



INVESTOR PRESENTATION

September 2008





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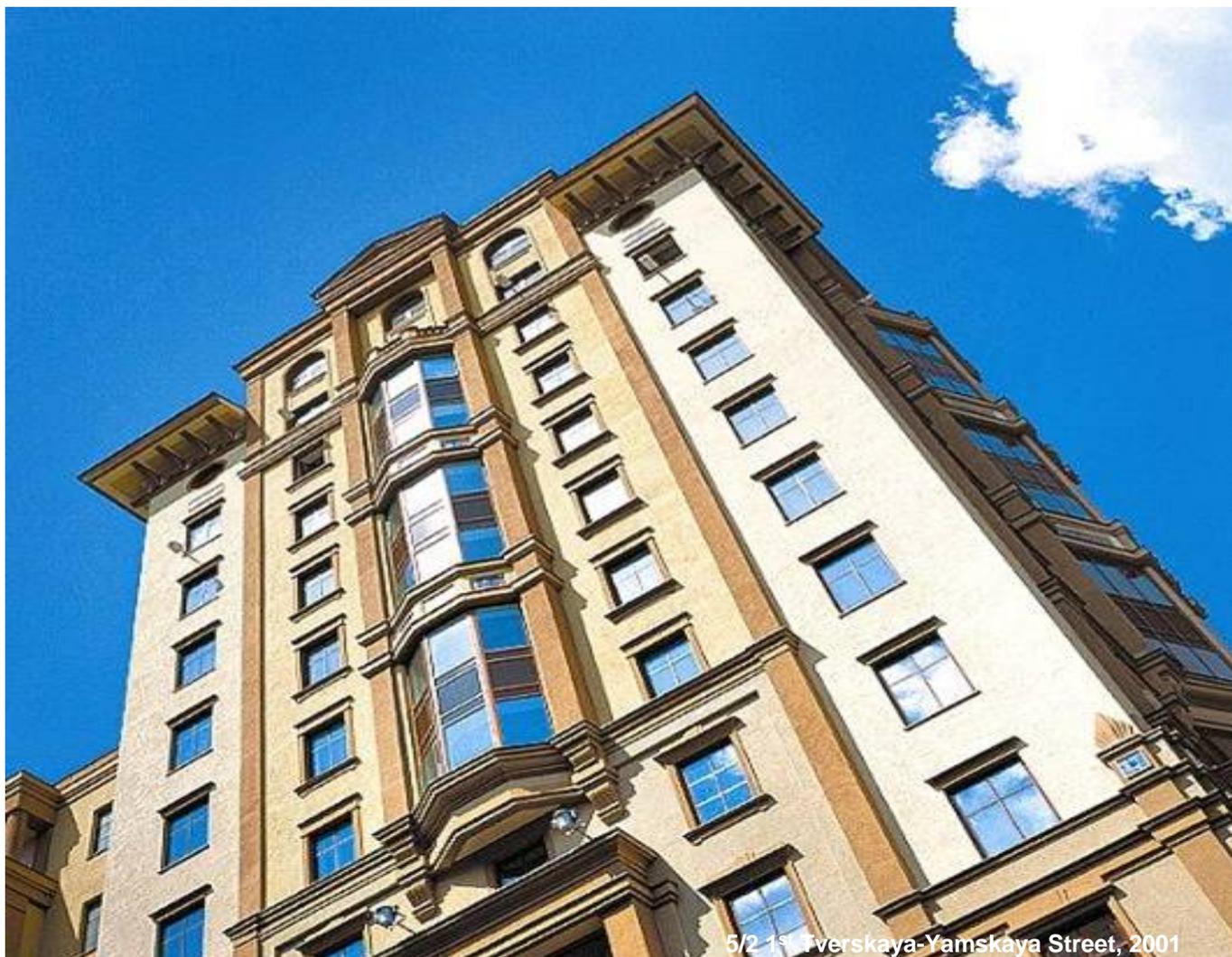
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SISTEMA-HALS OVERVIEW

