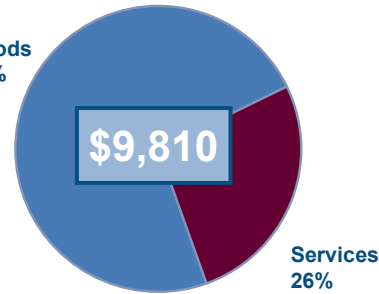
Russia (2005)

The Future?*

Goods
82%



Goods
74%



Consumer spending on goods



Consumer spending on services

Pie chart demonstrates the structure of consumer spending; the number refers to the PPP-based estimate of GDP/capita
Source: Euromonitor * - UK in 2005 used as proxy

Holding Structure Advantages



**Financial
Control &
Targets (KPI)**



M&A Support



**Access to
Capital**



**Government &
Regulatory
Support**



**Strategic
Partnerships**



**Management
Talent**



Leading Wireless Player in the Region

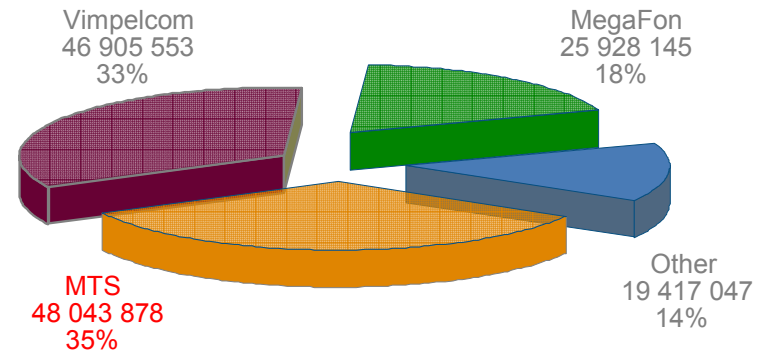


- ❑ Leading **wireless telecommunications company** in Russia and the CIS
 - ❑ **Full range of voice and data services**
 - ❑ Operations in **87 of 88** regions of Russia and four CIS countries (population of over 230 m people)
 - ❑ **65.7 m** consolidated subscribers as of July 31, 2006
- ❑ **New management team** starting from 2Q 2006
 - ❑ **Leonid Melamed** appointed CEO, **Vsevolod Rozanov** appointed CFO
- ❑ Changes to the **BoD composition** ensuring **greater Board involvement** in the business and **higher management accountability**
- ❑ Changes to the **corporate structure** aimed at improving efficiencies:
 - ❑ **Corporate center** responsible for brand, strategy, investment, controls and KPIs
 - ❑ **Three units:** Russia, Ukraine, other CIS
 - ❑ **Macroregions** operating with **full responsibility** over P&L and greater decision-making autonomy

Summary Financials (US\$m)

	1H'06	1H'05	2005	2004
Revenues	2,780.7	2,293.6	5,011.0	3,918.2
<i>Growth (y-o-y)</i>	21.2%		27.9%	
Operating Income	799.4	773.4	1,661.2	1,453.7
<i>Margin</i>	28.7%	33.7%	33.2%	37.1%
Net Income	479.1	536.4	1,126.4	987.5
<i>Margin</i>	17.2%	23.4%	22.5%	25.2%
OIBDA	1,328.9	1,188.5	2,568.3	2,144.3
<i>Margin</i>	47.8%	51.8%	51.3%	54.7%

