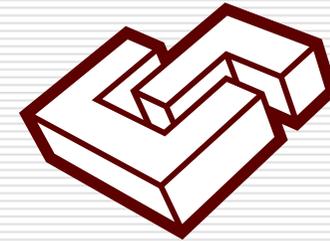


SISTEMAHALS

DEVELOPMENT COMPANY



INVESTOR PRESENTATION

January 2007



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5/2 1st Tverskaya-Yamskaya Street, 2005

COMPANY PROFILE

SISTEMA-HALS AT A GLANCE

- A leading Russian property development company engaged in:
 - real estate development
 - project and construction management
 - real estate asset management
 - facility management
- Unique exposure to all areas of the construction industry including residential, commercial, retail and infrastructure
- Expertise and resources to deliver on complex projects
- Developer of choice for blue-chip companies, such as DaimlerChrysler, Dresdner Bank, Raiffeisenbank and Siemens
- Significant benefits derived from association with Sistema Group
- Focus on Moscow with current projects in 7 cities across Russia and Ukraine

Key statistics for H1 2006

Revenues ¹	US\$106.6m
-----------------------	------------

OIBDA ^{1, 2}	US\$43.7m
-----------------------	-----------

OIBDA margin ^{1, 2}	41%
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Properties portfolio valuation ³	US\$1.5bn
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Held as investment ⁴	24 properties
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Development pipeline ⁴	64 projects
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Under consideration	c.40 projects
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Note:

1 Unaudited financial statements for 6 months ended 30 June 2006

2 OIBDA represents operating income before depreciation and amortization

3 Beneficial share of Sistema-Hals as of 30 June 2006 by C&WS&R

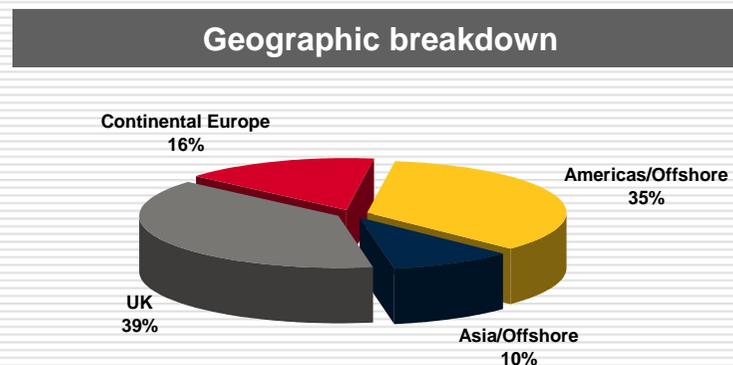
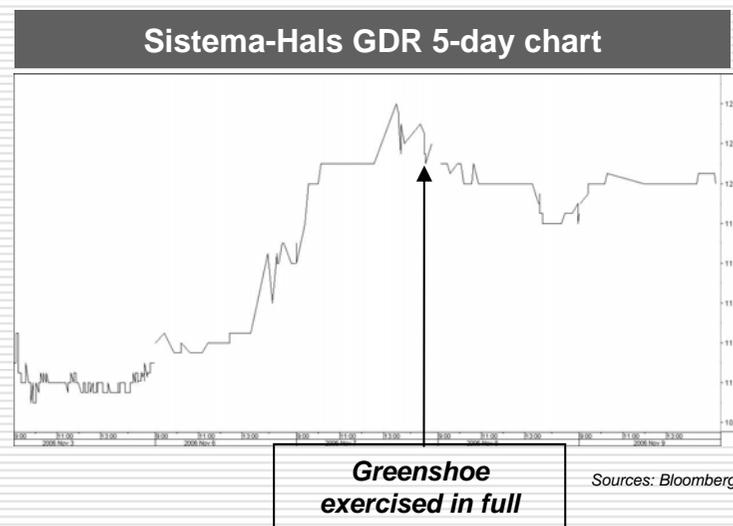
4 C&WS&R report as of 30 June 2006

IPO HIGHLIGHTS



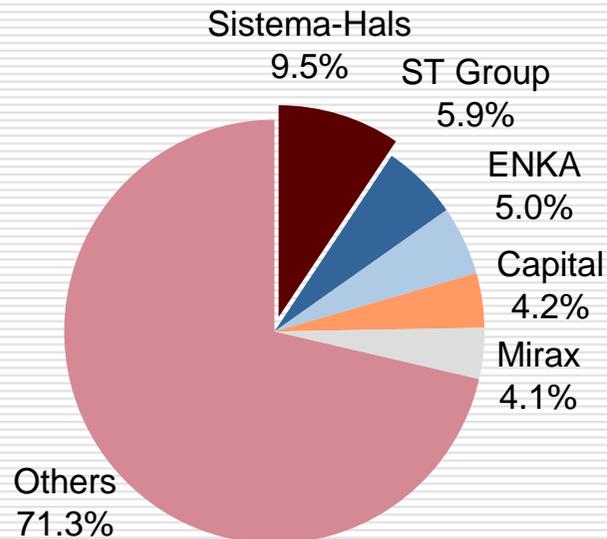
- Largest ever real estate IPO in CEE
- First Russian real estate company to be listed on London Stock Exchange
- Highest valuation ever achieved by a CEE real estate company at IPO

Issuer	JSC Sistema-Hals
Joint Lead Managers and Joint Bookrunners	Deutsche Bank, Nomura International and UBS
Size	US\$432m (post greenshoe)
Greenshoe	US\$36m (c. 9.1% of the offering)
Pricing Date	3 November 2006
Listing	London Stock Exchange, MICEX, MSE
Issued securities	GDRs and ordinary shares (20 GDR = 1 share)
Offer Structure	Reg S and 144A to QIBs
Pricing	US\$10.70 per GDR and US\$214 per ordinary share
Indicative Price Range	US\$9.60 - 11.45 per GDR
New/existing capital	94% primary and 6% secondary
Free float	18% (post greenshoe)
Valuation	US\$2.1 billion post-money
Lock up	6 months by Sistema and its subsidiaries