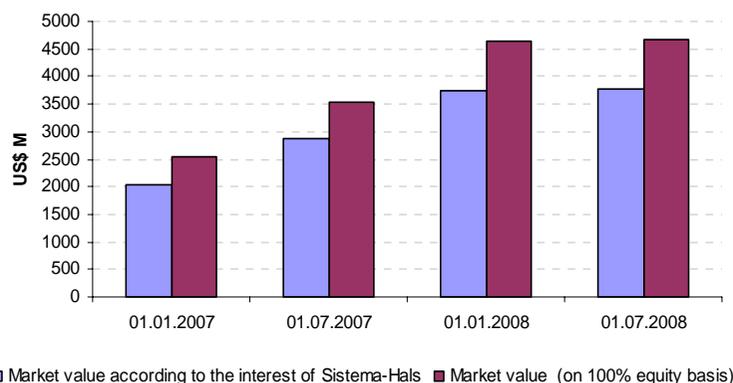
SISTEMA-HALS AT A GLANCE

- **A leading Russian real estate development company** with unique exposure to premium segments;
- **Unique development experience** – 30+ projects with a total area of about 300,000 m2 successfully completed;
- **Extensive diversified portfolio** – 108 properties in premium segments, located in Moscow and 9 cities across Russia and Ukraine.

Key statistics for 6m 2008

Revenues ¹	US\$ 227.1 m
OIBDA ^{1, 2}	US\$ 27.8 m
Properties portfolio valuation ³	US\$ 3.8 bn
Held as investment ⁴	25 properties
Development pipeline ⁴	83 projects

Sustainable portfolio value growth



Key drivers of portfolio value growth⁵

- New acquisitions; +4 %
 - Sales of the areas and shares in projects and objects; -4%
 - Investments into projects +9%
 - Change of forecasts CWSR concerning market prospects; -8%
- } **1%** increase of portfolio market value³

Notes:

1. Financial statements for 6m 2008
2. OIBDA represents operating income before depreciation and amortization
3. Beneficial share of Sistema-Hals as of July, 1, 2008 by C&WS&R
4. C&WS&R report as of July, 1, 2008
5. C&WS&R report as of July, 1, 2008 compared to C&WS&R report as of January, 1, 2008

EXTENSIVE PORTFOLIO*

	Number of properties	Market value mln USD	GBA ' 000 sqm	OMV mln USD
Properties held as Investment	25	405	225 /112 ha	
Development projects:			5975/80ha	
In course of development	42	2245	2255,2/80ha	6327
Held for future development	41	1117	3719	9868
TOTAL	108	3768	6200/192ha	16195

Notes:

- 1 Attributable to Sistema-Hals
- 2 Gross Building Area
- 3 Open Market Value, assuming built and fully let, attributable to Sistema-Hals share

Projects held as investment	Market value  - 7%
Projects in the course of development	Market value  +15%
Projects held for future development	Market value  -17%

Company's portfolio:

- Contains excellent potential for further growth in value
- Enables Company to obtain additional funding

COMPETITIVE ADVANTAGES

Extensive portfolio

- Portfolio contains high growth potential;
- Focus on premium segments;
- Ability to source best projects;
- Additional financing may be derived from sales of non-core assets.

Unique development experience

- 30+ projects with a total area of about 300,000 m2 successfully completed;
- Expertise and resources to deliver on complex projects;
- Strong management team with solid execution track record.

Backing of Sistema group

- Additional projects source;
- Lobby/financial/management support;
- Strong brand recognition.

Alliances with strong financial and strategic partners

- Strategic partnerships with reliable partners help boost the profitability of projects through the accumulation of financial resources and shared experiences;
- International expertise - Saraya holdings, Apsys group;
- Construction – Hebei Construction group.



