Zero Hedge | On a long enough timeline the survival rate for everyone drops to zero.

Sistema JSFC (Russia)

CREDIT SNAPSHOT 12/10/09

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blog www.zerohedge.com

AFKS RU Equity

equity ticker: AFKS RU

bond ticker: AFKSRU

sector: Communications

subgroup: Telecom Services

company description:
Sistema JSFC develops and manages businesses in service-based industries, including telecommunications, technology, insurance, banking, real estate, retail, and media.

Sistema JSFC has 56,050 employees.

capitalisation (USD in millions):	
stock price	USD 0.8
shares outstanding (million)	9,650.00
market capitalisation (USD mm)	7,720
total debt	20,991
cash + marketable securities	10,326
other capital	6,606
enterprise value (excl. cash)	24,992
current EV / TTM EBITDA	5.4x

The company's next report is expected for 2/12/2010 (type: Estimated).
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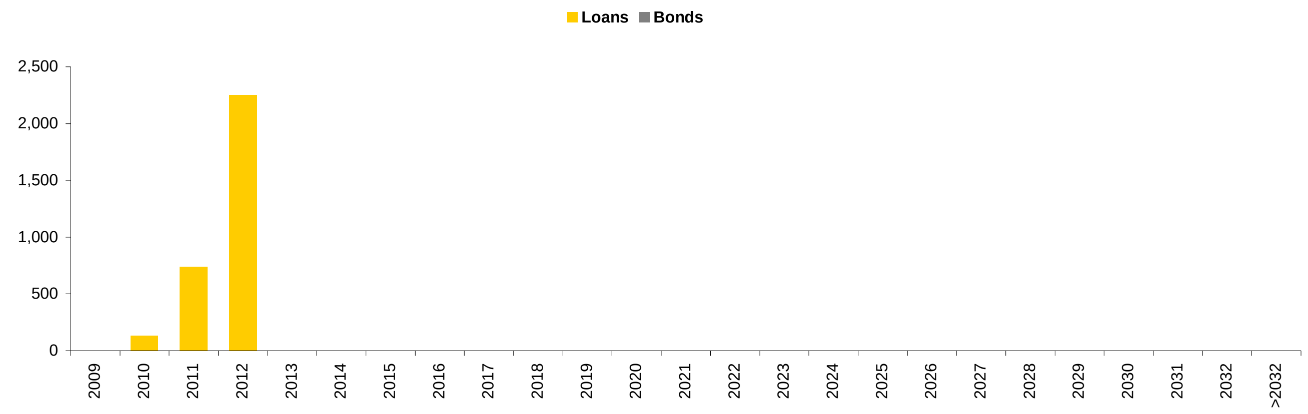
DEBT DISTRIBUTION

issuer	Rtg	debt type & details	coupon	mat	crncy	amount out (mm)	facility amount (mm)	issue date
JSC SITRONICS	NA	Loan, unsecured, rev, floater		11/30/2009	USD	0	230	12/1/2008
JSC SISTEMA-HALS	NA	Loan, secured, term, fixed		11/30/2010	RUB	4,000	7,000	12/1/2008
MOBILE TELESYSTEMS OJSC	NA	Loan, unsecured, term, floater		4/21/2011	USD	323	1,330	4/21/2006
JNT STK FIN CO SISTEMA	NA	Loan, unsecured, loc, floater		6/6/2011	USD		613	6/6/2008
JNT STK FIN CO SISTEMA	NA	Loan, unsecured, term, floater		6/6/2011	USD	252	613	6/6/2008
SHYAM TELELINK LTD	NA	Loan, unsecured, term, floater		6/20/2011	INR		4,800	6/20/2008
REMSTROYTREST-701	NA	Loan, secured, term, floater		6/30/2011	USD	26	26	6/30/2008
REMSTROYTREST-701	NA	Loan, secured, term, floater		6/30/2011	USD	70	90	6/30/2008
JSC SISTEMA-HALS	NA	Loan, unsecured, term, fixed		12/31/2011	USD	71	71	12/31/2008
MOBILE TELESYSTEMS OJSC	NA	Loan, unsecured, term, floater		4/11/2012	USD	28	112	10/11/2004
MOBILE TELESYSTEMS OJSC	NA	Loan, unsecured, term, floater		4/11/2012	USD	2	112	10/11/2004
MOBILE TELESYSTEMS OJSC	NA	Loan, unsecured, term, floater		4/11/2012	USD	14	112	10/11/2004
MOBILE TELESYSTEMS OJSC	NA	Loan, unsecured, term, floater		4/11/2012	USD	1	112	10/11/2004
MOBILE TELESYSTEMS	NA	Loan, unsecured, term, floater		5/18/2012	EUR	238	498	7/14/2009
MOBILE TELESYSTEMS	NA	Loan, unsecured, term, floater		5/18/2012	USD	360	695	7/14/2009
MOBILE TELESYSTEMS	NA	Loan, unsecured, term, floater		6/28/2012	EUR		218	6/29/2009
MOBILE TELESYSTEMS	NA	Loan, unsecured, term, floater		6/29/2012	EUR		80	6/29/2009
COMSTAR UNITED TELESYSTEMS	NA	Loan, secured, term, fixed		6/30/2012	RUB	21,500	26,000	7/2/2007
JNT STK FIN CO SISTEMA	NA	Loan, unsecured, term, floater		7/24/2012	EUR	120	120	7/24/2009
JSC SISTEMA-HALS	NA	Loan, secured, term, fixed		11/30/2012	RUB	18,600	19,558	8/31/2007

!!!The company currently has more than the 20 instruments listed outstanding!!!

Total amount out of instruments listed above (USD in MM)	3,124	Cash (MM)	10,326
Total debt (MM)	20,991	Total Number of Debt Instruments (for the issuer and its subs)	47



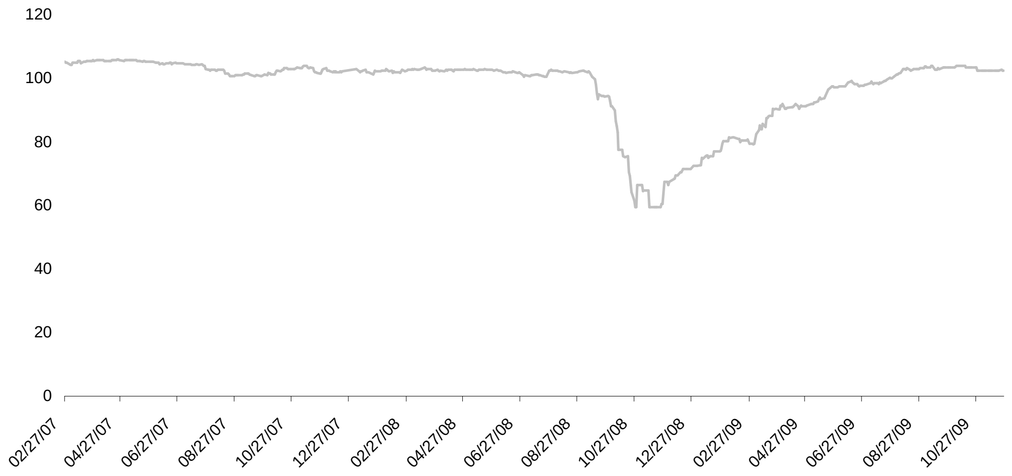
Moody's Ratings			
Outlook	N/A		
Issuer	N/A		
Senior Secured Debt	N/A		
LT Corp Family	**B1**	***+**	10/26/09
Bank Loan Debt	N/A		
Senior Unsecured Debt	N/A		
Subordinated Debt	N/A		
Short Term	N/A		

Standard & Poor's Ratings		
Outlook	**NEG**	11/05/09
LT Foreign Currency Issuer	**BB**	11/05/09
LT Local Currency Issuer	**BB**	11/05/09
ST Foreign Currency Issuer	N/A	
ST Local Currency Issuer	N/A	

