SISTEMAHALS
DEVELOPMENT COMPANY

PRESS RELEASE

SISTEMA-HALS RELEASES UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE FIRST 3 MONTHS OF 2009

MOSCOW, RUSSIA – May 29, 2009 – Sistema-Hals (LSE, MICEX, RTS: HALS), one of the largest real estate development companies in Russia and the CIS, today announces its unaudited consolidated financial results for the first three months of 2009 in accordance with US GAAP.

FINANCIAL HIGHLIGHTS FOR THE FIRST 3 MONTHS OF 2009

- For the three months ended March 31, 2009 the revenues of the Group were down 74.8% to USD 34.7 million compared to USD 137.6 million for the three months ended March 31, 2008.

- For the three months ended March 31, 2009 the operating loss of Sistema-Hals Group amounted to USD 8.8 million compared to the operating income of USD 24.7 million for the three months ended March 31, 2008.

- For the three months ended March 31, 2009 the Group's cost of sales decreased by 68.1% to USD 30.2 million compared to USD 94.7 million for the three months ended March 31, 2008.

- The selling, general and administrative expenses of Sistema-Hals Group decreased by 52.2% to USD 6.2 million for the three months ended March 31, 2009 compared to USD 13.0 million for the three months ended March 31, 2008.

- For the three months ended March 31, 2009 the negative OIBDA amounted to USD 3.2 million compared to the positive OIBDA in the amount of USD 29.8 million for the three months ended March 31, 2008.

- For the three months ended March 31, 2009 the net loss of the Group amounted to USD 63.5 million compared to the net income of USD 26.6 million for the three months ended March 31, 2008.

- As of March 31, 2009 the total assets decreased by 12.6% to USD 1,657.1 million compared to the total assets in the amount of USD 1,895.7 million as of December 31, 2008.

PRESS RELEASE

UNAUDITED CONSOLIDATED PROFIT AND LOSS STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008 ACCORDING TO US GAAP:

(USD '000)	Notes	3m 2009	3m 2008	Change, %
Revenues, incl.:	**1**	**34,676**	**137,608**	**(74.8)**
Real Estate Development	*1.1*	*26,290*	*120,475*	(78.2)
Facility Management	*1.2*	*5,190*	*7,081*	(26.7)
Asset Management	*1.3*	*3,196*	*10,052*	(68.2)
Operating expenses, incl.:	**2**	**(43,440)**	**(112,957)**	**(61.5)**
Cost of sales	2.1	(30,234)	(94,741)	(68.1)
Selling, general and administrative expenses	2.2	(6,236)	(13,049)	(52.2)
Allowance for doubtful debts	2.3	(1,368)	0	-
Depreciation and amortization		(5,602)	(5,167)	8.4
OIBDA	**3**	**(3,162)**	**29,818**	**-**
Operating (loss)/income	**4**	**(8,764)**	**24,651**	**-**
Other income/(expenses), net		3,709	(1,989)	-
Interest income		2,488	2,281	9.1
Interest expense, net of amounts capitalized	**5**	(33,876)	(12,137)	179.1
(Loss)/gain on foreign currency transactions	**6**	(25,095)	27,061	-
(Loss)/income from affiliates	**7**	(9,262)	575	-
Gain on sale of subsidiaries	**8**	6,023	0	-
(Loss)/income from continuing operations before income tax and minority interests	**9**	**(64,778)**	**40,441**	**-**
Income tax credit/(expense)	**10**	524	(13,223)	-
Minority interests		772	(1 057)	-
(Loss)/income from continuing operations[1]		**(63,482)**	**26,161**	**-**
Income from discontinued operations, net of income tax effect and minority interest		0	469	-
Net (loss)/income	**11**	**(63,482)**	**26,630**	**-**

[1] In November 2008, the Group sold its stake in two entities, PSO Sistema-Hals and Organizator, which represented the Project and Construction Management segment of the Group.

1. Revenues

For the three months ended March 31, 2009 the revenues of the Group were down 74.8% to USD 34.7 million compared to USD 137.6 million for the three months ended March 31, 2008.

1.1 Consolidated revenue from Real Estate Development was down USD 94.2 million or 78.2% to USD 26.3 million for the three months of 2009. The revenue was recognized from the sale of a 50% share at Soyuzkomint (USD 10.0 million), sale of land plots in the Aurora cottage community (USD 7.4 million) and on the following projects:

- the Rublevskoye Hwy project - USD 3.8 million;
- the Michurinsky project - USD 1.7 million;
- the Nakhimovsky project - USD 1.2 million;
- other projects of the Development segment - USD 2.2 million.

The Real Estate Development business segment accounted for 75.8% of the total revenues of the Group for the three months of 2009.