PORTFOLIO MANAGEMENT STRATEGY

Commercial Properties

Develop and hold premium projects

BUT: sell properties of less than 30,000 sq.m and projects with estimated lower appreciation rate

Retail Properties

Develop and hold premium projects

BUT: sell properties with estimated lower appreciation rate

Residential Properties

Develop and sell

BUT: hold unique assets

- Sales of non-core projects to generate additional cash (to be used as a new source of financing)
- Strategic goal is to rebalance current portfolio with focus on assets' quality improvement – rental generating properties to account for not less than 70% of total portfolio value (2012*)



STRICT PORTFOLIO FOCUS

Disciplined investment approach focused on the most profitable market segments

Return-Based Strategy

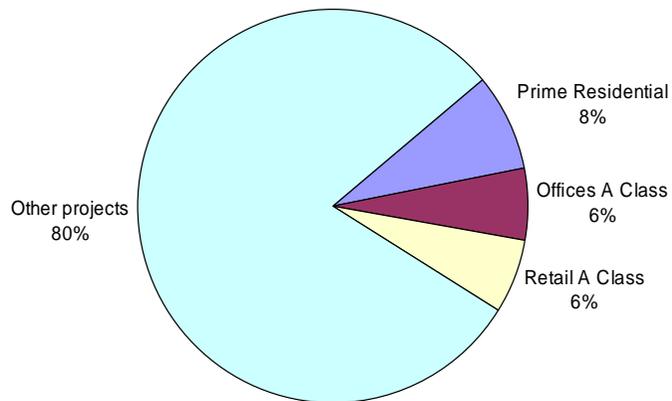
Strict Portfolio Focus

- Minimum un-leveraged IRR target 20%
- Minimum size of 30,000 sqm

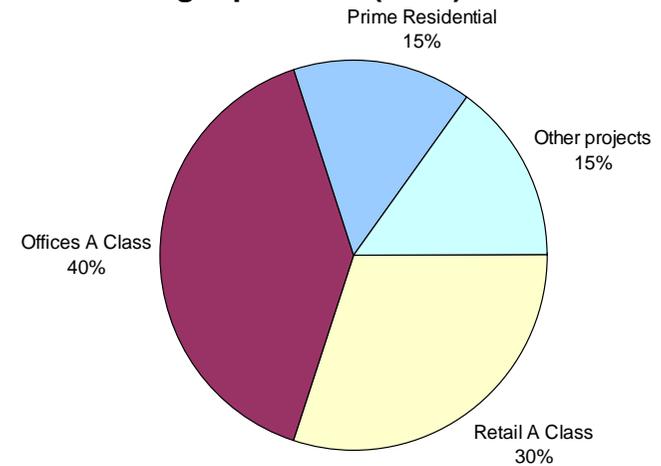
- Class A offices
- Prime retail
- Elite residential

Portfolio breakdown by type of property

Current portfolio (2008)*



Target portfolio (2012)*



* based on Company's management estimations

EXECUTION STRATEGY

Searching for new capabilities

- Implementation of international technologies and know-hows
- Partnership with Hebei Construction Group

Accumulating unique development experience

- Engaging international contractors, architects and consultants
- Deriving best expertise from strategic partners

Concentrating strong management resource

- Building management team with solid execution track record (new President)

Strict project control

- Budgets control
- Project terms control
- Quality control

Strong execution discipline enables Company to handle planned number of projects at various stages simultaneously

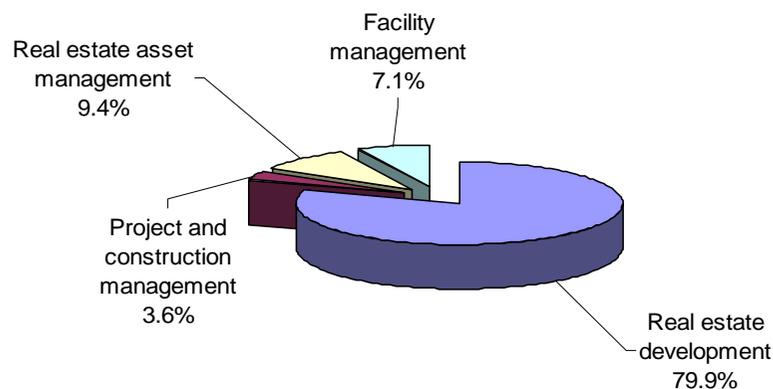




FINANCIAL RESULTS FOR 6M 2008

FINANCIAL AND OPERATING HIGHLIGHTS FOR 6M 2008

	6m 2008 (USD '000)	6m 2007 (USD '000)
Revenues	227,100	129,773
Operating expenses, incl.:	(210 399)	(221,655)
Stock-based compensation	-	(97 966)
Operating income	16,701	(91,882)
OIBDA [1]	27,829	(85,828)
OIBDA excl. non-recurring items [2]	27,829	12,138
Net income/(loss)	8,663	(99,572)