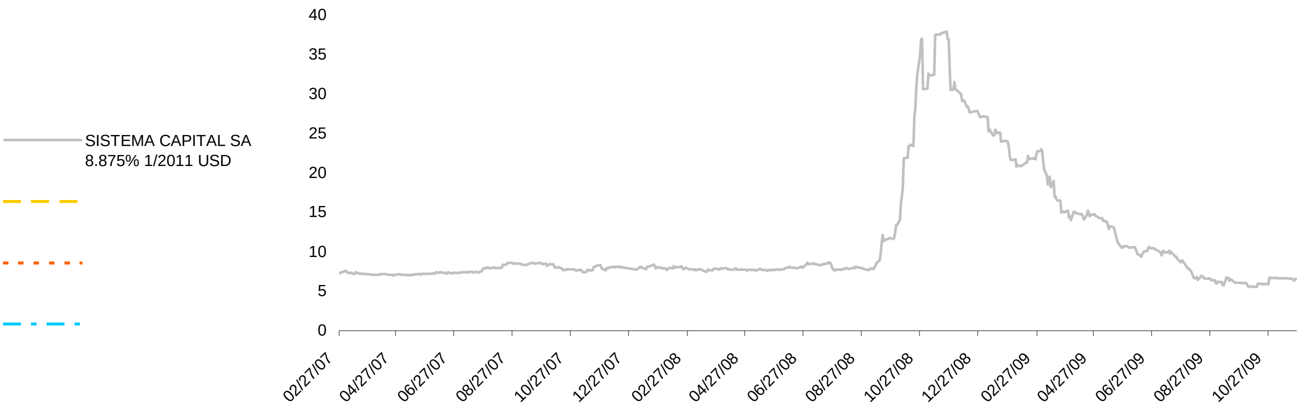
id	issuer	coupon	mat		outstanding	S&P	MDY	ask px	yield	spread*	px date
										*interpol. swap spread	
82977RAA	SISTEMA CAPITAL SA	8.875	01/28/11	USD	350,000,000	BB	B2 /*+	102.50	6.6	604	11/25/09

Total Debt for the company currently stands at USD 20,991mm.

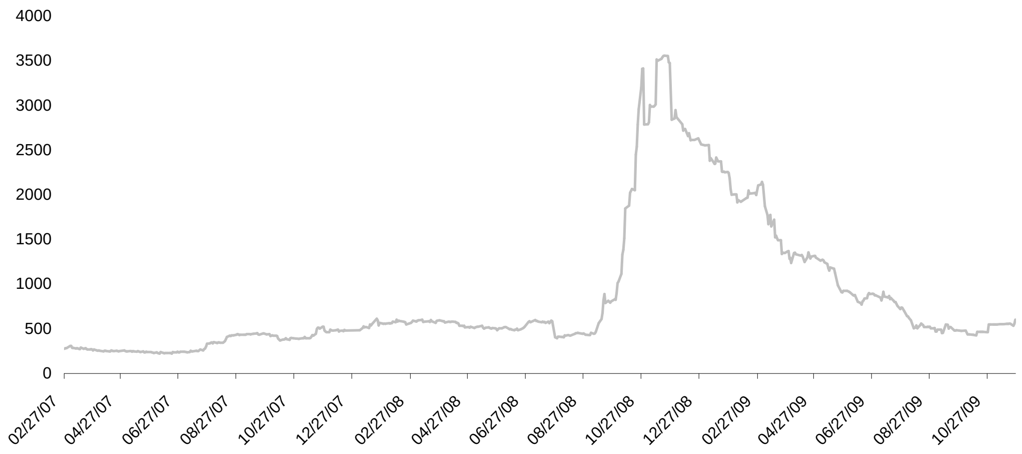
bond price



yield



interpolated swap spread



Prices & yields bid side to 28/7/08 and ask side thereafter. Spread is Govt Bid Sprd to 28/7/08 and Interpol. Swap Ask Sprd then.

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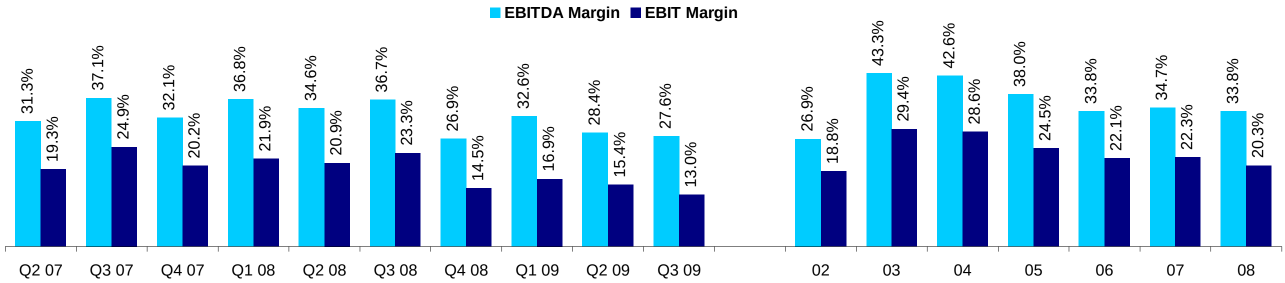
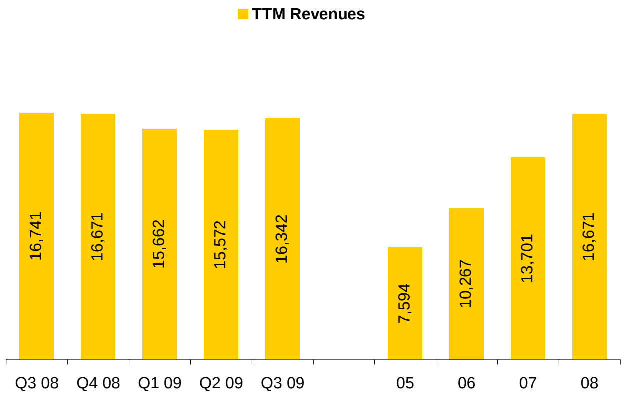
INCOME STATEMENT

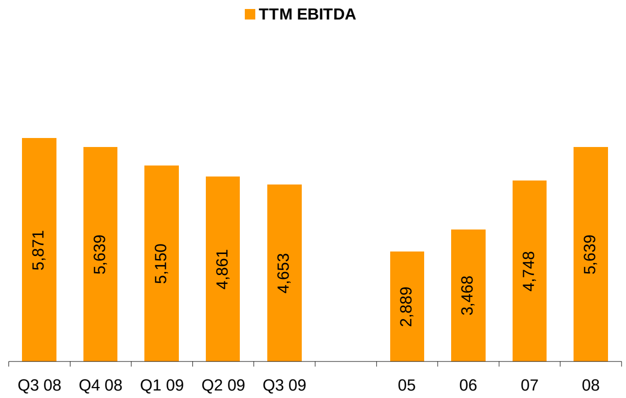
USD in millions	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	05	06	07	08
					09/30/09				12/31/08
Revenues	4,593	4,017	2,771	4,190	5,363	7,594	10,267	13,701	16,671
COGS	1,914	1,724	1,142	2,005	1,842	3,219	4,617	6,067	7,000
COGS % of Revenues	41.7%	42.9%	41.2%	47.8%	34.4%	42.4%	45.0%	44.3%	42.0%
SG&A	1,607	1,709	1,161	1,539	2,825	2,510	3,380	4,581	6,292
SG&A % of Revenues	35.0%	42.5%	41.9%	36.7%	52.7%	33.1%	32.9%	33.4%	37.7%
EBITDA	1,685	1,082	903	1,191	1,478	2,889	3,468	4,748	5,639
Interest Expense	141	191	192	261	406	226	355	412	555
EBT	931	393	276	385	290	1,638	1,914	2,642	2,824
Net Income	100	-714	-395	246	1,613	534	813	1,572	62
EBITDA Margin	36.7%	26.9%	32.6%	28.4%	27.6%	38.0%	33.8%	34.7%	33.8%
EBIT Margin	23.3%	14.5%	16.9%	15.4%	13.0%	24.5%	22.1%	22.3%	20.3%