LEADING REAL ESTATE PLAYER IN RUSSIA

Highest market share among Class A office developers in Moscow



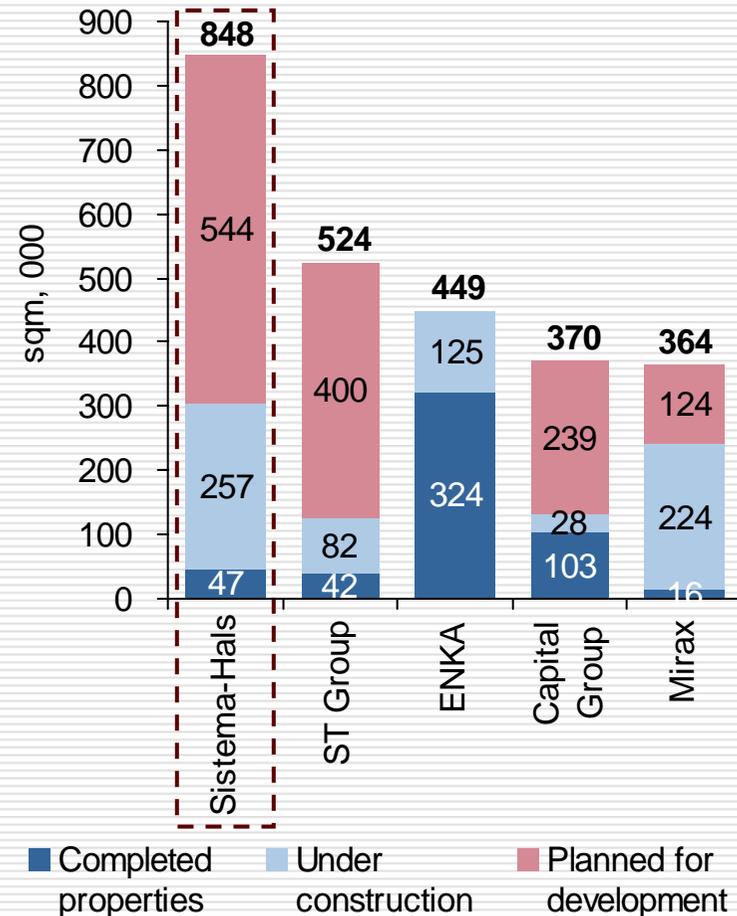
Moscow Class A office properties and development pipeline:
8.9¹ million sq m

Note:

¹ Based on total space of Class A offices including completed properties, properties currently under construction and planned for future development based on publicly available information

Source: www.developery.ru, October 2006

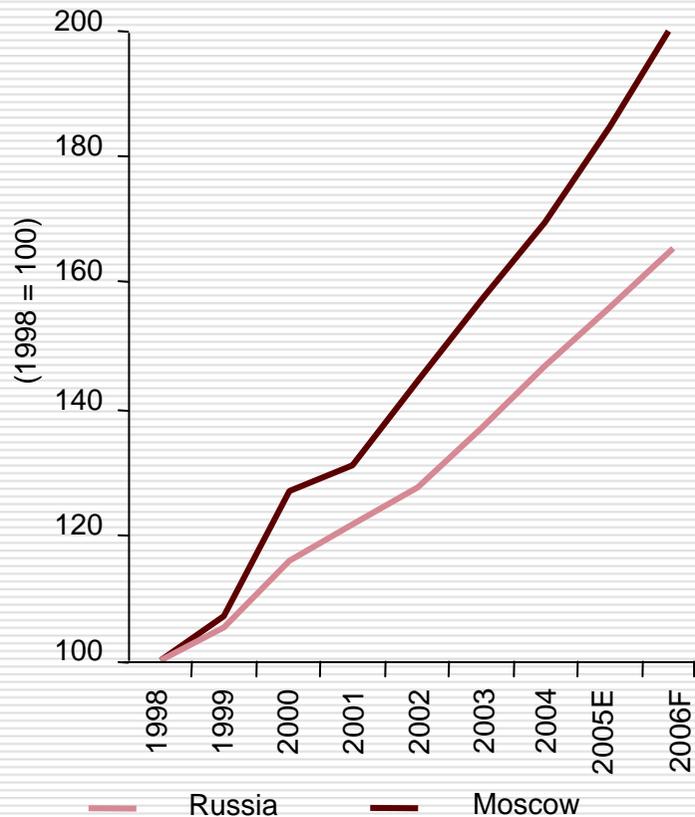
Top 5 developers of Class A offices in Moscow



Source: www.developery.ru, October 2006

FAVOURABLE MACROECONOMIC ENVIRONMENT

Russian Gross Domestic Product vs. Moscow City Gross Regional Product



Note: Real terms

Sources: Rosstat, City of Moscow, Economist Intelligence Unit, 2004

Gross Domestic Product per capita based on purchasing power parity (PPP)



Sources: Rosstat, City of Moscow, Economist Intelligence Unit, 2004

Moscow is approaching Western European consumer spending levels

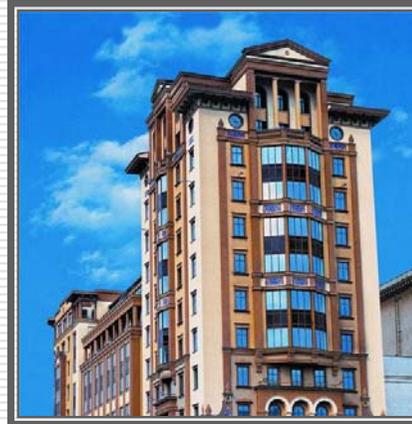
KEY COMPLETED PROJECTS



40/37 Bolshaya Ordynka St.

Completed in 1996

9,011sqm



Hals Tower

Completed in 2001

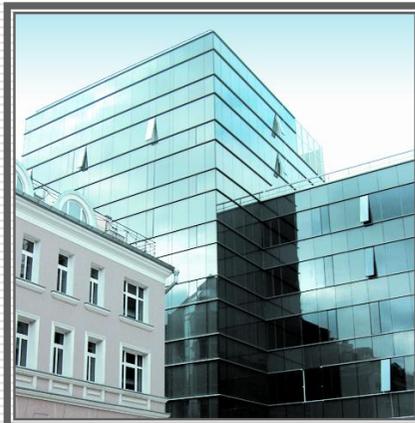
14,155 sqm



30, Kadashevskaya Emb.