- Consolidated revenues from Real Estate Development grew by **106.9%** to USD **181.4** mln
- Project and construction management division reported revenue in the amount of USD **8.1** mln
- Asset Management consolidated revenues increased by **19.0%** to USD **21.3** mln
- Facility Management division reported revenue growth of **69.8%** to USD **16.3** mln

[1] OIBDA is a non-US GAAP measure.
 [2] OIBDA excluding non-recurring expense on stock based compensation.

Sistema-Hals consolidated OIBDA for 6m 2008 increased by 129.8% to USD 27.8 mln compared to consolidated OIBDA excluding non-recurring expense on stock-based compensation in the amount of USD 12.1 mln for 6m 2007 and represented an OIBDA margin of 12.2%, a solid increase compared to the previous year.



DEVELOPMENT AND CONSTRUCTION PROJECTS FOR 2008

UNIQUE DEVELOPMENT EXPERIENCE

Pokrovka, 40



Location:
Moscow, Russia

GBA:
24,169 m² (14,710 m² of office space and 9,459 m² of hotel space)

Launch date:
2007

A hotel belonging to the MaMaison Residence chain (ORCO Property Group) and a first-class office centre housing the headquarters of the Pipe and Metallurgical Company (TMK).

Mokhovaya, 13



Location:
Moscow, Russia

GBA:
13,540 m²

Launch date:
2007

The historical building was constructed in 1934 by the famous Russian architect Ivan Zholtovsky. In the course of the building's renovation, the plaster cornices, doorways, stairs, ceiling paintings and other interior details were restored. As part of the renovation, a new section was created and joined to the historical part of the building. All of the utilities were replaced, a three-level underground car park was built and the interior rooms were rearranged. AFK Sistema's head office was installed in the Mokhovaya office centre.



Zhivopisny ("Picturesque") cable-stayed bridge



Location:
Moscow, Russia

Description:
The total span of the bridge is 1,460 m, of which 409.5 meters of roadway are suspended from the bridge's tower with the help of 72 cables.

Launch date:
2007

The bridge facility's main attraction will be an observation platform with a restaurant in the shape of a flying saucer suspended from an arched tower at a height of 87.3 meters. Zhivopisny will be the longest cable bridge in Moscow and the third longest in Russia. Sistema-Hals PSO received a gold medal at the Brussels International Show-Room for Innovation, Scientific Research and New Technologies for the bridge's innovative designs.

2008: RESIDENTIAL PROJECTS

Key ongoing projects

Michurinsky Prospect, 39



Location:
Moscow, Russia

GBA:
43,029 sq.m

Market value*:
US\$ 9.2 m

Nakhimovsky Prospect, 4



Location:
Moscow, Russia

GBA:
42,218 sq.m

Market value*:
US\$ 20.2 m

Serebryanny Bor, 3

Location:
Moscow, Russia

GBA:
21,234 sq.m

Market value*:
US\$ 45.0 m



**Market value according to the interest of Sistema-Hals*

Source: C&WS&R report as of 1 July 2008

Siemens project



Updated information

•As of the reporting date the Company is under the negotiations with Siemens. The Company estimates current results of the negotiations as positive but the final agreement has not been reached so far.

Project history

•In 2003, Sistema-Hals entered into a fixed price contract with Siemens to develop an office building in Moscow.

•During 2006 and 2007, there was significant growth in the prices of materials, labor and other construction costs. The inflation rate amounted to approximately 200%. As a result of this, Sistema-Hals is unable to complete the project within the original budget cost estimates. Sistema-Hals has initiated negotiations with Siemens to revise the contract price to recover the increased costs.