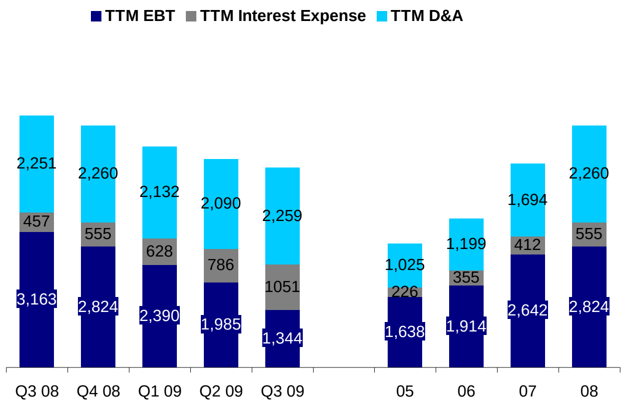


TTM INCOME STATEMENT

USD in millions	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	05	06	07	08
					09/30/09				12/31/08
TTM Revenues	16,741	16,671	15,662	15,572	16,342	7,594	10,267	13,701	16,671
TTM EBITDA	5,871	5,639	5,150	4,861	4,653	2,889	3,468	4,748	5,639
TTM D&A	2,251	2,260	2,132	2,090	2,259	1,025	1,199	1,694	2,260
TTM EBIT	3,620	3,379	3,018	2,771	2,395	1,864	2,269	3,054	3,379
TTM Interest Expense	457	555	628	786	1,051	226	355	412	555
TTM EBT	3,163	2,824	2,390	1,985	1,344	1,638	1,914	2,642	2,824
TTM Net Income	1,242	62	-732	-763	750	534	813	1,572	62







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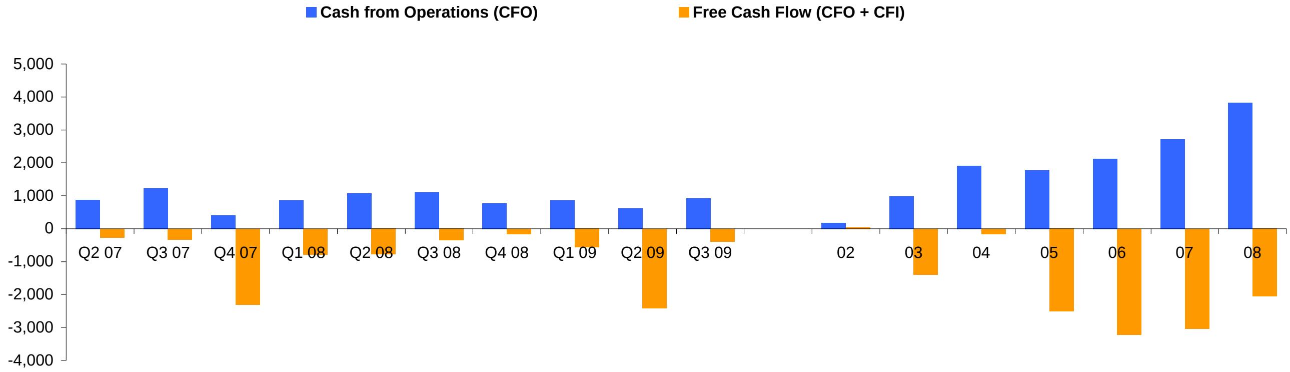
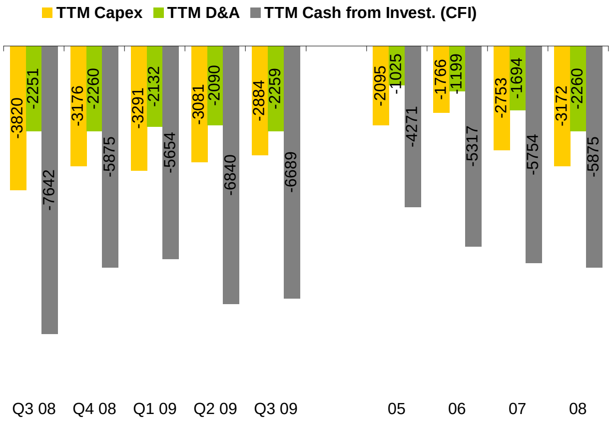
CASH FLOW

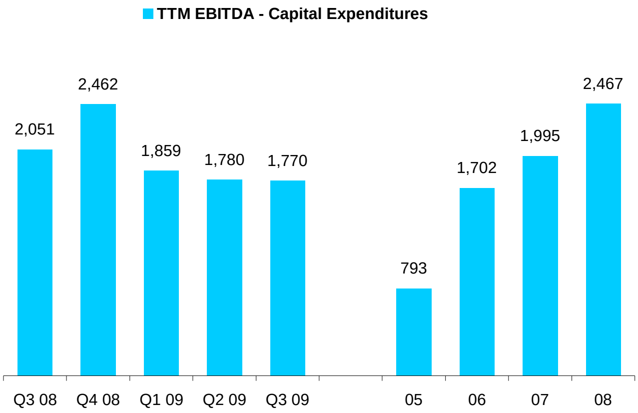
USD in millions	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	05	06	07	08
					09/30/09				12/31/08
Cash from Operations (CFO)	1,110	779	869	620	926	1,771	2,116	2,723	3,826
Cash from Investing (CFI)	-1,457	-932	-1,425	-3,027	-1,306	-4,271	-5,317	-5,754	-5,875
Free Cash Flow (CFO + CFI)	-346	-153	-556	-2,407	-379	-2,500	-3,201	-3,031	-2,049
Cash from Financing Activities	-313	948	28	3,541	3,386	2,479	3,317	3,494	2,979