Russian Market (Subscribers) July 2006



Unique story of value creation by Sistema and a model for subsequent investments



Growth Opportunity in Fixed-Line Business

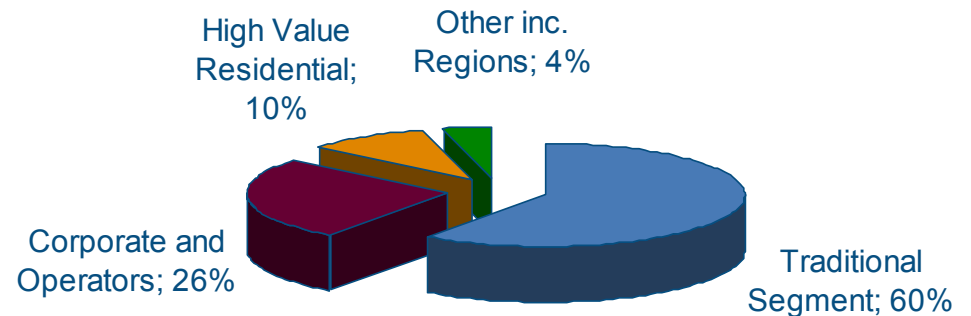


- ❑ Leading provider of **integrated communications** services in Moscow and Moscow region with 4.9 million customers
 - ❑ A **growth company** delivering wide range of consumer services in the traditional and alternative fixed line segments
 - ❑ Actively expanding into **Russian regions** through M&A, also targeting the broader CIS market
- ❑ Incumbent operator MGTS holds **68% market share** in Moscow and Moscow region and controls access to the last mile
 - ❑ Operating in the environment of increasing **regulated tariffs** (c.17% in 2005) and rapid technological upgrade
- ❑ STREAM is a broadband and Pay TV provider with over 300K **ADSL subscribers** and almost 30K **Pay TV subscribers**
 - ❑ Extremely successful **residential ADSL** offering in Moscow since February 2004
 - ❑ Launched an **in-house entertainment** offering in mid-2005 (c.100 TV channels, PPV, gaming, etc.)

Summary Financials (US\$m)

	1H'06	1H'05	2005	2004
Revenues	536.6	419.0	907.6	695.1
<i>Growth (y-o-y)</i>	28.1%		30.6%	
Operating Income	163.5	128.7	268.4	173.7
<i>Margin</i>	30.5%	30.7%	29.6%	25.0%
Net Income	97.3	49.1	105.9	76.1
<i>Margin</i>	18.1%	11.8%	11.7%	10.9%
OIBDA	217.1	174.0	358.8	249.8
<i>Margin</i>	40.4%	41.5%	39.5%	35.9%

1H 2006 Revenue Breakdown



Creation of an undisputed market leader in the Russian fixed-line industry

Telecom Solutions

- Focus on development of billing systems, OSS/BSS, NGN solutions, etc.
- Low production costs in Russia, Czech Republic and Romania
- Continued increase in the share of software sales

IT Solutions

- Focus on high value-added businesses: systems integration and consultancy
- Successful entry into the Russian market from CEE base
- Launch of mobile games and workflow management software

Microelectronic Solutions

- Lead offering to defence contractors and energy companies
- Won e-passports tender from Russian government
- Well positioned in high-margin smart card business
- Focus on selling directly to end users

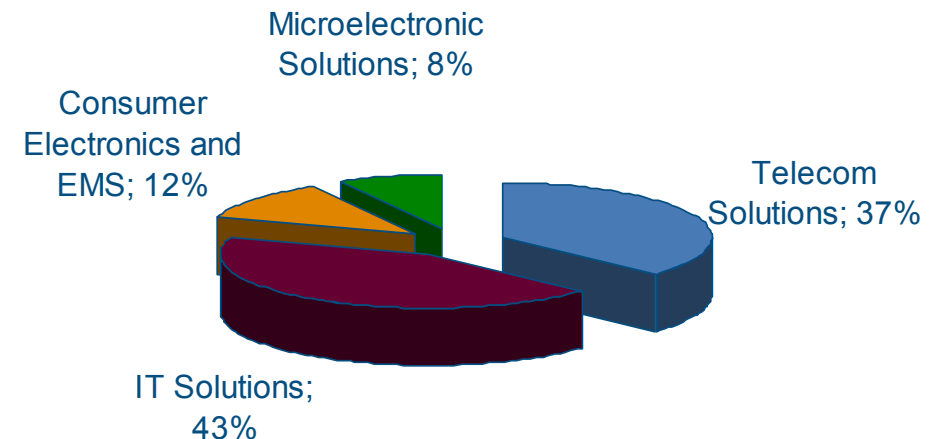
Consumer Electronics and EMS

- Market share growth in domestic consumer electronics: LCD TVs, DVDs, PCs
- Well positioned to develop security and telematics systems