Completed in 2003

6,513 sqm



7, Nastasinsky Lane

Completed in 2005

7,496 sqm



15, Elninskaya Street

Completed in 2006

178 apartments of

55 to 250 sqm



40/3 Pokrovka Street

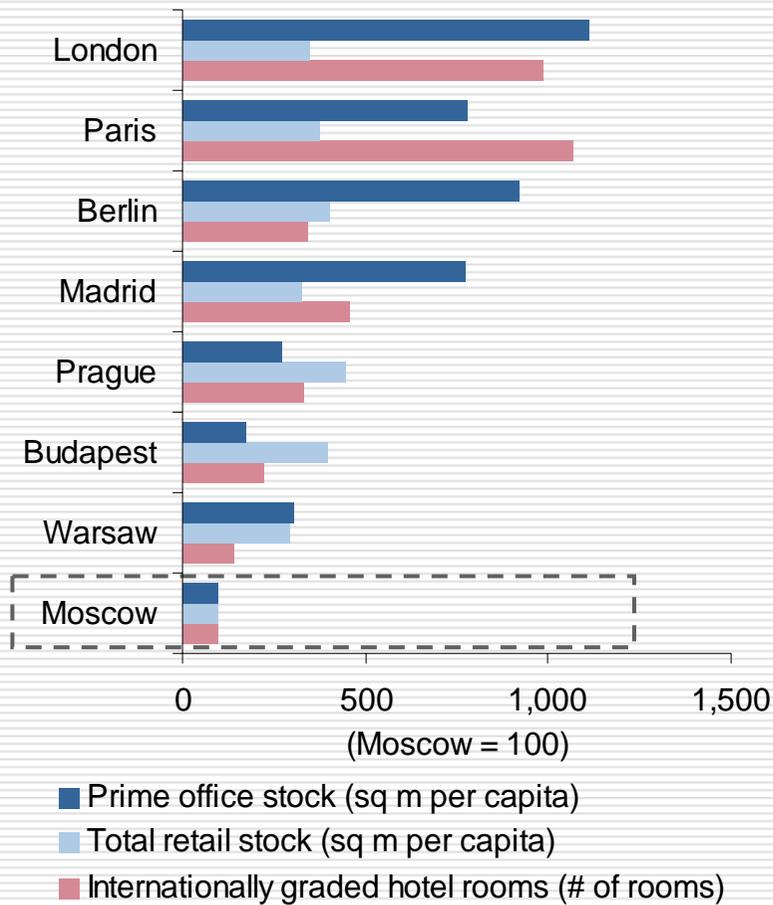
Completed in 2006

24,169 sqm



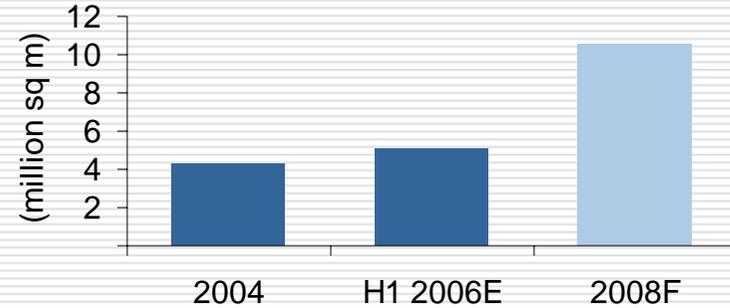
DYNAMIC REAL ESTATE MARKET

Moscow lags behind European capitals in all categories of quality real estate



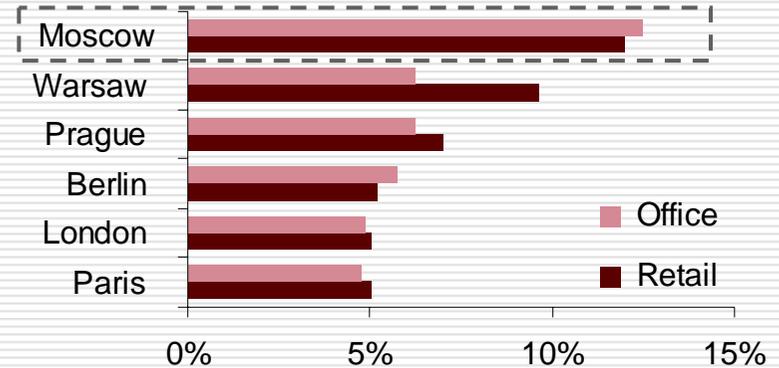
Source: PMA, Jones Lang LaSalle, Colliers

Moscow Class A & B office space to double in 2007-2008, still not meeting demand



Source: C&WS&R

Rental yields in 2005



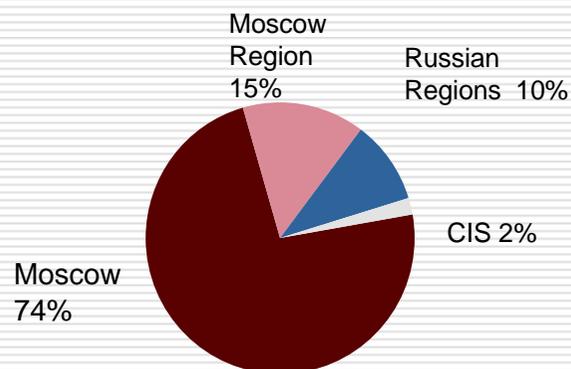
Source: PMA, Jones Lang LaSalle

Clear upside potential

STRONG PIPELINE

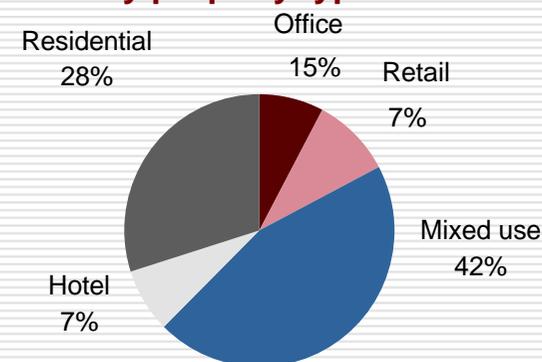
	Number of properties	Market Value ¹ , US\$m	OMV ² , US\$m	GBA ³ , m '000
Properties held as investment, including land plots	24	233	–	149 ⁴
Development projects	64	1,232	7,487	2,797
In the course of development	31	685	3,970	1,595
Held for future development	33	547	3,527	1,202
Land in the course of development	1	45	96	931
TOTAL	88	1,510	–	–

Geographical breakdown of properties ¹



Source: C&WS&R report as of 30 June 2006

Development portfolio breakdown ¹ by property type



Source: C&WS&R report as of 30 June 2006

TOTAL: 2,796,884 sqm ⁵

Notes:

- 1 Attributable to Sistema-Hals
- 2 Open Market Value, assuming built and fully let, attributable to Sistema-Hals share
- 3 Gross Building Area
- 4 Not including 114.2 hectares of land in the Moscow region
- 5 Not including 93 hectares of land in the Moscow region, Aurora project

HIGHLY EXPERIENCED MANAGEMENT



Felix Evtushenkov

President

- Deputy General Director for Strategy and Marketing of Sistema-Hals
- Serves on board of directors of Detsky Mir-Center and Detsky Mir
- Degree from the Moscow University of International Law and Economics



Evgeny Kolodkin

Vice-President – Strategy and Development

- From 2005 to 2006 served as Head of Corporate Development Department of Sistema
- consultant at Bain & Company in Moscow, Sydney and London.
- Bachelor degree in marketing from Arnhem Business School, the Netherlands



Azariy Lapidus

First Vice-President, Construction

- Deputy Chairman of the Board of Directors of Sistema-Hals
- Professor of Moscow State University of Civil Engineering
- Founder and President of SUE Holding (general contractor for the Bolshoi Theatre and Gazprom buildings in Moscow)



Iosif Purits

General Director of Hals Stroy

- Over 30 years in industry
- Projects:
 - Detskiy Mir (Kazan)
 - Serebryany Bor
 - 15 Yelninskaya Street



Michael Golomb, CPA

CFO

- Head of Compliance and External Reporting Division at Trimble Navigation (NASDAQ listed)
- Corporate Controller at Entegriy Solutions
- PriceWaterhouseCoopers
- MBA Finance from Santa Clara University, California



Vladimir Soprun

Project Manager (since 1994)

- Over 15 years in industry
- Projects:
 - Ordynka
 - Hals Tower
 - Leningradsky Towers



Igor Kashev

Vice-president, Asset Management

- Head of land property department
- Legal specialist at "Capital Group"
- Business development at Sistema-Hals



Mikhail Kazakov

General Director of City Hals (since 2001)

- 9 years in industry, Certified Property Manager
- Projects:

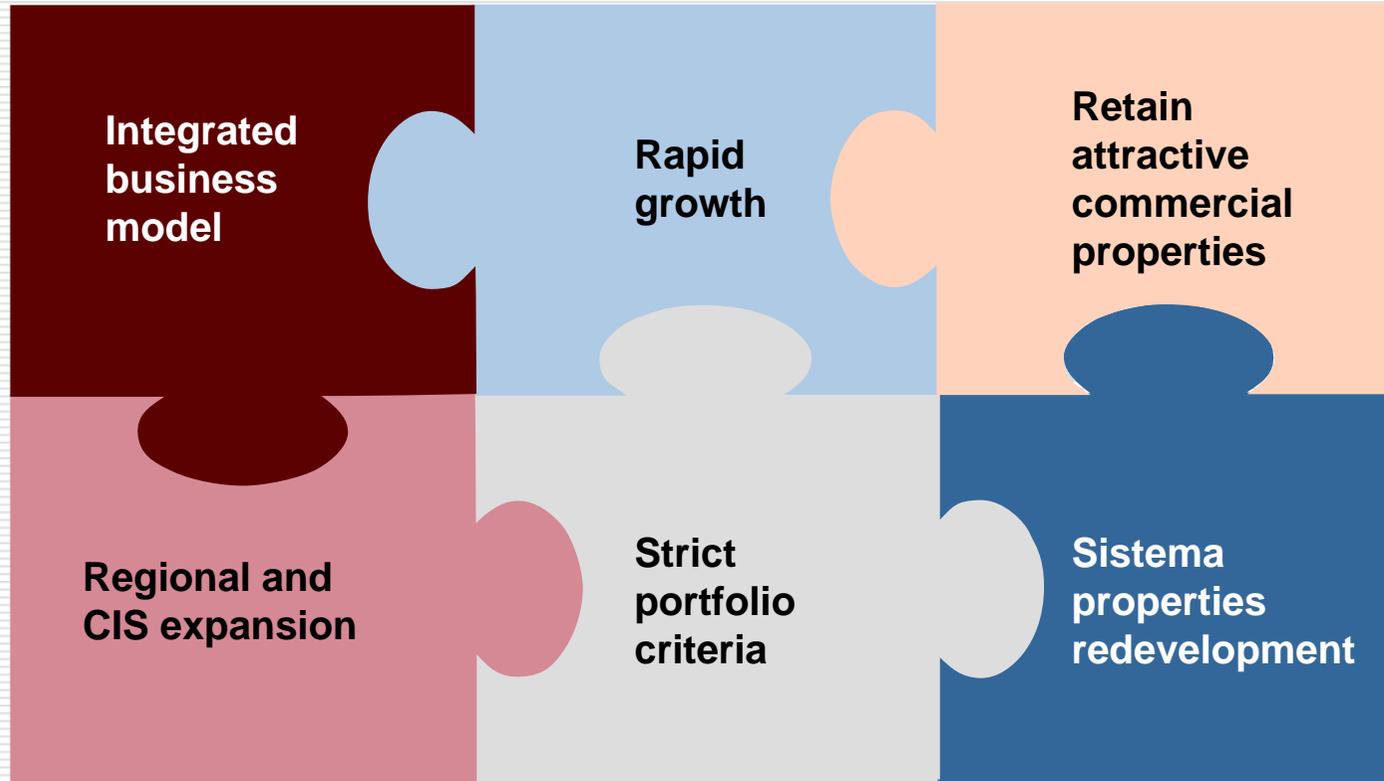
<ul style="list-style-type: none"> ▪ Hals Tower ▪ Kompozitorskaya St. ▪ 5 Mamontovsky Avenue (MTU) 	<ul style="list-style-type: none"> ▪ 29 Gagarinsky Lane ▪ Izumrudnaya Dolina residential complex ▪ 4 Bobrov Lane
---	---



Kievsky Highway, 2004

STRATEGY

STRATEGY HIGHLIGHTS



Sistema-Hals aims to become the largest real estate developer and a leading real estate asset portfolio manager, in Russia and elsewhere in the CIS

INTEGRATED BUSINESS MODEL

Sistema-Hals



<u>H1 2006</u>				
Revenue, US\$m	77.7	13.3	11.2	4.4
OIBDA, US\$m	32.7	5.0	5.6	0.3
OIBDA margin	42%	38%	50%	7%
Revenue CAGR 2003-05	63%	187%	55%	21%

Source: Audited financials for years ended 31 December 2003, 2004 and 2005 and unaudited financials for 6 months ended 30 June 2006

Unique synergies from complementary business model

VALUE CHAIN DRIVEN BUSINESS MODEL



Development process timeline	Idea and Concept	Design	Construction	Completed project
Real Estate Development	<ul style="list-style-type: none"> Sourcing new properties for development Investments 	<ul style="list-style-type: none"> Project management Feasibility studies ¹ Financing Technical design ¹ Statutory approvals 	<ul style="list-style-type: none"> Project management Financing Appointment of general contractor 	<ul style="list-style-type: none"> Transfer to Asset Management / Investments for holding or for sale
Project / Construction Management	<ul style="list-style-type: none"> Sourcing new projects for construction Preliminary design 	<ul style="list-style-type: none"> Technical design documentation ¹ Statutory approvals 	<ul style="list-style-type: none"> General contractor for construction Technical supervisor 	
Asset Management / Investments				<ul style="list-style-type: none"> Purchase/sale of properties Property rental Portfolio monitoring and optimization
Facility Management				<ul style="list-style-type: none"> Cleaning Site repairs and maintenance Security

Note:

¹ Commissioned from third party contractors

STRICT BUSINESS SELECTION CRITERIA

Return-Based Strategy

- Minimum IRR target 20%
- Minimum size of 15,000 sq m

Strict Portfolio Focus

- Class A and B offices
- Shopping centres and mixed use
- Business class residential
- Single family houses
- Land development

Maintaining high quality

- Enhancing construction capabilities
- Engaging international contractors and consultants

Disciplined investment approach focused on the most profitable market segments



DEVELOPMENTS VS. RENTAL PROPERTIES

Commercial Properties

Develop and hold

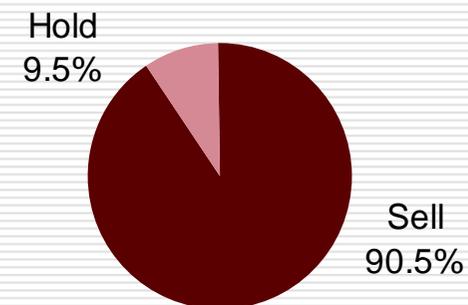
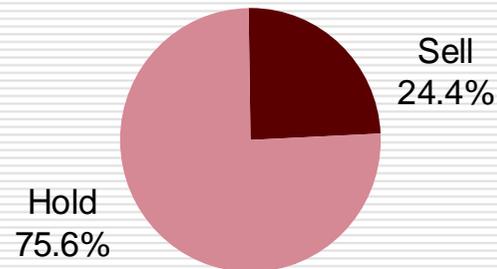
BUT: sell properties of less than 15,000 sq m