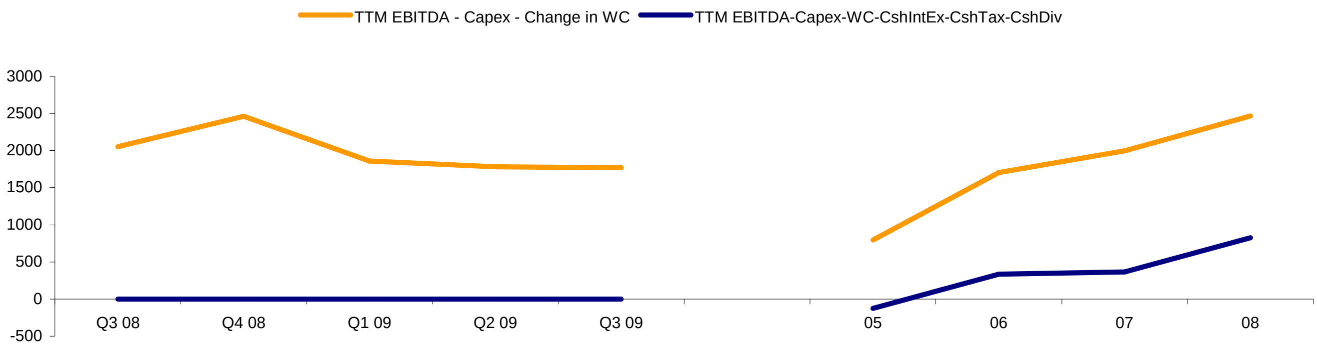


TTM CASH FLOW

USD in millions	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	05	06	07	08
					09/30/09				12/31/08
TTM Cash from Operations (CFO)	3,451	3,826	3,832	3,378	3,194	1,771	2,116	2,723	3,826
TTM Cash from Invest. (CFI)	-7,642	-5,875	-5,654	-6,840	-6,689	-4,271	-5,317	-5,754	-5,875
TTM Capex	-3,820	-3,176	-3,291	-3,081	-2,884	-2,095	-1,766	-2,753	-3,172
TTM D&A	-2,251	-2,260	-2,132	-2,090	-2,259	-1,025	-1,199	-1,694	-2,260
TTM Free Cash Flow (CFO + CFI)	-4,191	-2,049	-1,822	-3,462	-3,495	-2,500	-3,201	-3,031	-2,049
TTM Cash from Financing Activities	4,313	2,979	2,224	4,204	7,903	2,479	3,317	3,494	2,979
TTM CFO - Capital Expenditures	-369	649	541	297	310	-324	350	-30	654
TTM EBITDA - Capital Expenditures	2,051	2,462	1,859	1,780	1,770	793	1,702	1,995	2,467
TTM EBITDA - Capex - Change in WC	2,052	2,463	1,860	1,780	1,770	794	1,702	1,995	2,467
TTM EBITDA-Capex-WC-CshIntEx-CshTax-CshDiv						-127	336	365	827
TTM CFO/Total Debt	27.4%	25.5%	28.9%	19.4%	15.2%	36.4%	26.8%	23.0%	25.5%
TTM FCF/Total Debt	-33.3%	-13.7%	-13.7%	-19.9%	-16.6%	-51.4%	-40.5%	-25.6%	-13.7%



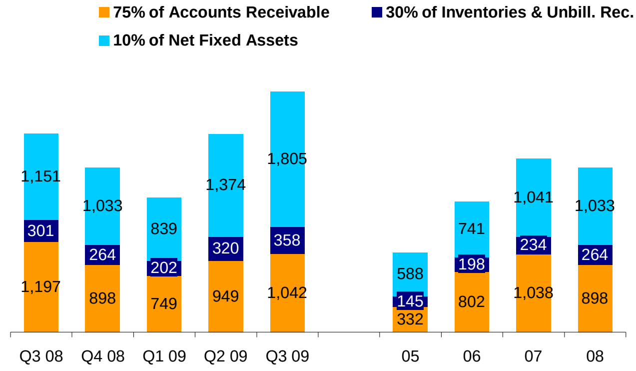


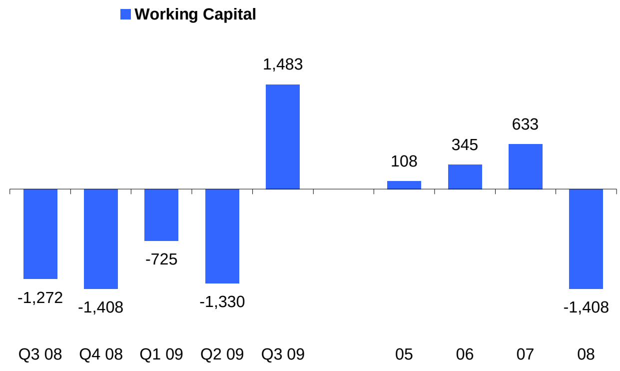


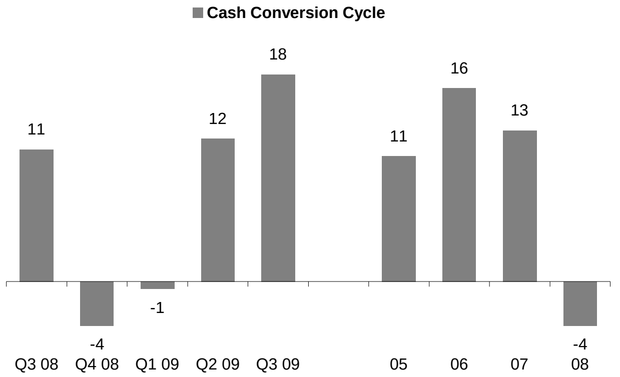
BALANCE SHEET

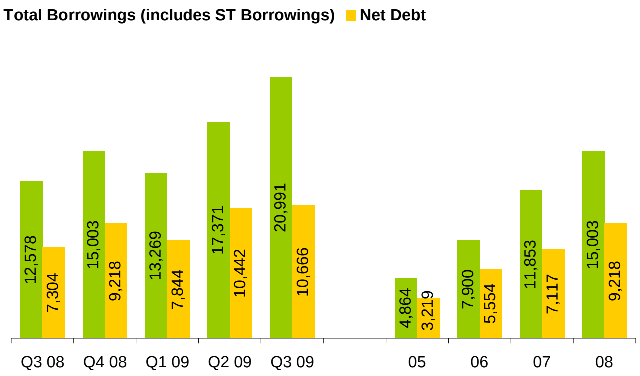
USD in millions	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	05	06	07	08
					09/30/09				12/31/08
Cash	1,196	1,991	1,420	2,543	5,549	483	502	1,062	1,991
Marketable Securities / ST Investments	4,078	3,794	4,005	4,386	4,776	1,163	1,844	3,674	3,794
Accounts & Notes Receivable	1,597	1,198	999	1,266	1,389	443	1,070	1,384	1,198
Inventories & Unbilled Receivables	1,004	880	675	1,068	1,193	483	662	780	880
Net Fixed Assets	11,512	10,328	8,391	13,737	18,046	5,876	7,412	10,413	10,328
75% of Accounts Receivable	1,197	898	749	949	1,042	332	802	1,038	898
30% of Inventories & Unbill. Rec.	301	264	202	320	358	145	198	234	264
10% of Net Fixed Assets	1,151	1,033	839	1,374	1,805	588	741	1,041	1,033
Collateral (Liquidation) Asset Value	7,924	7,980	7,216	9,572	13,530	2,710	4,088	7,049	7,980
Working Capital	-1,272	-1,408	-725	-1,330	1,483	108	345	633	-1,408
Cash Conversion Cycle	11.2	-3.7	-0.6	12.2	17.6	10.7	16.4	12.9	-3.7
Total Borrowings (includes ST Borrowings)	12,578	15,003	13,269	17,371	20,991	4,864	7,900	11,853	15,003
Net Debt	7,304	9,218	7,844	10,442	10,666	3,219	5,554	7,117	9,218
Collateral Asset Value / Total Borrowings	63.0%	53.2%	54.4%	55.1%	64.5%	55.7%	51.7%	59.5%	53.2%

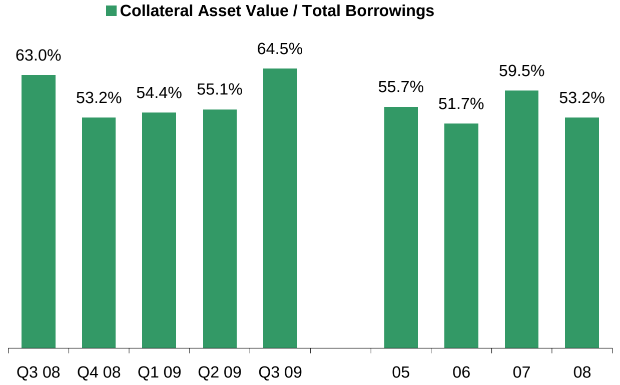
explanations and definitions:
The approximation we use to calculate a company's total **Collateral (Liquidation) Asset Value** (for an asset based liquidation scenario) is calculated as the sum of Cash plus Marketable Securities / Short-Term Investments plus assets with the following valuation rates applied:
75% of stated Accounts Receivable
30% of stated Inventory
10% of stated Net Fixed Assets.
Although we acknowledge that some industries and individual situations demand clearly different assumptions we nevertheless think this is a useful approximation across all industries covered, if only as a starting point for further individual in-depth analysis.











