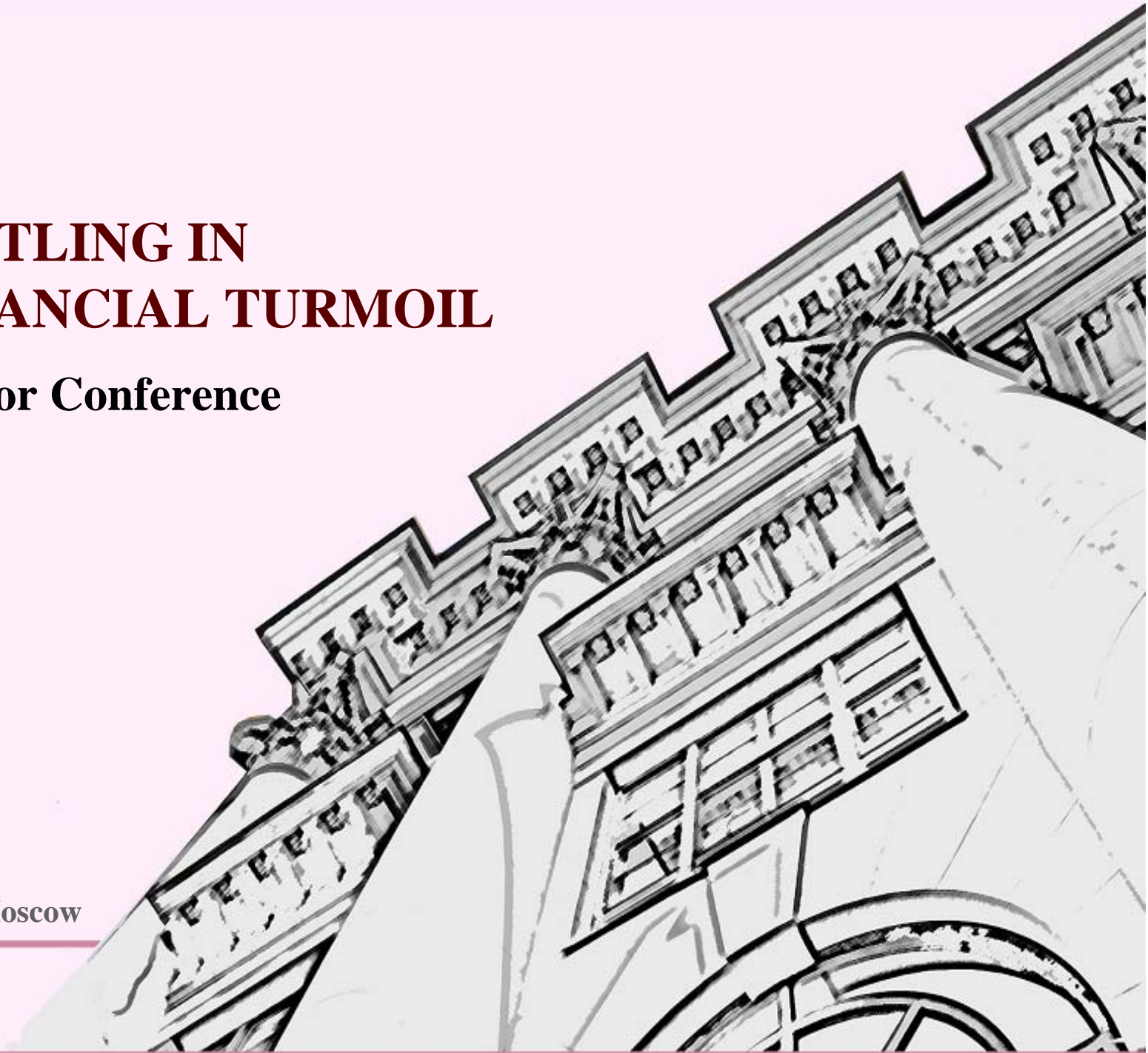


SETTLING IN DURING FINANCIAL TURMOIL

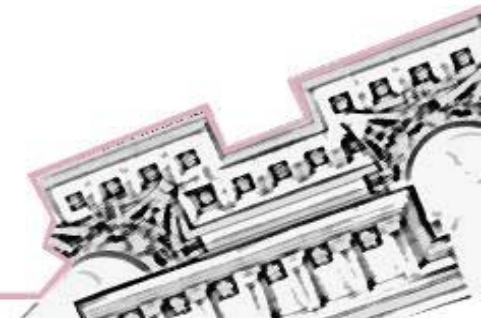
Investor Conference

11 December 2008, Moscow



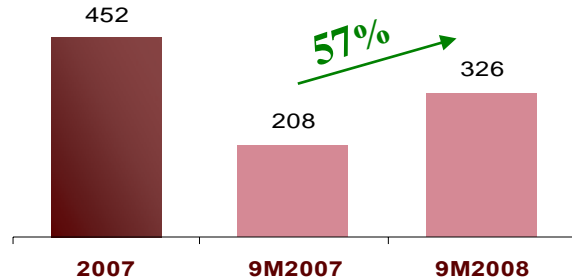
CONTENT

1. Financial results for 9 months 2008 GAAP
2. Current market situation
3. Business strategy review and management initiatives
4. Production program and budgeting for 2008-2009
5. Selling, general & administrative costs reduction
6. Financing sources



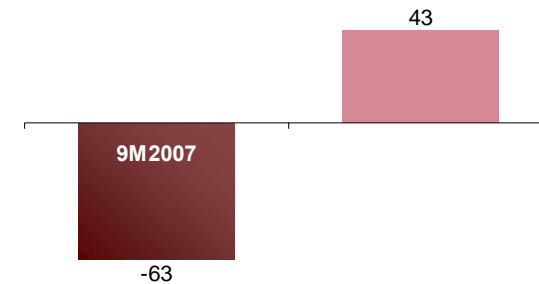