Summary Financials (US\$m)

	1H'06	1H'05	2005	2004
Revenues	696.6	426.5	961.1	498.4
<i>Growth (y-o-y)</i>	163.3%		92.8%	
Operating Income	62.4	109.9	143.5	45.9
<i>Margin</i>	8.9%	25.7%	14.9%	9.2%
Net Income	33.7	64.6	78.3	20.6
<i>Margin</i>	4.8%	15.1%	8.1%	4.1%
OIBDA	80.6	115.4	155.6	49.4
<i>Margin</i>	11.6%	27.0%	16.2%	9.9%

1H 2006 Revenue Breakdown



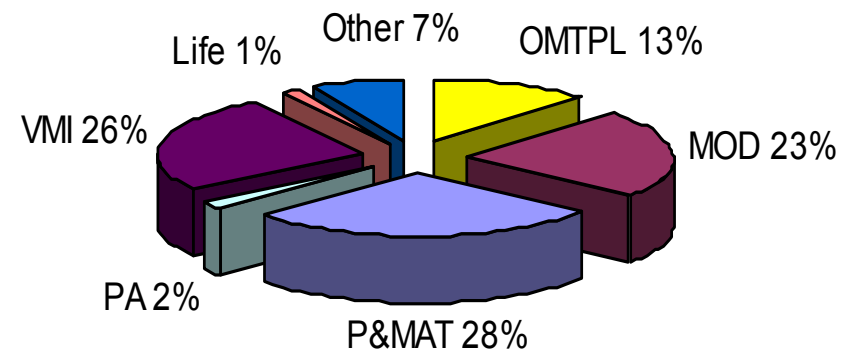
Large-scale diversified technology business based on proprietary IP

- ❑ Leading Russian insurance company with a **broad product offering**
 - ❑ Provision (Life and Health)
 - ❑ Protection (Property)
 - ❑ Performance (Asset management)
- ❑ **Extensive distribution network**
 - ❑ Over 380 person direct sales force
 - ❑ Over 900 agents in Moscow and 2000 in regions
 - ❑ 100 insurance brokers
 - ❑ Over 500 non-insurance intermediaries
- ❑ Operations in **Russia and CIS**
 - ❑ Russia: 10 Directorates, comprising 100 branches all over the country
 - ❑ CIS: Non-life and life insurance companies in Ukraine and representative office in Kazakhstan
- ❑ Strong **technological platform** from Allianz partnership
- ❑ Best positioned to be a key player in the **consolidation** of the fragmented industry

Summary Financials (US\$m)

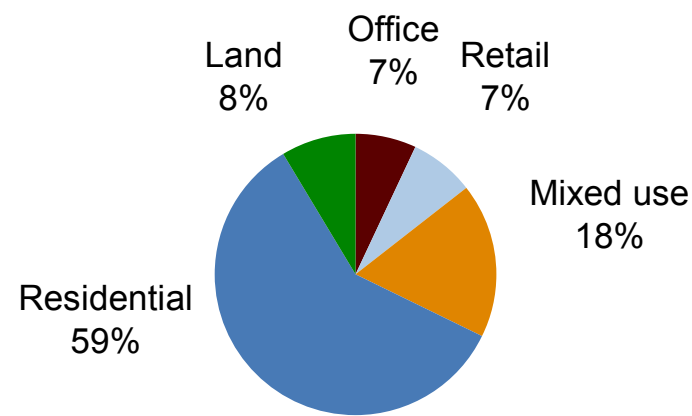
	1H'06	1H'05	2005	2004
Total GPW	411.0	317.9	464.2	367.6
<i>Growth</i>	29.3%		26.3%	
Revenue	280.8	197.9	408.9	300.2
<i>Growth</i>	42.1%		36.2%	
Reinsurance outwards	(53.5)	(57.1)	(57.6)	(40.1)
Change in provisions	(38.9)	(36.8)	(41.8)	(49.9)
Net premiums earned	255.8	183.2	364.8	277.5
Net income	17.3	7.9	19.7	21.1