Residential Properties

Develop and sell

BUT: hold unique assets

Breakdown of development projects

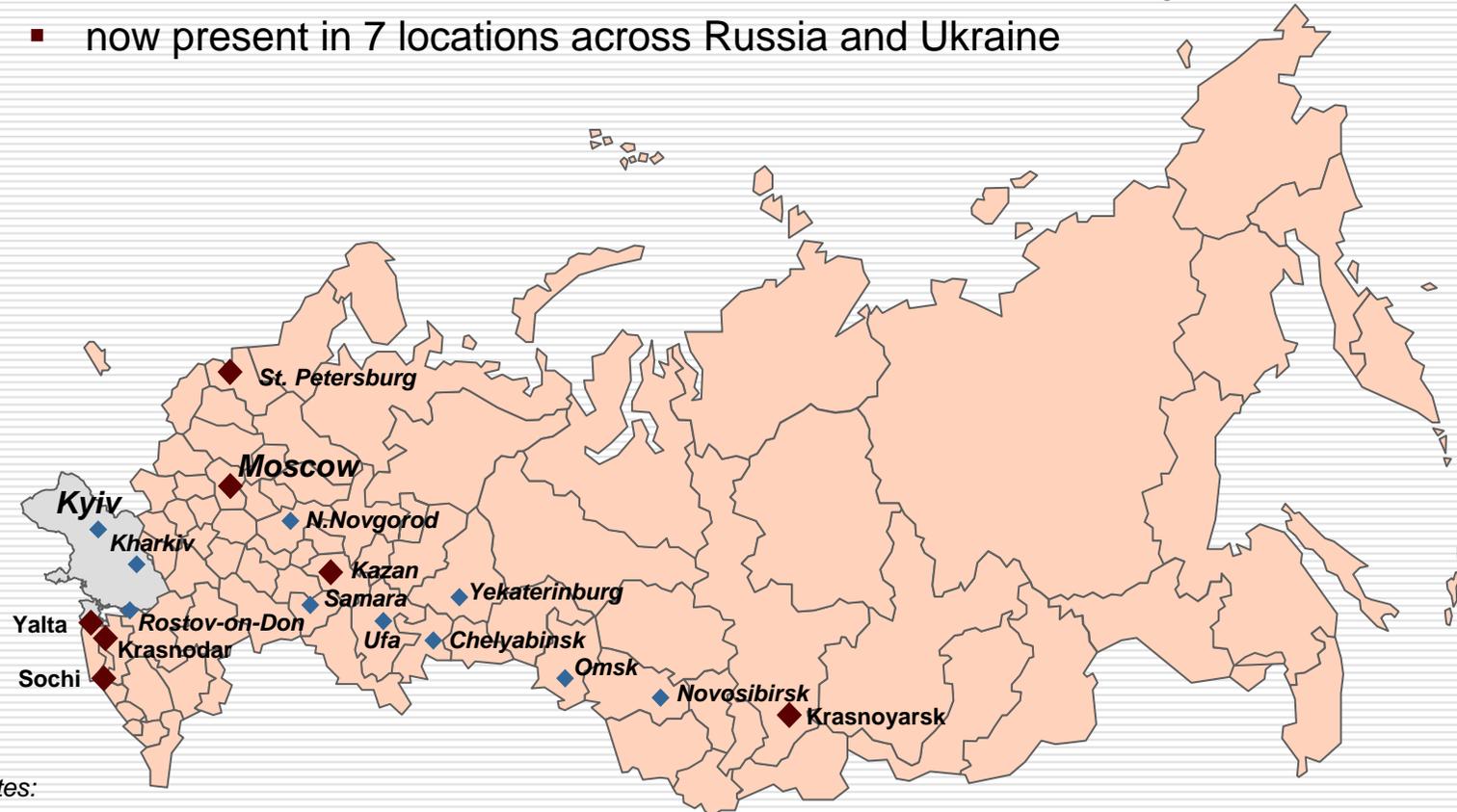


Source: C&WS&R report as of 30 June 2006

We focus on commercial properties for investment

EXPANDING ACROSS THE REGIONS

- We aim to replicate our Moscow experience in other Russian regions and in the CIS
 - now present in 7 locations across Russia and Ukraine