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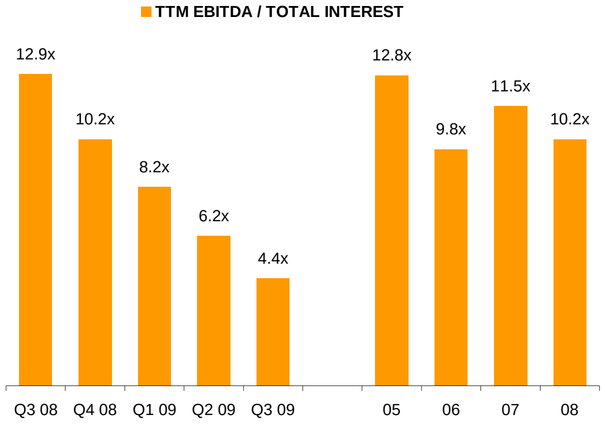
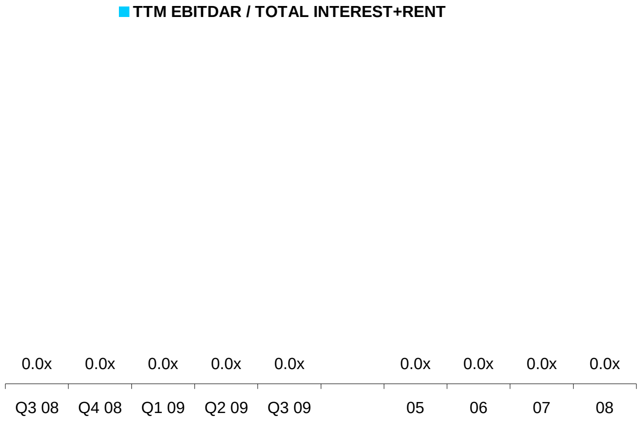
COVERAGE RATIOS

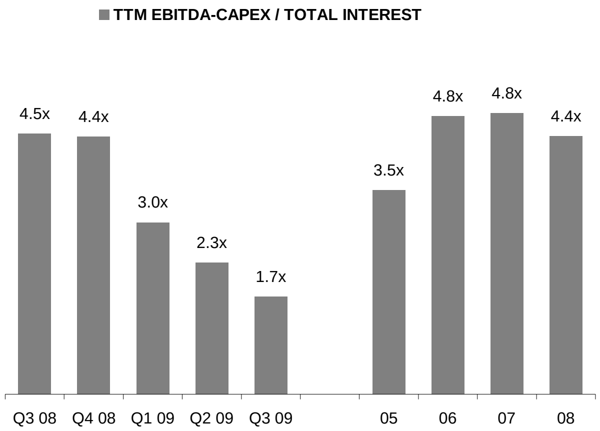
USD in millions	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	05	06	07	08
					09/30/09				12/31/08
TTM EBITDA / TOTAL INTEREST	12.9x	10.2x	8.2x	6.2x	4.4x	12.8x	9.8x	11.5x	10.2x
TTM EBITDAR / TOTAL INTEREST+RENT	-	-	-	-	-	-	-	-	-
TTM EBITDA-CAPEX / TOTAL INTEREST	4.5x	4.4x	3.0x	2.3x	1.7x	3.5x	4.8x	4.8x	4.4x
TTM EBITDAR-CAPEX / TOTAL INTEREST+RENT	-	-	-	-	-	-	-	-	-

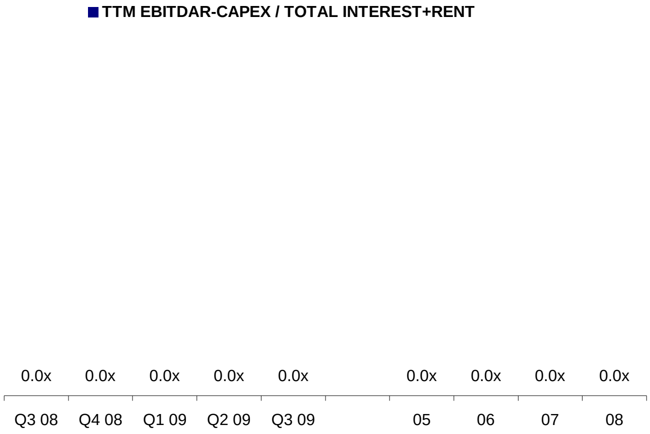
explanations and definitions:

TTM TOTAL INTEREST: For all coverage ratio calculations we use the Total Interest figure which in addition to **Interest Expense** also includes **Capitalized Interest Expenses**. We think this gives a better view of the economic reality than the simple Interest Expense figure.









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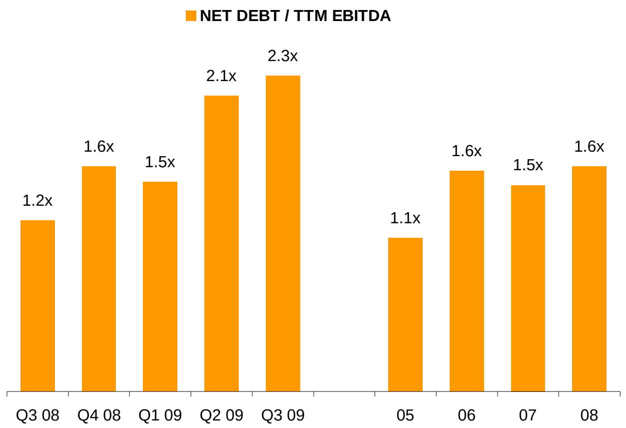
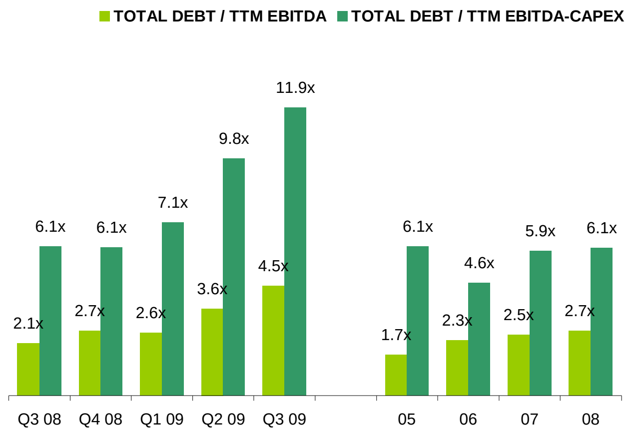
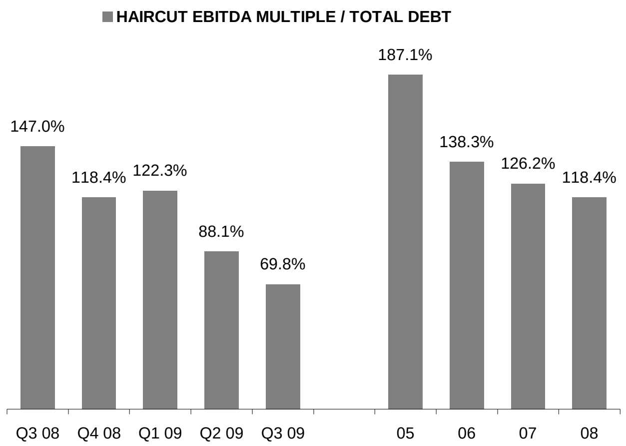
LEVERAGE RATIOS