2005 GPW Breakdown



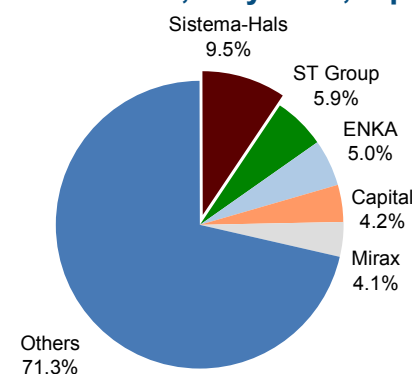
- ❑ The leading Moscow-based real estate development, management & investment company
- ❑ Successfully completed more than 30 projects with a total area of more than 250,000 sqm and cost of over US\$200 million
- ❑ Developed or redeveloped properties on behalf of major international companies including BNP, DaimlerChrysler, Dresdner Bank, MTS, Japan Airlines, Scandinavian Airlines, Samsung Electronics and others
- ❑ Extensive portfolio of development projects and income generating real estate assets well balanced between different growing segments of the Russian real estate market
 - ❑ Over 100 projects in the course of development or held for future development
- ❑ Real estate portfolio valued at over US\$ 1,865 m by Cushman & Wakefield S&R, based on June 30, 2006, valuation of 88 projects out of the total portfolio.

Breakdown of existing assets and development portfolio by buildable area



Total: 6.6 million sqm

Market share for Class A office developers in Moscow, July 2006, sqm



Total: 8.9 million sqm

Further Potential in the Portfolio

❑ Retail – Detsky Mir

- ❑ Russia's largest retailer of children's goods: clothing, footwear, toys and accessories
- ❑ Revenues up 261.1% to US\$ 117.9 mln in 1H 2006 vs. 1H 2005. Operating income down due to a significant increase in rented outlets
- ❑ Rapid expansion through new store openings and acquisitions – from 13 stores at 2004YE to 58 as of September 1, 2006



❑ Moscow Bank for Reconstruction and Development (MBRD)

- ❑ Full-service retail bank with network of 12 branches and 41 mini-offices. Aggressive retail roll-out in 2006
- ❑ Revenues up 221.2% to US\$ 87.8 mln & operating income up 274.4% to US\$ 8.6 mln in 1H 2006 vs. 1H 2005
- ❑ Successfully exploiting synergies within the Group: car loans with ROSNO, credit cards with MTS and credit cards with Detsky Mir

Moscow Bank for
Reconstruction and Development



❑ Sistema Mass Media (SMM)

- ❑ Multimedia content production (TV programming and movies) and distribution (cable, MMDS and ADSL platforms)
- ❑ Ongoing restructuring with divestiture of legacy assets and merger of Pay-TV operations with Comstar UTS. Revenues down 46.8% to US\$ 45.6 mln & operating income up to US\$ 2.8 mln in 1H 2006 vs. 1H 2005 as a result of this restructuring
- ❑ Leading cable TV provider in Russia with over 1 million subscribers in 20 regions



Successful Financial Investments

- ❑ In August-September 2005, Sistema invested about US\$600 million in minority stakes of 6 energy companies in the Republic of Bashkortostan:
 - ❑ **Bashneft** – 16.25%
 - ❑ **UNPZ** – 16.59%
 - ❑ **Novoil** – 18.31%
 - ❑ **Ufaneftekhim** – 17.15%
 - ❑ **Ufaorgsintez** – 16.30%
 - ❑ **Bashnefteproduct** – 18.50%
- ❑ An opportunistic medium-term financial investment allowing to generate acceptable returns whilst awaiting developments with strategic acquisition targets
- ❑ Opportunity to use business restructuring expertise to maximize shareholder value
- ❑ Continuing negotiations with the owner of controlling stakes in the six entities with the goal of creating a vertically integrated holding
- ❑ Ultimate exit through a sale to a strategic owner or a public equity offering