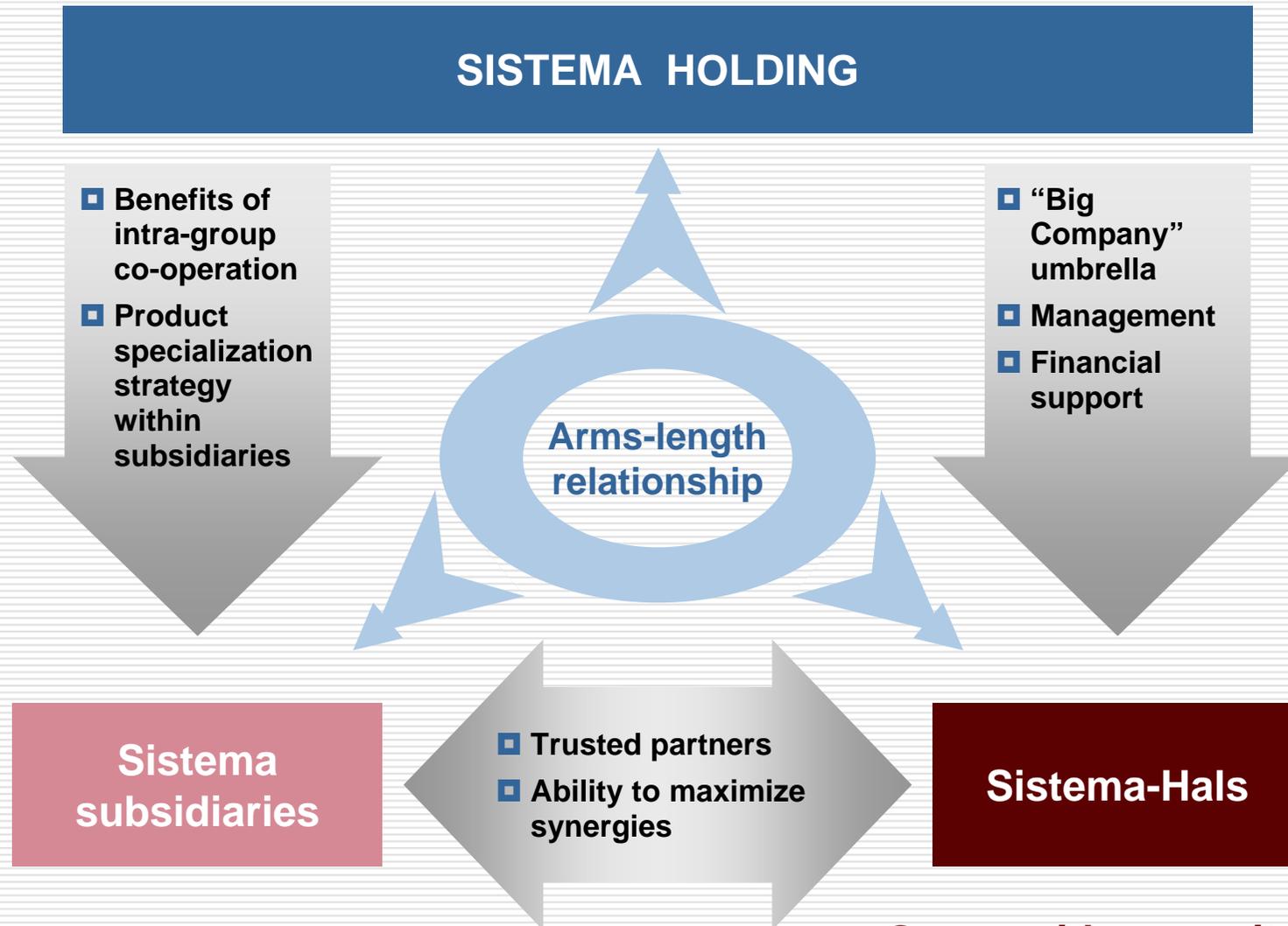


Notes:

- ◆ Cities where Sistema-Hals is currently present (*italics show cities with population of over 1 million people*)
- ◆ Other cities with population of over 1 million people (*considered for future expansion*)

High growth potential is the key driver for regional diversification

BENEFITS OF GROUP SYNERGIES

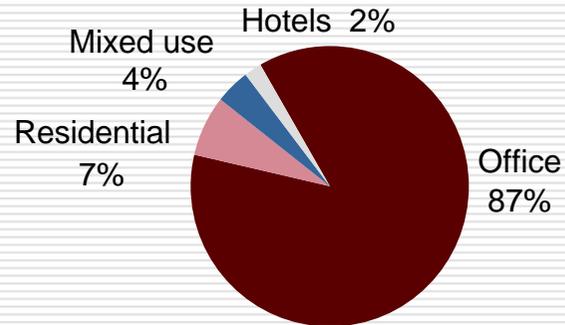


Group-wide commitment to the highest corporate governance practices



GROUP-WIDE SYNERGIES: MGTS PROJECTS

Planned primary use (per sqm)



Realization split in several stages

	Stage I - III				Total
	2008	2009	2010	2011	
Estimated completion					
Number of properties	7	19	5	2	33
GBA, sqm '000	54	351	124	40	569

Source: Company data



Redevelopment of prime locations to be completed by 2008–2011

COOPERATION WITH LEADING MARKET EXPERTS

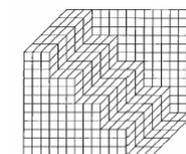
Real estate specialists



Construction companies

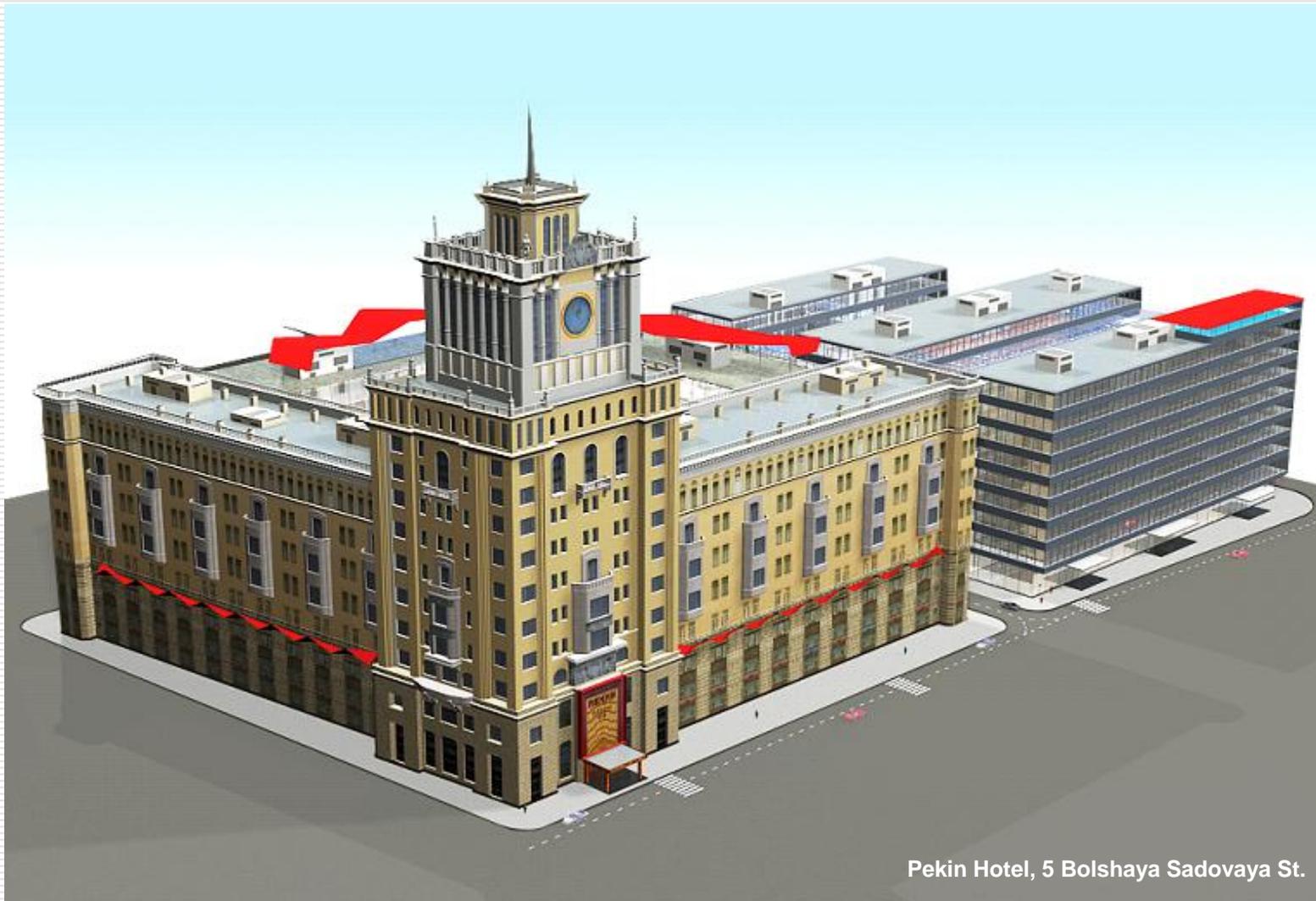


Architects



Buro Happold





Pekin Hotel, 5 Bolshaya Sadovaya St.