1.2 Facility Management revenue was down USD 1.9 million, or 26.7% to USD 5.2 million in the three months of 2009 compared to USD 7.1 million in the three months of 2008. The decline was primarily due to a decrease in revenues from repairs and maintenance of AFK Sistema OJSC, MTS OJSC, and Detsky Mir OJSC offices.

The Facility Management business segment represented 15.0% of the Group's total revenues for the period.

1.3 Consolidated revenues from Asset Management was down USD 6.9 million, or 68.2% to USD 3.2 million for the three months of 2009, primarily due to lower sales of the cottage land plots (belong to Mosdachtrest OJSC – a Group's subsidiary) in the amount of USD 5.3 million. Revenue from rentals of cottages owned by Mosdachtrest OJSC was down USD 0.8 million.

The Asset Management business segment represented 9.2% of the total revenues in the three months of 2009.

2. Operating expenses

The operating expenses decreased by 61.5% to USD 43.4 million for the three months ended March 31, 2009 compared to USD 113.0 million for the three months ended March 31, 2008 due to three-times decrease of the cost of sales, two-times reduction of selling, general and administrative expenses, and the allowance for doubtful debts.

2.1 The cost of sales decreased by 68.1% to USD 30.2 million for the three months ended March 31, 2009 compared to USD 94.7 million for the three months ended March 31, 2008, which is in line with the corresponding decrease in revenues.

2.2 The selling, general and administrative expenses decreased by 52.2% to USD 6.2 million for the three months ended March 31, 2009 compared to USD 13.0 million for the three months ended March 31, 2008. The decrease is caused by cost optimization of the consulting services, rent payments, transportation costs, and by reduction of the headcounts and, as a consequence, lower expenditures on payroll and other employee-related costs.

2.3 The allowance for doubtful debts was recognized due to the provision charge in the amount of USD 2.0 million and the reversal of the provision in the amount of USD 0.8 million in connection with the partial debt receivable settlement in I quarter 2009.

3. OIBDA[2]

(USD '000)	**3m 2009**	**3m 2008**
Operating (loss)/income	(8,764)	24,651
Depreciation and amortization	5,602	5,167
OIBDA	**3,162**	**29,818**

OIBDA declined and amounted to the negative value of USD 3.2 million for the three months ended March 31, 2009 as compared with the positive OIBDA of USD 29.9 million for the three months ended March 31, 2008 due to the factors explained above.

4. Operating (loss)/income

For the three months ended March 31, 2009, the operating loss of the Group amounted to USD 8.8 million compared to operating income of USD 24.7 million for the three months ended March 31, 2008.

5. Interest expense, net of amounts capitalized

The interest expense increased to USD 33.9 million for the three months ended March 31, 2009 compared to USD 12.1 million for the three months ended March 31, 2008. The increase is due to the absence of interest capitalization on the projects which are for short term perspective no longer in the active stage of the development under the Board of Directors of Sistema-Hals decision. Another reason is an increase in interest rates under the credit contracts and in the amount of borrowed funds during the reported period.

6. (Loss)/gain on foreign currency transactions

The loss on foreign currency transactions amounted to USD 25.1 million for the three months ended March 31, 2009 compared to the gain in the amount of USD 27.1 million for the same period last year. This change is mainly due to the considerable ruble depreciation. The significant increase of the foreign exchange loss arose with the currency liabilities granted by Merrill Lynch International, Gazprombank, Alfa-Bank, Vnesheconombank and Investtorgbank.

7. (Loss)/income from affiliates

The Group's share in the loss from affiliates amounted to USD 9.3 million for the first 3 months 2009 compared to the gain in the amount of USD 0.6 million for the same period of the previous year. The change is caused by recognition of the Group's share in the loss after revaluation of foreign currency obligations of the joint venture with the French partner Apsys.

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[2] This results statement includes financial information prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), as well as other non-GAAP financial information. The non-GAAP financial information should be considered as an addition to, but not as a substitute for, information prepared in accordance with US GAAP.

OIBDA is operating income before depreciation and amortisation, and the OIBDA margin is defined as OIBDA as a percentage of net revenues. These measures are included in this results statement in order to provide additional information regarding the Group's ability to meet future debt service payments, capital expenditure and working capital requirements, and as a metric to evaluate profitability. OIBDA is not a measure of financial performance under US GAAP, and is not an alternative to operating income as a measure of operating performance, or to cash flows from operating activities as a measure of liquidity. While depreciation and amortization are considered operating costs under US GAAP, these items primarily represent the non-cash current period allocation of costs arising from the acquisition or development of long-term assets in prior periods. OIBDA is commonly used as a criterion for evaluation of operating performance by credit and equity investors and analysts. The calculation of OIBDA may be different from the calculation used by other companies and comparability may therefore be limited.