2008: KEY ONGOING PROJECTS

Leningradsky towers



Location:
Moscow, Russia



GBA:
110,070 sq.m

Market value*:
US\$ 296.0 m

Avrora



Location:
Moscow region,
Russia

GBA:
18.7 ha land site

Market value*:
US\$ 37.9 m



**Market value according to the interest of Sistema-Hals*

Source: C&WS&R report as of 1 July 2008

2008: COMMERCIAL PROJECTS

Key ongoing project

Regional mall Hals Mart ("LETO")



Location:

St. Petersburg, Russia

Land plot:

17.7 hectares

GBA:

104,810 sq.m

Market value*:

US\$ 98.9 m



Strategic Partnership

Agreement With Apsys**

(each party will control 50%)

**Market value according to the interest of Sistema-Hals*

Source: C&WS&R report as of 1 July 2008

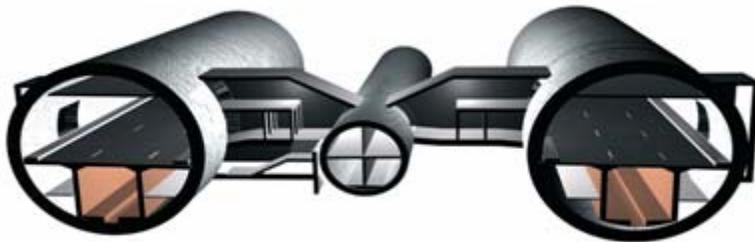
***Strategic Partnership Agreement With Apsys was signed 02.01.08*