Sistema Energy Investment Value



August 2005
US\$ 600 m



August 2006
US\$ 1.6 b

After a massive re-rating, the stocks continue to retain a significant revaluation potential

APPENDIX - Financial Performance by Each Segment 1H 2006 vs. 1H 2005 (in US\$K)



	Telecom		Technology		Insurance		Banking		Mass Media		Real Estate		Retail		Corp and other		Total	
	1H06	1H05	1H06	1H05	1H06	1H05	1H06	1H05	1H06	1H05	1H06	1H05	1H06	1H05	1H06	1H05	1H06	1H05
Net sales to external customers(a)	3,292,847	2,652,866	547,520	265,612	262,542	182,800	73,120	33,048	33,397	71,344	102,765	32,647	117,903	45,143	167,865	76,590	4,597,959	3,360,050
Intersegment sales	4,505	27,160	149,084	160,929	18,256	15,069	14,708	12,770	12,181	22,196	3,771	1,082	19	19	26,631	3,517	229,155	242,742
Income from equity investees	43,686	31,493	16	-	176	307	-	-	-	384	-	-	-	-	87,421	2,172	131,299	34,356
Interest income	29,766	18,339	3,828	248	378	-	-	-	97	30	841	338	771	5	10,119	21,753	45,800	40,713
Interest expense	(100,807)	(81,65)	(16,382)	(5,177)	-	-	-	-	(1,422)	(740)	(2,599)	(2,793)	(3,104)	(507)	(50,538)	(43,716)	(174,852)	(134,583)
Net interest revenue ^{b)}	-	-	-	-	32,286	-	13,181	4,146	-	-	-	-	-	-	-	-	45,467	4,146
Depreciation and amortization	(597,063)	(462,515)	(18,192)	(5,462)	(1,947)	(1,871)	(1,130)	(1,005)	(7,099)	(3,436)	(1,735)	(732)	(891)	(819)	(7,218)	(4,750)	(635,275)	(480,590)
Operating income/(loss)	954,008	920,523	62,405	109,942	34,752	13,640	8,620	3,141	2,823	463	42,692	3,215	(8,321)	3,811	37,792	(11,429)	1,134,771	1,043,306
Income tax expense	(279,658)	(222,354)	(13,515)	(19,211)	(9,397)	(6,435)	(4,894)	(1,939)	(1,728)	(1,442)	(5,294)	(1,164)	274	(892)	(29,391)	(7,189)	(343,603)	(260,626)
Income/(loss) before minority interests	628,216	633,935	37,064	85,243	17,555	6,060	3,726	1,202	(239)	(1,536)	30,662	3,452	(9,654)	2,169	72,518	(48,282)	779,848	682,243
Investments in affiliates	258,019	203,213	-	-	-	-	17,749	16,518	5,100	808	-	103	-	-	766,189	44,179	1,047,057	264,821
Segment assets	11,742,137	8,414,326	1,580,357	426,080	803,432	633,771	1,904,791	1,122,469	303,460	106,339	393,009	239,624	164,693	66,531	2,701,704	1,884,048	19,593,583	12,893,188
Indebtedness ^(c)	(3,417,379)	(2,552,221)	(519,737)	(27,023)	(1,523)	(517)	(350,938)	(150,000)	(30,956)	(26,596)	(42,017)	(33,375)	(55,089)	(183,866)	(1,286,861)	(588,297)	(5,704,500)	(3,561,895)
Capital expenditures	881,182	880,712	41,266	15,469	4,670	4,575	3,354	2,145	20,642	5,982	42,540	16,093	8,953	703	4,258	55,869	1,006,865	981,548

(a) – Interest income and expenses of the Insurance and Banking segments are presented as revenues from financial services in the Group's consolidated financial statements.

(b) – The Banking segment derives a majority of its revenue from interest. In addition, management primarily relies on net interest revenue, not the gross revenue and expense amounts, in managing that segment. Therefore, only the net amount is disclosed.

(c) – Represents the sum of short-term and long-term debt, including vendor financing, and capital lease obligations

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