8. Gain on sale of subsidiaries

The gain on sale of subsidiaries for the first 3 months 2009 amounted to USD 6.0 million due to the sale of the Group's subsidiaries with negative net assets.

9. (Loss)/income from continuing operations before income tax and minority interests

The loss before income tax and minority interests amounted to USD 64.8 million for the three months ended March 31, 2009 compared to the income of USD 40.4 million for the three months ended March 31, 2008 as a result of the factors mentioned before.

10. Income tax credit/(expense)

For the first 3 months 2009 the income tax credit amounted to USD 0.5 million compared to the income tax expense in the amount of USD 13.2 million for the 3 months 2008. The income tax credit for the first 3 months 2009 is caused by recognition of differed tax assets relating to tax losses of the current accounting period.

11. Net (loss)/income

The net loss amounted to USD 63.5 million for the three months ended March 31, 2009 compared with the net profit of USD 26.6 million for the three months ended March 31, 2008.

CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2009 (UNAUDITED) AND DECEMBER 31, 2008 ACCORDING TO US GAAP:

(USD '000)	Notes	March 31, 2009	% of total assets	December 31, 2008	% of total assets	Change, %
ASSETS						
Cash and cash equivalents	12	18,048	1.1	58,328	3.1	(69.1)
Trade receivables, net		121,293	7.3	127,123	6.7	(4.6)
Taxes receivable	13	65,740	4.0	75,986	4.0	(13.5)
Other receivables, net		32,261	1.9	32,106	1.7	0.5
Deposits, loans receivable and investments in debt and equity securities	14	69,350	4.2	62,787	3.3	10.5
Costs and estimated earnings in excess of billings on uncompleted contracts		171,210	10.3	192,824	10.2	(11.2)
REAL ESTATE INVESTMENTS, NET, incl.:	15	1,070,954	64.6	1,211,310	63.9	(11.6)
Real estate developed for sale		757,153	45.7	866,131	45.7	(12.6)
Income producing properties, net		313,801	18.9	345,179	18.2	(9.1)
Buildings used for administrative purposes, plant and equipment, net		9,213	0.6	11,185	0.6	(17.6)
Development rights and other intangible assets, net		24,029	1.5	29,674	1.6	(19.0)
Investments in associates		54,205	3.3	78,119	4.1	(30.6)
Debt issuance costs net of accumulated amortization		1,470	0.1	1,680	0.1	(12.5)
Deferred tax assets		19,343	1.2	14,620	0.8	32.3
TOTAL ASSETS		**1,657,116**		**1,895,742**		**(12.6)**
LIABILITIES AND SHAREHOLDERS' EQUITY						
LIABILITIES						
Payables to suppliers and subcontractors	16	69,593	4.2	84,960	4.5	(18.1)
Billings in excess of costs and estimated earnings on uncompleted contracts		10,922	0.7	14,387	0.8	(24.1)
Accrued expenses and other liabilities	17	70,252	4.2	83,537	4.4	(15.9)
Taxes payable		16,079	1.0	16,263	0.9	(1.1)
Loans and notes payable	18	1,352,618	81.6	1,466,387	77.4	(7.8)
Deferred tax liabilities		35,886	2.2	38,256	2.0	(6.2)
TOTAL LIABILITIES		**1,555,350**	**93.9**	**1,703,790**	**89.9**	**(8.7)**

MINORITY INTERESTS	29,390	1.8	34,024	1.8	(13.6)
SHAREHOLDERS' EQUITY					
Share capital	20,492	1.2	20,492	1.1	-
Treasury stock	(1,600)	(0.1)	(1,600)	(0.1)	-
Additional paid-in capital	527,280	31.8	527,280	27.8	-
Accumulated other comprehensive income	(34,515)	(2.1)	(12,446)	(0.7)	177.3
Accumulated deficit	(439,281)	(26.5)	(375,798)	(19.8)	16.9
TOTAL SHAREHOLDERS' EQUITY	**72,376**	**4.4**	**157,928**	**8.3**	**(54.2)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,657,116**		**1,895,742**		**(12.6)**

As of March 31, 2009 the total assets decreased by 12.6% to USD 1,657.1 million compared to the total assets in the amount of USD 1,895.7 million as of December 31, 2008.

12. Cash and cash equivalents

The cash and cash equivalents decreased by 69.1% to USD 18.0 million as of March 31, 2009 compared to USD 58.3 million as of December 31, 2008. The decrease is mainly explained by the partial repayment of the Group's credit from Alfa-Bank.

13. Taxes receivable

The taxes receivable decreased by 13.5% to USD 65.7 million as of March 31, 2009 compared to USD 76.0 million as of December 31, 2008. The decrease is mainly due to changes in the rate of the US dollar to the ruble.