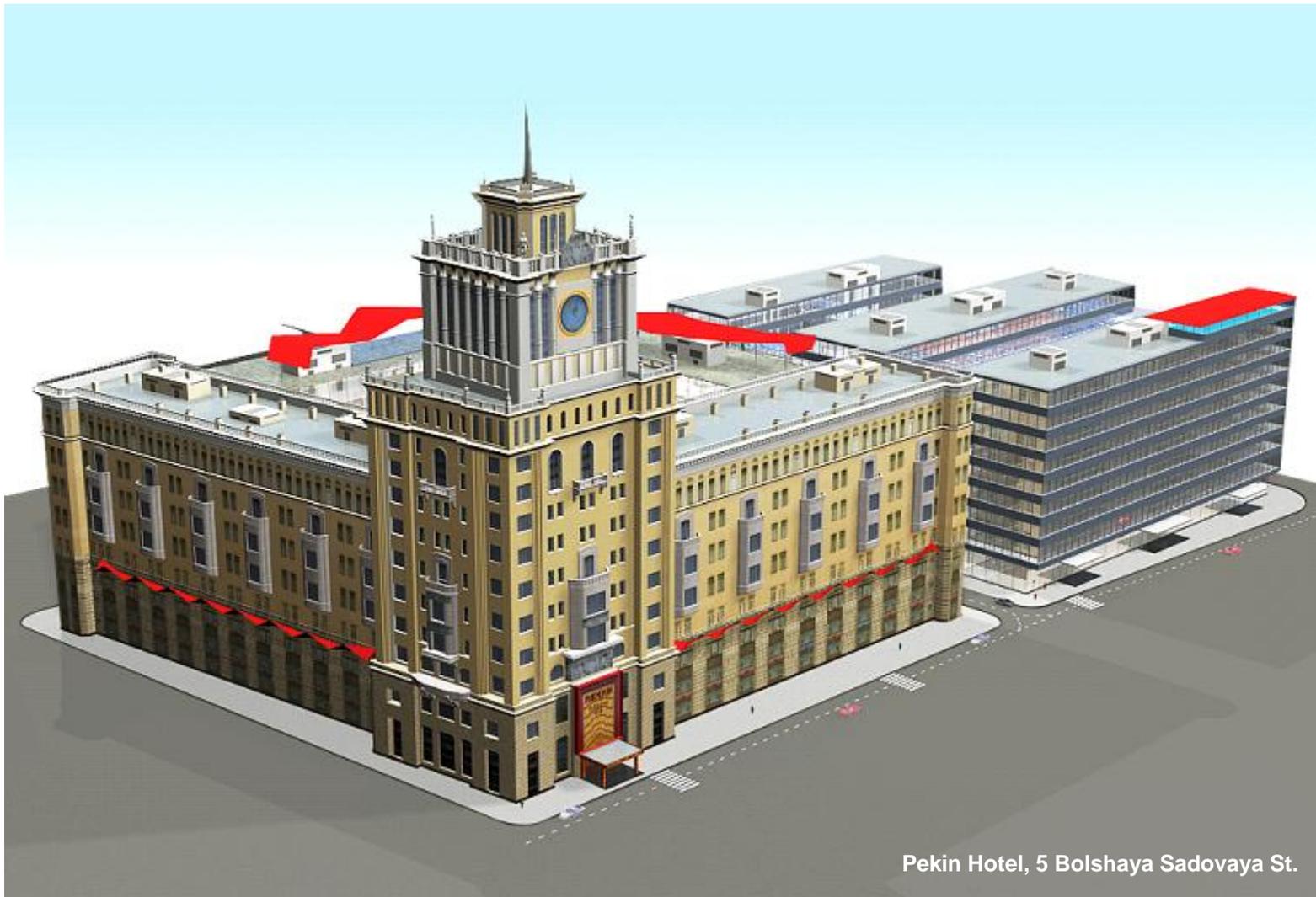


2008: INFRASTRUCTURE AND TRANSPORTATION PROJECTS

Moscow's largest radial highway "Zvenigorodskoe"

- Zvenigorodskoe highway connects the city center with the MKAD;
- **The aggregate cost:** approximately US\$ 1.3 bn;
- **The Krasnopresnensky Prospect involves the construction of:**
 - cable bridge over the Moscow river
 - sophisticated tunnel system able to accommodate automobile traffic, as well as the metro system;
- **Our role:** We act as the construction manager and technical supervisor for the construction work





Pekin Hotel, 5 Bolshaya Sadovaya St.

Appendix

6M 2008 US GAAP FINANCIAL HIGHLIGHTS (UNAUDITED)

(USD '000)	6m 2008	6m 2007
Revenues	227,100	129,773
Real estate development	181,420	87,686
Project and construction management	8,087	14,632
Real estate asset management	21,330	17,879
Facility management	16,263	9,576
Operating expenses, incl.:	-210,399	-221,655
Cost of sales	-154,746	-91,680
Sales, General and Administrative (excluding stock-based compensation)	-44,525	-25,955
Depreciation and amortization	-11,128	-6,054
Stock-based compensation	-	-97,966
Operating income	16,701	-91,882
Other expenses, net	-2,228	-4,149
Interest income	7,006	12,526
Interest expense, net of amounts capitalised	-22,587	-4,117
Gain/(loss) on foreign currency transactions	29,938	4,321
Gain on sale of subsidiaries	-	-110
Income before income tax and minority interests	28,830	-83,411
Income tax expense	-17,693	-10,241
Minority interests	-2,474	-5,920
Net income/(loss)	8,663	-99,572

US GAAP CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(USD '000)	June 30, 2008	December 31, 2007
ASSETS		
Cash and cash equivalents	34,039	45,398
Trade receivables, net	197,108	216,024
Taxes receivable	87,164	55,770
Other receivables, net	51,158	33,460
Deposits, loans receivable and investments in debt and equity securities	113,579	129,613
Costs and estimated earnings in excess of billings on uncompleted contracts	143,113	119,040
REAL ESTATE INVESTMENTS, NET		
Real estate developed for sale	1,029,244	856,883
Income producing properties, net	406,064	155,736
Total	1,435,308	1,012,619
Buildings used for administrative purposes, plant and equipment, net	15,085	10,702
Development rights and other intangible assets, net	39,999	33,229
Investments in associates	56,137	51,355
Debt issuance costs net of accumulated amortization	36,732	36,866
Deferred tax assets	12,664	11,014
TOTAL ASSETS	2,222,086	1,755,090

US GAAP CONSOLIDATED BALANCE SHEET (UNAUDITED)