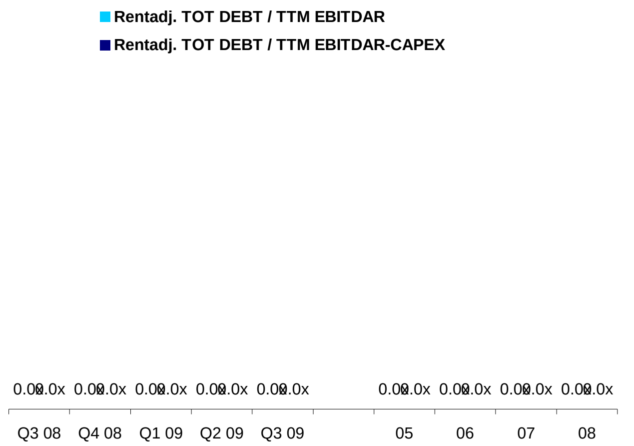
USD in millions	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	05	06	07	08
					09/30/09				12/31/08
NET DEBT / TTM EBITDA	1.2x	1.6x	1.5x	2.1x	2.3x	1.1x	1.6x	1.5x	1.6x
TOTAL DEBT / TTM EBITDA	2.1x	2.7x	2.6x	3.6x	4.5x	1.7x	2.3x	2.5x	2.7x
TOTAL DEBT / TTM EBITDA-CAPEX	6.1x	6.1x	7.1x	9.8x	11.9x	6.1x	4.6x	5.9x	6.1x
Rentadj. TOT DEBT / TTM EBITDAR									
Rentadj. TOT DEBT / TTM EBITDAR-CAPEX									
HAIRCUT EBITDA MULTIPLE / TOTAL DEBT	147.0%	118.4%	122.3%	88.1%	69.8%	187.1%	138.3%	126.2%	118.4%
TOTAL DEBT / TTM EBIT	3.5x	4.4x	4.4x	6.3x	8.8x	2.6x	3.5x	3.9x	4.4x

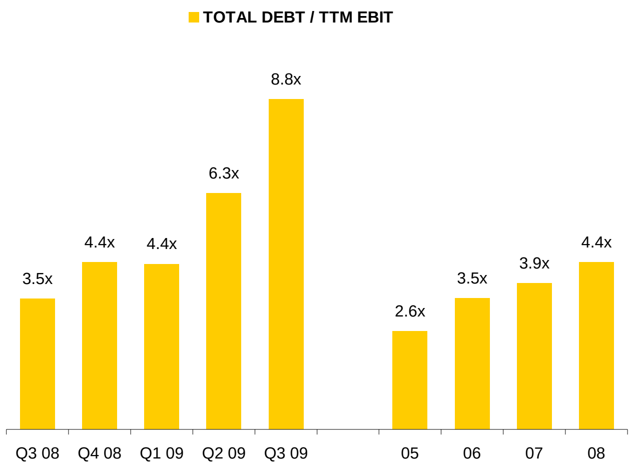
explanations and definitions:
Rent adj. Total Debt/TTM EBITDAR: This ratio is calculated by dividing the Rent Adjusted Total Debt figure (Total Debt plus 8 times TTM Rental Expenses) by EBITDAR (TTM EBITDA plus TTM Rental Expenses).
HAIRCUT EBITDA MULTIPLE / TOTAL DEBT: We adjust TTM EBITDA to 70% of its stated value, multiply the result with 4.5 as an assumed exit multiple and relate the resulting figure (the haircut EBITDA multiple) to the TOTAL DEBT number. This ratio should reflect the situation of an issuer's liquidation, whereby the assets can be sold at a reduced EBITDA multiple.











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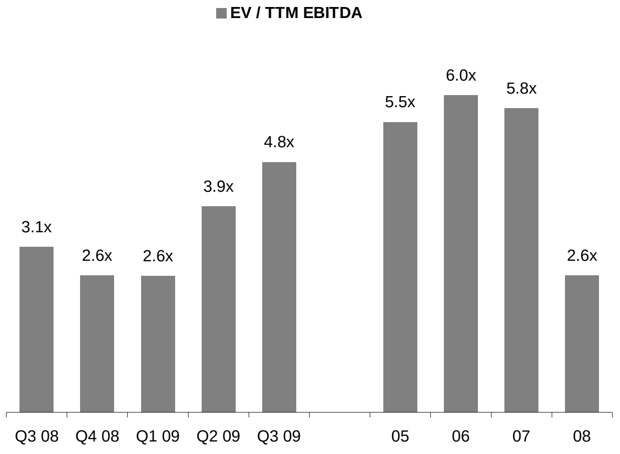
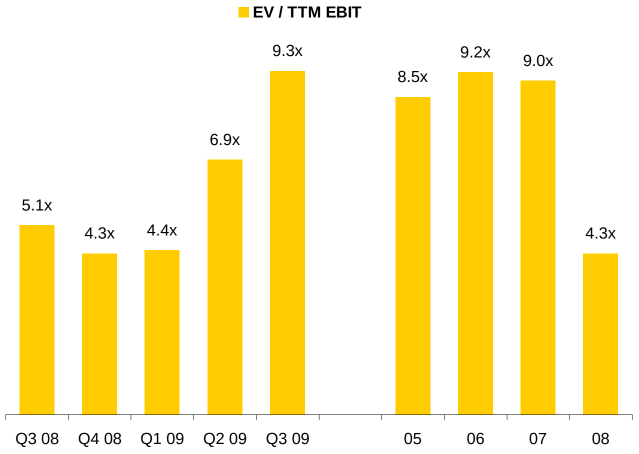
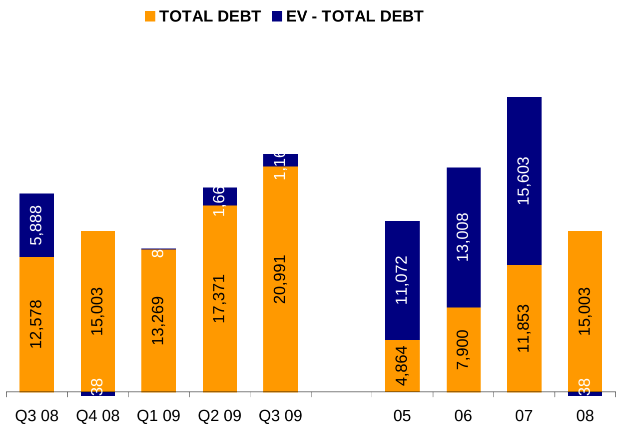
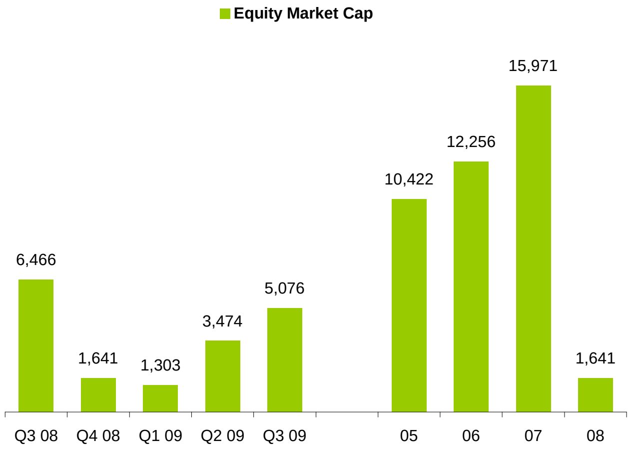
ENTERPRISE VALUE