FINANCIAL PERFORMANCE

SUMMARY OF FINANCIAL HIGHLIGHTS

- Record H1 2006 performance in terms of Revenue, OIBDA and Net Income
- Focus on growing share of income generating assets
- Significant increase in FMV of assets as reported by Cushman & Wakefield Stiles & Ryabokobylko
- Solid internal control systems and prudent financial management

INCOME STATEMENT

(US\$ '000)	2005	H1 2005	H1 2006	Change 05-06
Revenues	93,124	33,245	106,620	221%
Operating income	11,699	3,896	41,993	978%
Other income/(expenses), net	(1,201)	128	268	109%
Interest expense	(3,306)	(2,087)	(1,754)	(16%)
Capital gain	2,781		3,078	n/a
Pre-tax profit	9,780	984	38,766	3,840%
Income tax expense and payments to major shareholder	(4,517) 5,263	(1,942) (958)	(4,748) 34,018	144%
Minority interests	(4,556)	(3,201)	(2,934)	(8%)
Net income/(loss)	707	(4,159)	31,084	n/m
OIBDA¹	14,482	4,859	43,707	576%
Adjusted OIBDA²	17,263	4,859	46,785	625%

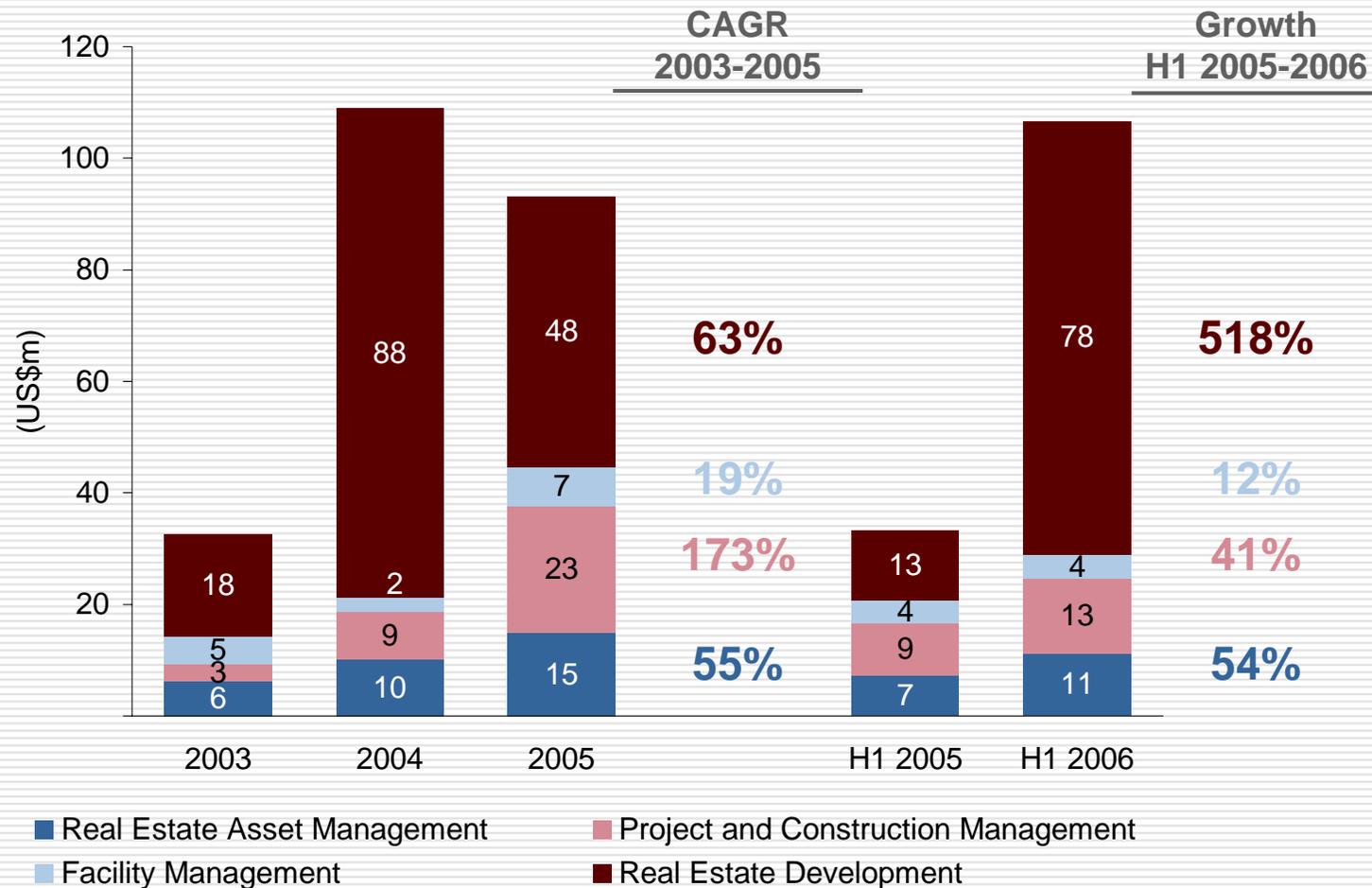
Notes:

1 OIBDA represents operating income before depreciation and amortization

2 Adjusted OIBDA represents OIBDA plus a gain on sale of a controlling interest in a subsidiary and a gain on disposal of an equity investee

Source: Audited financials for years ended 31 December 2003, 2004 and 2005 and unaudited financials for 6 months ended 30 June 2005 and 2006

REVENUE BREAKDOWN



Source: Audited financials for years ended 31 December 2003, 2004 and 2005 and unaudited financials for 6 months ended 30 June 2005 and 2006

**Volatile revenues
due to the nature of development business**

BALANCE SHEET

(US\$ '000)	2005	H1 2006	Growth H1'06 - 05
ASSETS			
Current assets	106,322	113,926	7%
Non-current assets	218,713	303,615	39%
Total assets	325,035	417,541	28%
LIABILITIES			
Financial debt	216,500	164,590	(24%)
Other liabilities	64,979	200,370	208%
Total liabilities	281,479	364,960	30%
Minority interests	14,125	14,316	1%
NET ASSETS/(LIABILITIES)	29,431	38,265	30%

Source: Audited financials for years ended 31 December 2003, 2004 and 2005 and unaudited financials for 6 months ended 30 June 2006

FINANCIAL REVIEW (9M 2006)

(US\$ millions)	Q3 2006	Q3 2005	Year on Year Growth	9m 2006	9m 2005	Year on Year Growth
Revenues	54.6	18.5	195%	161.1	35.5	353%
OIBDA	15.5	7.3	113%	60	11.2	433%
Operating income	13.0	5.2	150%	55.7	8.4	561%
Net income/(loss)	24.7	(2.0)	-	34.0	1.4	2293%

Mixed-use Class A office and hotel complex

The growth in revenues for the nine months of 2006 resulted primarily from sale of:

- "Pokrovka" project, an office and hotel building in the center of Moscow, for US\$ 84.4 million; and
- "Yartsevskaya 27" project, residential premises in Moscow, for US\$ 20.3 million



Location:
40/3 Pokrovka Street
Moscow

GBA:
14,170 sqm

Source: Press Release "SISTEMA ANNOUNCES INTERIM FINANCIAL RESULTS", 21.12.2006

FINANCIAL POLICIES

- Annual audits and semi-annual review under US GAAP by Deloitte since 2003
- Quarterly consolidated management accounts with project accounting component under US GAAP starting Q1 2005
- Centralised budgeting consolidation system
- Monitoring of financial performance on individual projects
- Target capital structure of D/E = 70/30
- Natural hedges in currency risks
- KPMG hired for business processes documentation and preparation for new ERP systems implementation to start in 2007