(USD '000)	June 30, 2008	December 31, 2007
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Payables to suppliers and subcontractors	119,773	58,229
Billings in excess of costs and estimated earnings on uncompleted contracts	41,887	31,664
Accrued expenses and other liabilities	104,879	67,092
Taxes payable	13,857	11,937
Loans and notes payable	1,215,851	977,837
Deferred tax liabilities	47,722	32,234
TOTAL LIABILITIES	1,543,969	1,179,083
MINORITY INTERESTS	28,510	27,060
SHAREHOLDERS' EQUITY		
Share capital	20,492	20,492
Treasury stock	-1,600	-1,576
Additional paid-in capital	526,946	529,910
Accumulated other comprehensive income	94,983	-
Undistributed profit/(accumulated deficit)	8,786	121
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,222,086	1,755,090

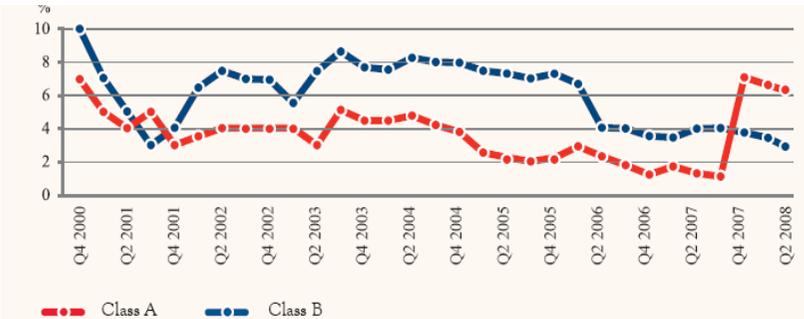
REAL ESTATE MARKET OUTLOOK – OFFICE SECTOR

Total Stock and New Construction (class A and B)



In 1H 2008, the total new construction and reconstruction of Class A and B office space amounted to approximately 838,750 sq. m. (Class A – 20%, Class B – 80%).

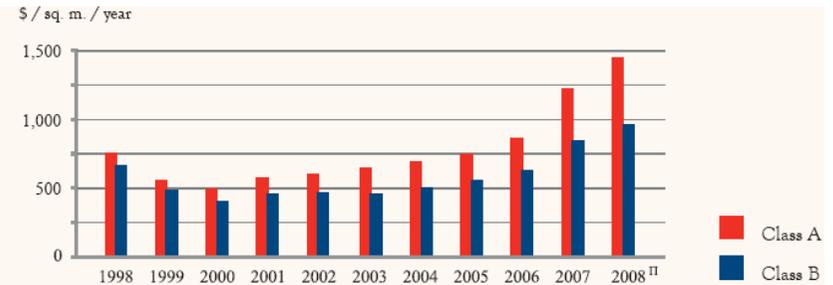
Average Vacancy Rates



Source: Colliers International

By the end of 1H 2007, the average vacancy rate for Class A offices was 6.3% (compared to 7.1% at the beginning of 2008)

Average Asking Rental Rates (net of VAT and OpEx)



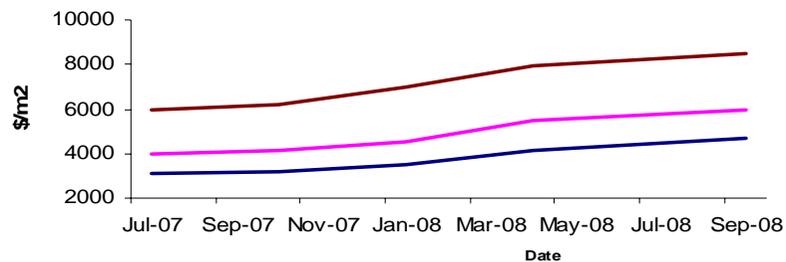
Source: Colliers International

Rental rates for Class A and B office space have not changed significantly since the beginning of 2008. In the market, there was not a significant increase in rental rates as compared with the same period in 2007.