KEY FINANCIALS FOR 9 M 2008, US GAAP

Consolidated revenues



Consolidated revenues YoY grew by **57%** to USD 207.5 mln due to increase in sales of projects; sales of units in residential projects; house sales and rental revenues from single family houses

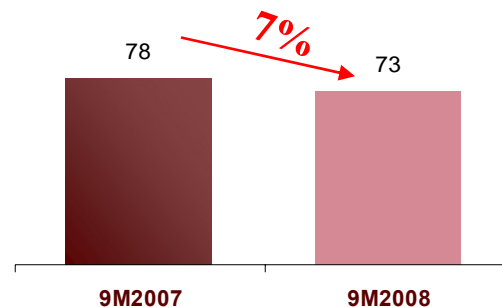
OIBDA



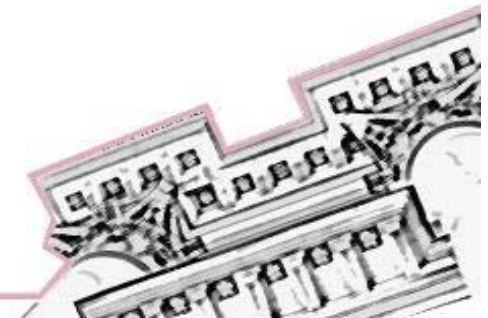
Consolidated **OIBDA increased to USD 42.9 million** compared to negative OIBDA in the amount of USD 63.0 million for the previous period due to increase of operating income