Solid internal and external financial control systems in place

INVESTMENT AND FINANCING

- Capital expenditure will be the focus of our cash outflow for the foreseeable future in order to:
 - investments in the development of real estate properties for sale
 - investments in properties for future development and as an investment
 - cash outlays for capital investments in real estate developments projects
 - acquisition of real estate properties and land rights (ownership or leasehold)
- Repayment of debt
- Changes in working capital
- General corporate activities

Use of IPO proceeds

- Making additional investments into our current development pipeline
 - up to 70-80%
- Acquiring real estate development companies, general contractor companies and facility management companies in Russia and the CIS, as well as for other corporate purposes
 - up to 20-30%

**Real estate investment and development
is a capital-intensive business**



2007: PROJECTS

2007: RESIDENTIAL PROJECTS

Key ongoing projects

- Michurinsky Prospect, 39A
- Dnepropetrovskaya 25A
- Nakhimovsky Prospect, 4
- Rublevskoe sh., 111
- Yartsevskaya Street, 28V
- Serebryanny Bor,2

Projects due for completion in 2007

Yartsevskaya Street, 27V



Location:
Moscow, Russia
Kuntsevo district

GBA:
29.910 sqm

Total Investments:
34 \$mn

Serebryanny Bor,2



Location:
Moscow,
Russia

GBA:
14,650 sqm

Total Investments:
38 \$mn

In the course of the year 2007 over 13 properties are planned to be under construction of which 2 are to be completed



2007: RETAIL PROJECTS

Key ongoing project

Regional mall Hals Mart ("LETO")

Location:
St. Petersburg, Russia

Land plot:
17.7 hectares

GBA:
103,489 sqm

Total investments:
151\$mn



Project due for completion in 2007

The retail-entertainment complex in Kazan



Location:
Kazan, Russia

GBA:
20.671 sqm

Total investments:
38 \$mn

In 2007 we plan to start the reconstruction of the flagship store
"Detsky Mir" located in the center of Moscow on Lyubyanka
Square



2007: OFFICE BUILDINGS

Key ongoing project

Leningradsky towers

- Valued by C&WS&R at US\$146.8 million¹
- TBA: 110.070 sqm
- Siemens Towers will consist of two class A office towers
 - the first tower is will be Siemens Russian headquarters
 - Siemens has agreed to a forward purchase of one tower as well as a development fee
 - the second tower is intended for rental on the commercial office market and includes underground parking
 - the two towers will include 739 secure parking spaces
- Estimated completion: Q3 2008



¹ Source: C&WS&R report as of 30 June 2006

In 2007 we plan to start renovation and development of more than eight MGTS projects



2007: INFRASTRUCTURE AND TRANSPORTATION PROJECTS

Key ongoing project

Moscow's largest radial highway "Krasnopresnensky Prospect"

This project is essential for the development of Moscow's transport infrastructure as the portion of Krasnopresnensky Prospect connecting the city center with the MKAD.

- **The aggregate cost:**
approximately US\$1.3 billion
- **The Krasnopresnensky Prospect involves the construction of:**
 - sophisticated tunnel system able to accommodate automobile traffic, as well as the metro system.
 - bridge over the Moscow river
 - transport intersection with the Third Transport Ring and a rail road
- **Our role:** We act as the construction manager and technical supervisor for the construction work



2007: LAND DEVELOPMENT

Project due for completion in 2007

Avrora

- Estimated value of US\$45,1 million ¹
- Location: 18th kilometre of Dmitrovskoe highway, Mitishinsky district, village Stepan'kovo, Moscow region, Russia
- The total property comprises a 93.05 ha land site. Currently vacant land, which is being divided into 147 separate land plots, provided with access and utilities, for residential development by the individual purchasers.
- Riverside land plot with a total area of 14.55 ha is held for development of a yacht-club



¹Source: C&WS&R report as of 30 June 2006





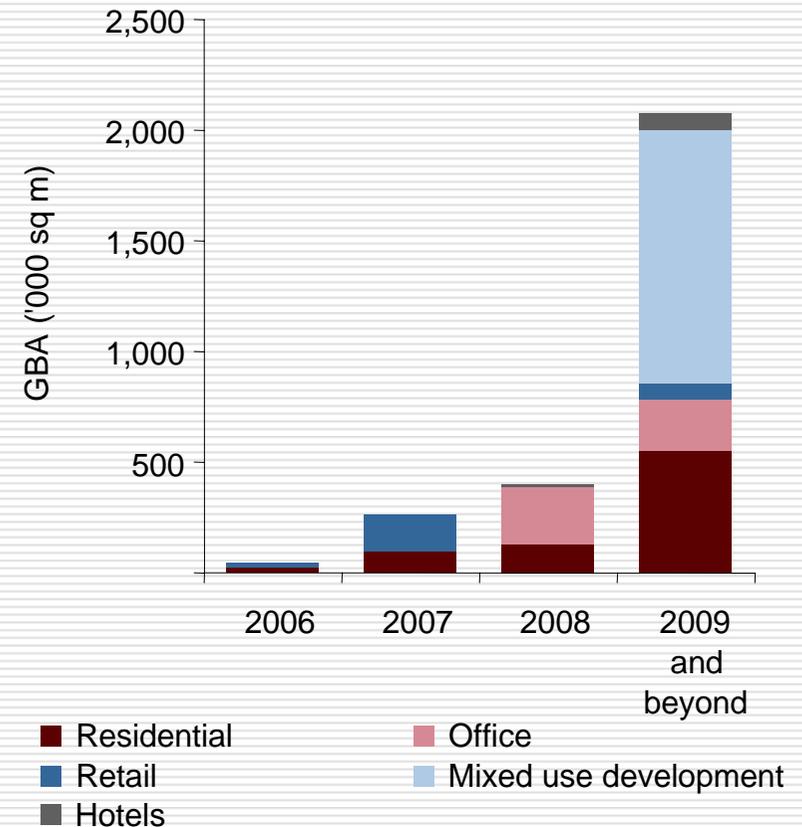
50 3rd Tverskaya-Yamskaya

SUMMARY

RAPID GROWTH

- 31 properties currently in development
 - over 700,000 sq m to be constructed in 2006 – 2008
- 33 projects in the near term pipeline
- Constant monitoring of opportunities within target markets
- Strong management resource capable of handling many projects at various stages simultaneously
- No major physical growth constraints due to the nature of the development business

Properties planned to be substantially completed

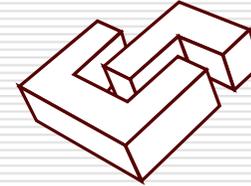


Source: Company data

Development pipeline contains high growth potential

SUMMARY

SISTEMAHALS



**Leading real estate
developer and investor**

**Fast growing
Russian market**

**Clear vision and
strategy**

**Highly motivated
management team**

Strong pipeline

**Synergies within
Sistema Group**