Source: Citi Investment Research, CB Richard Ellis, IRN.ru, UralBusinessConsulting

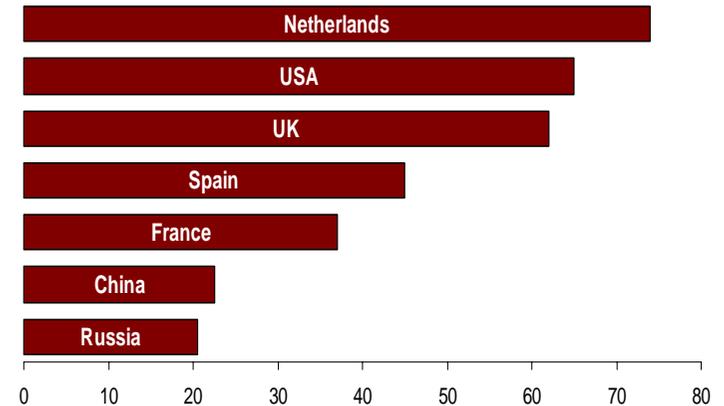
REAL ESTATE MARKET OUTLOOK - RESIDENTIAL

Residential cheap/expensive price index (Moscow)



— mass (20% of the cheapest flats) — average
— elite (20% of the most expensive flats)

Residential sq. meters per capita (2008)



Economics of a project

\$/m2	Business class	Premium class
Land	700	2000
Cost price	2700	3500
Sales price	5600	15000
Gross margin	2200	9500

- ▣ Sustainable sale and rental rates growth
- ▣ Low price volatility
- ▣ Crisis resistance

Source: Knight Frank, IRN.ru,

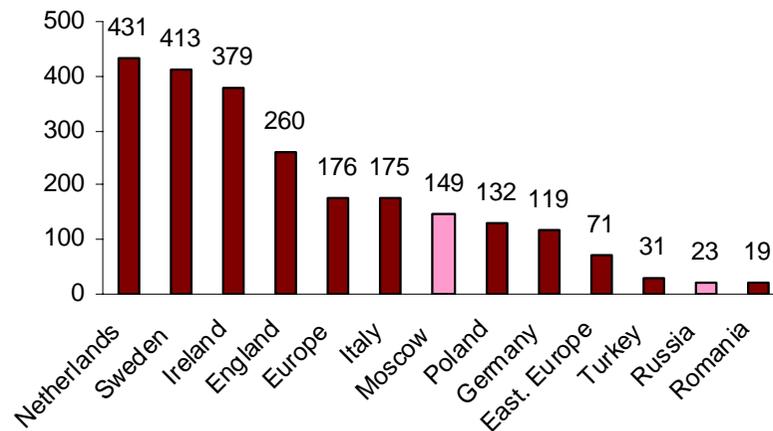
REAL ESTATE MARKET OUTLOOK - RETAIL

Retail market forecast (Moscow)

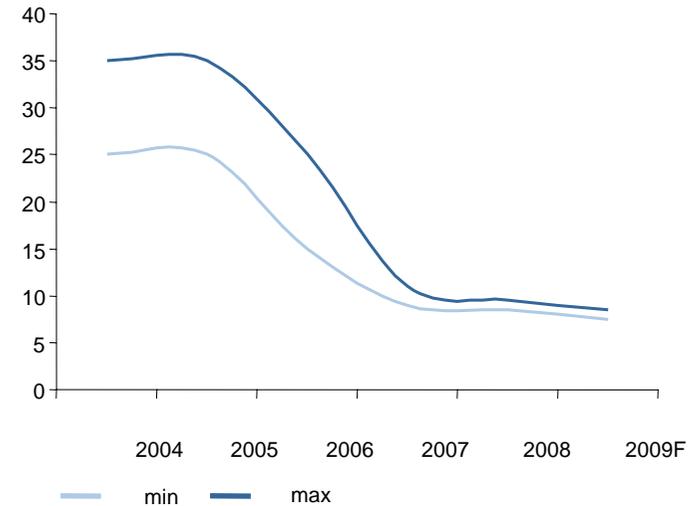
USD/m2 per year

	2007	2008	2009F
Rental rates (CBD)	2,100	2,000	1,950
Quality stock	2,179	2,500	2,800
Vacancy rates <small>CBD: Central Business District</small>	0.8%	1.1%	1.5%

Retail sq. meters per 1000 people (2008)



Retail yields, (%) Moscow



- Sustainable rental rates growth
- Yields compression
- Strong undersupply still exists (compared to Europe)

Sources: C&WS&R, IRN.ru



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