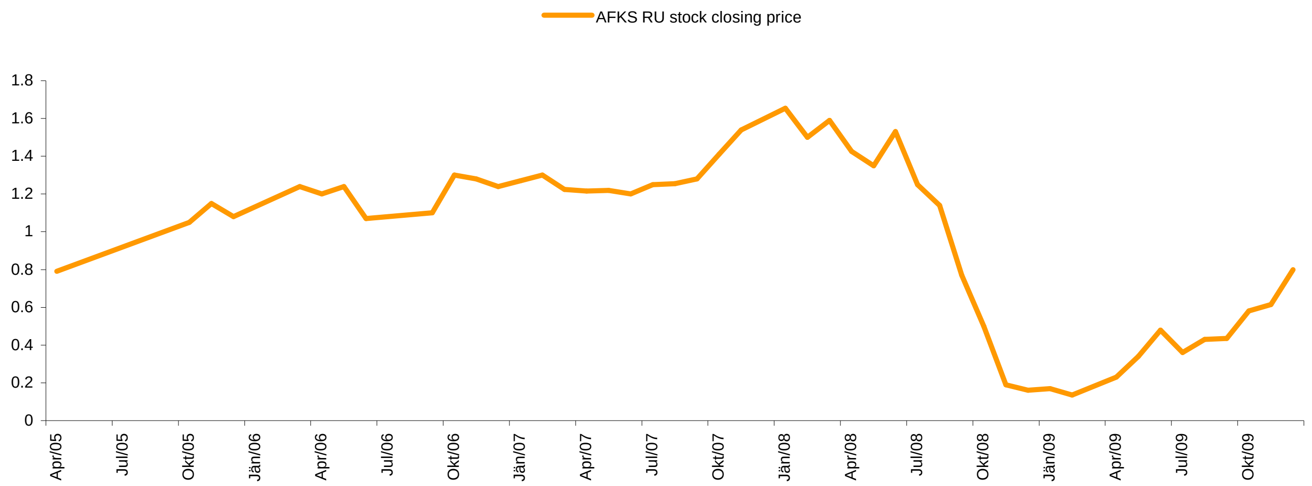
USD in millions	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	05	06	07	08
					09/30/09				12/31/08
EV / TTM EBITDA	3.1x	2.6x	2.6x	3.9x	4.8x	5.5x	6.0x	5.8x	2.6x
EV / TTM EBIT	5.1x	4.3x	4.4x	6.9x	9.3x	8.5x	9.2x	9.0x	4.3x
Enterprise Value	18,466	14,665	13,355	19,032	22,153	15,936	20,908	27,456	14,665
TOTAL DEBT	12,578	15,003	13,269	17,371	20,991	4,864	7,900	11,853	15,003
Equity Market Cap	6,466	1,641	1,303	3,474	5,076	10,422	12,256	15,971	1,641











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RETURN ON CAPITAL

USD in millions	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	05	06	07	08
					09/30/09				12/31/08
Adjusted Cap Rate	13.59%	16.05%	0	10.29%	7.74%	8.87%	8.02%	7.96%	16.35%
Tangible Capital	14,829	14,488	11,922	16,790	20,151	6,915	11,435	15,592	14,488
Total Intangibles	4,742	4,250	4,049	4,269	4,384	1,832	2,179	3,257	4,250
Pre-tax ROIC	24.4%	23.3%	25.3%	16.5%	11.9%	27.0%	19.8%	19.6%	23.3%
After-tax ROIC (effective tax rate)	13.9%	24.8%		12.4%	10.9%	19.2%	12.8%	13.5%	13.0%
After-tax ROIC (assumed tax rate)	15.9%	15.2%	16.5%	10.7%	7.7%	17.5%	12.9%	12.7%	15.2%
WACD (Pre-tax)	3.6%	3.7%	4.7%	4.5%	5.0%	4.6%	4.5%	3.5%	3.7%

explanations and definitions:

Adjusted Cap Rate: This ratio shows EBIT reduced by an assumed tax rate of 35% and adjusted for Net Non-Operating and Extraordinary Losses (Gains) - averaged over the last 5 years - divided by the Enterprise Value.

Tangible Capital: Starting with the Total Book Capital the Tangible Capital figure is calculated by subtracting Intangibles, Cash and Marketable Securities as well as Short Term Investments.

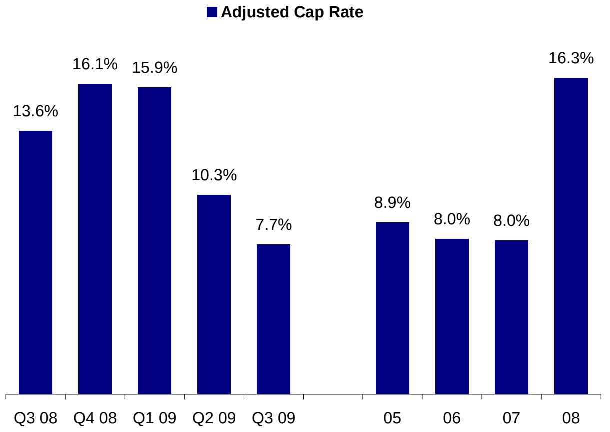
We calculate three different ROIC (Return on Invested Capital) figures:

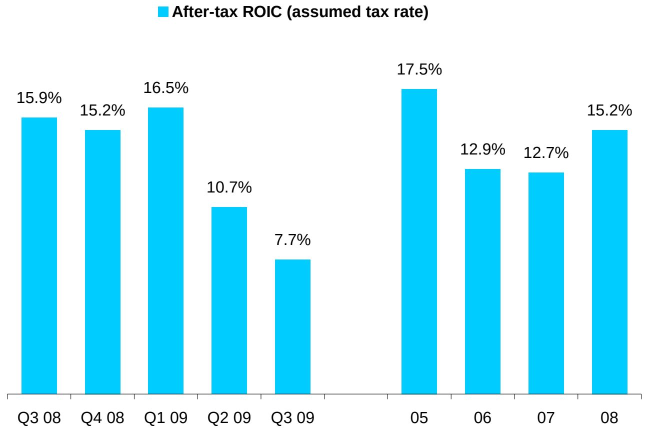
Pre-Tax ROIC: this ratio relates the trailing twelve months (TTM) EBIT to Tangible Capital as defined above.

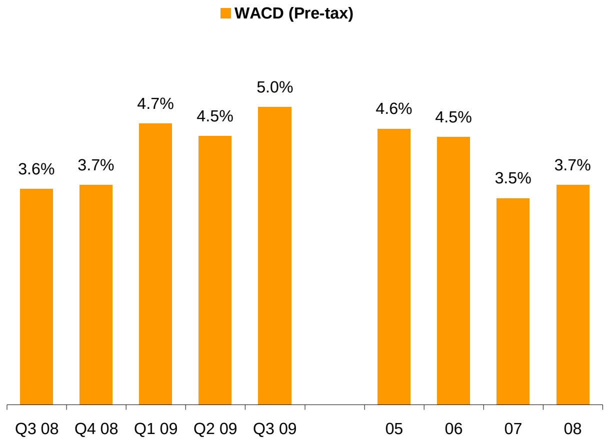
After-tax ROIC (effective tax rate): here EBIT is corrected by the company's effective tax rate as stated in it's latest financials, giving an after-tax ROIC rate.

After-tax ROIC (assumed tax rate): here EBIT is corrected by an assumed tax rate of 35%, giving a modified after-tax ROIC rate.

WACD (Pre-Tax): This rate is defined as trailing twelve months (TTM) TOTAL INTEREST EXPENSE divided by Total Borrowings.







DEFAULT ESTIMATE

Average Bond Spread (in BPoints (1))	604
Estimated Bond Recovery Rate (2)	0.0%
Resulting Tolerable Default Rate (3)	6.0%

explanations and definitions:

We calculate estimated default and recovery rates to be used in other credit models (f.i. for the valuation of CDOs or similar structures) as follows:

(1) Average Bond Spread: Average Spread of all bonds listed on page 2 of this report.

(2) Estimated Bond Recovery Rate: To calculate this rate we first divide the total debt amount into bond debt and loan debt that is senior to bond debt. As an approximation for the total amount of bond debt we use the sum of the amounts outstanding of all bonds listed on page 1 of this report. The total debt figure is reduced by this sum, giving us an approximate figure for debt that is senior to bond debt. We then calculate a collateral asset coverage figure for the bond debt by starting with the Collateral Asset Value (as defined on page 5 of this report) which we reduce by the amount of senior debt ahead of the bonds. The remaining Collateral Asset Value is then divided by the approximate bond debt amount as defined above, giving an estimated recovery value on a collateral asset basis. We apply the same logic to an EBITDA multiple ratio (as on page 7 of this report) and get a second recovery estimate based on the EBITDA multiple. The higher of the 2 estimates is used as the "Estimated Bond Recovery Rate".