14. Deposits, loans receivable and investments in debt and equity securities

The deposits, loans receivable and investments in debt and equity securities increased by 10.5% to USD 69.4 million as of March 31, 2009 compared to USD 62.8 million as of December 31, 2008. The increase is explained by the purchase of short-term notes from the issuers with high level of accountability to receive income from investments of temporary available funds.

15. Real estate investments, net

The real estate investments, net decreased by 11.6% to USD 1,071.0 million as of March 31, 2009 compared to USD 1,211.3 million as of December 31, 2008., The value in rubles grew mainly due to the increased Group's share in Sib-Brok OOO (a project company for elite apartments in Yalta) - from 75% to 100%.The difference between the ruble and US dollar denominated data is due to the predominant ruble depreciation in late 2008.

16. Payables to suppliers and subcontractors

The payables to suppliers and subcontractors decreased by 18.1% to USD 69.6 million as of March 31, 2009 compared to USD 85.0 million as of December 31, 2008. The decrease is mainly due to repayments of liabilities by the Group.

17. Accrued expenses and other liabilities

The accrued expenses and other liabilities decreased by 15.9% to USD 70.3 million as of March 31, 2009 compared to USD 83.5 million. The decrease is mainly due to repayments of liabilities on the Narvskaya project.

18. Loans and notes payable

The loans and notes payable decreased by 7.8% to USD 1,352.6 million as of March 31, 2009 compared to USD 1,466.4 million as of December 31, 2008. The decrease is due to the ruble depreciation and despite the issuance of notes in the total amount of USD 117.8 million and new credit facility in the amount of USD 3.5 million obtained in March 2009 from Investtorgbank for the period of 24 months to finance the Gorki-8 project. The effective interest rate is 17%.

Subsequent events

In March–April 2009, the Group repaid part of the loan from Alfa-Bank in the amount of USD 68 million. The remaining loan in the amount of USD 22 million was extended till the end of May in 2009.

In April 2009, the Group issued 5 million bond securities with a par value of 1,000 ruble each. The bonds Series 1 bear a coupon rate of 15%, the bonds Series 2 bear a coupon rate of 12%, and both Series mature in 2014. The bonds were issued at par value. The cash received as a result of the bonds issue was used to restructure the current debt of the Group.

According to the news officially released by AFK Sistema on 7 April 2009, “Sistema today announced that it has signed an agreement with JSC VTB Bank (“VTB”) to sell a portion of its shares in Sistema-Hals. The transaction is being carried out in two stages. During the first stage completed in April 2009 VTB acquired 19.5% stake in Sistema-Hals for RUB 30 and also received a call option to acquire a further 31.5% stake in the company for RUB 30. VTB may exercise its call option subject to receiving the necessary approvals from the regulatory authorities. Following the exercise of the call option, VTB will own 51% of Sistema-Hals.”

In May 2009, the Group acquired a 100% stake at Lubyanka Development OJSC, previously owned by AFK Sistema OJSC. Sistema-Hals has also sold its 58% stake of Mosdachtrest OJSC to AFK Sistema Group. Lubyanka Development OJSC owns Central Detsky Mir building (5 Teatralny Proezd, Moscow), which was closed for the reconstruction in 2008. The main business of Mosdachtrest OJSC is cottage asset management. Mosdachtrest OJSC owns approximately 200 hectares of land plots and about 800 summer residencies in Moscow and Moscow Region.

Sistema-Hals (“the Company”) is a leading diversified company in the Russian and CIS real estate market. The core businesses of Sistema-Hals are development, asset management and facilities management.

The Company was the first Russian property developer to list its shares on the main market of the London Stock Exchange. The Company’s shares are also listed on the Moscow Interbank Currency Exchange and the Moscow Stock Exchange.

Since starting operations in 1994, Sistema-Hals has successfully completed about 40 projects with a total area in the region of 340,000 square metres, including the headquarters of DaimlerChrysler, the Hals Tower office building, the headquarters of Trubnaya Metallurgical Company and a hotel for the MaMaison chain (Orco Property Group).

At present Sistema-Hals is in the process of development the Leningradsky Towers complex in Moscow. It is also carrying out a complex redevelopment of the property portfolio of Moscow City Telephone Network, rebuilding the flagship Detsky Mir toy store near Lubyanka Square, and pursuing a series of other projects.

Sistema-Hals has assembled a balanced and diversified portfolio of assets in fast-growing sectors of the market. The Company's strategy is focused on building Class A and B office space, mixed-use retail and office complexes, business-class homes, residential estates and land development.

Cushman & Wakefield Stiles & Riabokobylko valued the Sistema-Hals share of properties and projects in its portfolio at $2,049 million as at 1 January 2009.

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