(3) Resulting Tolerable Default Rate: The implied default rate calculated using the Market Spread (1) and the Estimated Recovery Rate (2). With the given Market Spread and Estimated Recovery Rate it defines the maximum tolerable default probability for the risk premium paid in the form of Spread. Please note: This rate will only be displayed when it is greater than 0% and lower than 30% as we believe it is not meaningful ('NM') out of this range.

Although we acknowledge that the calculated results are by no means exact, we think they make for a good estimate in the valuation of credit structures when individual default and recovery rates for single issuers are to be used.

TANGIBLE NET WORTH ESTIMATE

USD in millions	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	05	06	07	08
					09/30/09				12/31/08
Total Assets	31,965	29,159	27,123	33,780	41,898	13,091	20,191	28,397	29,159
Total Liabilites	19,699	19,639	18,996	23,163	28,029	7,562	12,131	16,665	19,639
Total Intangibles	4,742	4,250	4,049	4,269	4,384	1,832	2,179	3,257	4,250
Tangible Net Worth	7,525	5,270	4,078	6,348	9,485	3,697	5,881	8,475	5,270
Rent Debt (8x Annual Rental Expense)									
Underfunded Pension & Post Ret. Liab.									
Discount on Hard Assets	11,463	10,211	8,274	13,427	17,424	5,737	7,402	10,263	10,211
Adjusted Tangible Net Worth	-3,938	-4,941	-4,196	-7,079	-7,939	-2,041	-1,521	-1,788	-4,941

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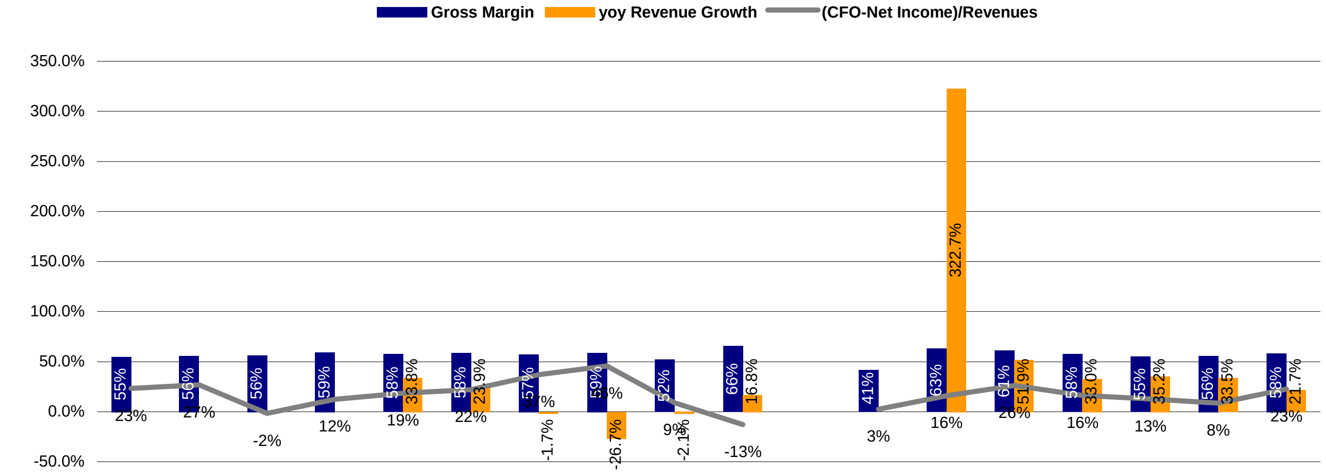
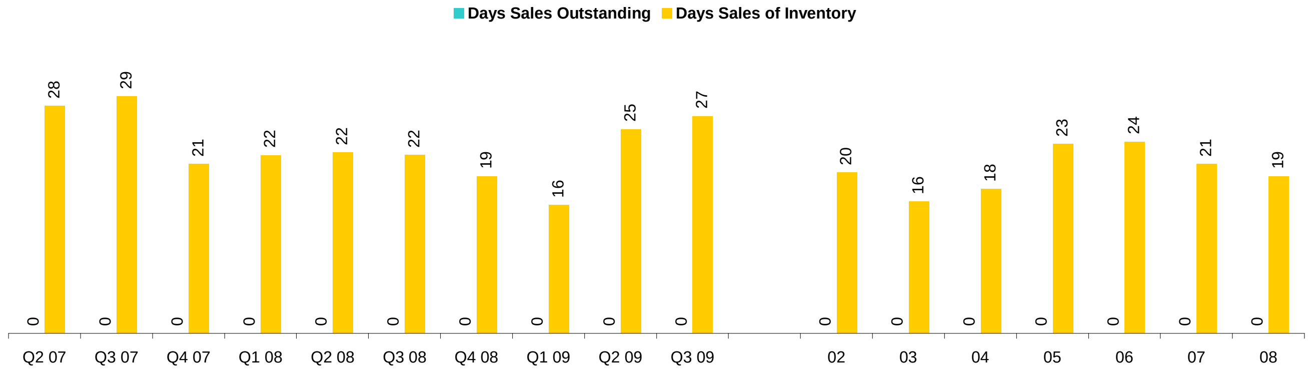
ACCOUNTING RED FLAGS

USD in millions	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	05	06	07	08
					09/30/09				12/31/08
(CFO-Net Income)/Revenues	22.0%	37.1%	45.6%	8.9%	-12.8%	16.3%	12.7%	8.4%	22.6%
yoy Revenue Growth	23.9%	-1.7%	-26.7%	-2.1%	16.8%	33.0%	35.2%	33.5%	21.7%
Gross Margin	58.3%	57.1%	58.8%	52.2%	65.6%	57.6%	55.0%	55.7%	58.0%
Days Sales Outstanding	35	26	23	30	31	21	38	37	26
Days Sales of Inventory	22	19	16	25	27	23	24	21	19
Soft Assets	10,813	9,566	10,365	8,517	9,036	4,494	8,237	9,616	9,566
Unbilled Receivables	-	-	-	-	-	-	-	-	-
Deferred / Unearned Revenue	-	-	-	-	-	-	-	-	-
Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	-
TTM Dividends Paid	-	-	-	-	-	9	10	18	99
TTM Preferred Dividends	0	0	0	0	0	-	0	0	0
Net Change in Capital Stock	0	0	0	0	0	1,285	-347	-140	3
Non-Capex CFI (CFI less Capex)	-660	-137	-679	-2,283	-707	-2,176	-3,551	-3,001	-2,703





Auditor Information:	
Current auditor	DELOITTE & TOUCHE (as of 14.5.2008)
Auditor's opinion	Not audited
Auditor's opinion - Definitions	
Not Audited / Unaudited	No tests were performed to verify amounts in financial statements. Typically applied to interim statement.
Partially audited	Not all statements were audited. Auditor may specifically give opinion on one or two statements.
Unqualified	Auditor declares, without reservation, that the financial statements fairly represent the company's financial position at a point in time and that the statements conform in all material respects to GAAP.
Qualified: Limited Scope	An aspect of the company's financial statements could not be verified, such as a portion of inventory not counted.
Qualified: Inconsistent Standards	Accounting standards were not applied consistently between periods.
Qualified: not GAAP	Standard accounting principles for the country were not followed. Typically related to a unique line item and uses the phrase 'except for.'
Qualified: uncertainty	Doubt exists related to a material balance sheet item, such as value of investment or collectability of major receivable; or auditor doubts going concern ability of company. This opinion usually employs the phrase 'subject to.'
Disclaimer	Auditor refuses to state opinion on financial statements, typically due to lack of sufficient documentation provided by company and/or subsidiaries.

Quarterly Report (Form Type 10-Q) end of period

Annual Report (Form Type 10-K) end of period

Special Events & Material News (Form Type 8-K) filing date

Prospectus (Form Type 42..) filing date

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