OIBDA margin grew from **(30.4%) to 13.2%**

Net loss

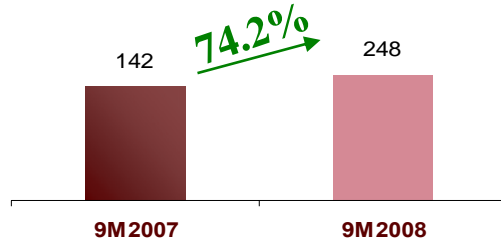


Net loss decreased YoY by **7%** to USD 72.5 mln



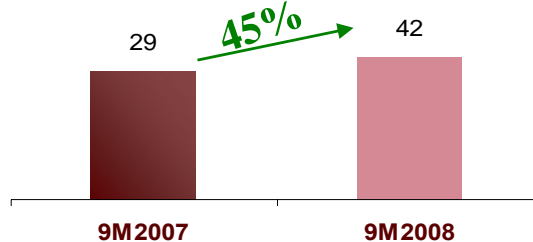
BREAKDOWN OF REVENUES

Real estate development



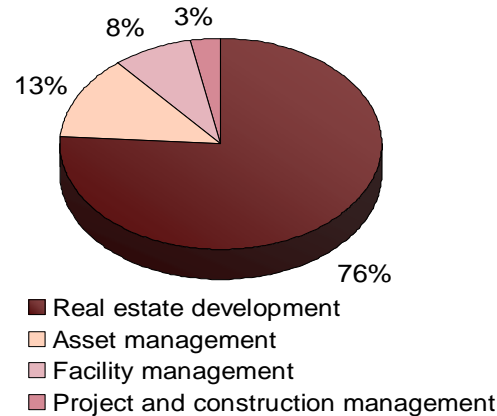
- Due to increase of real estate sales

Asset management

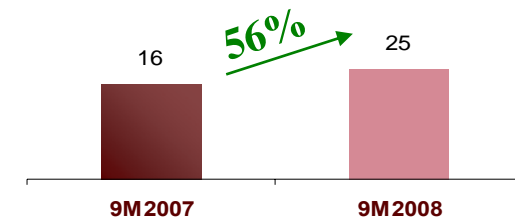


- Due to increase in house sales and rental revenues

9m 2008 revenue breakdown

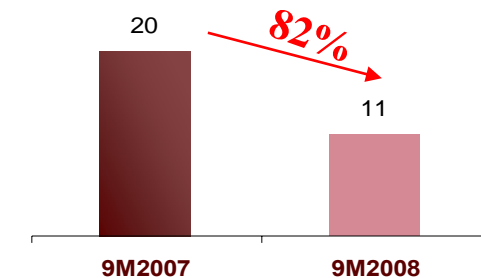


Facility management



- Due to increase in revenues from services provided to subsidiaries of JSFC Sistema

Project and construction management

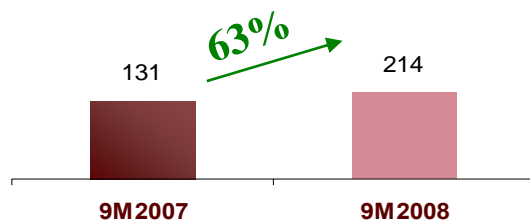


- Due to decrease in government orders



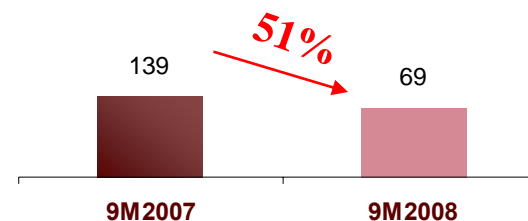
OPERATING AND ADMINISTRATIVE EXPENSES

Operating costs

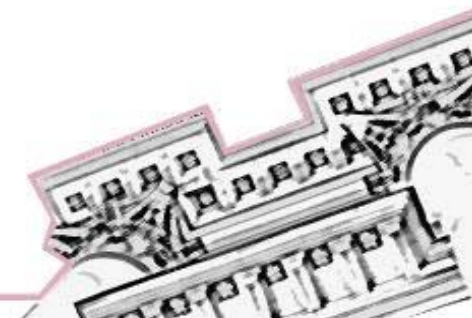


- Operating costs **increased**, which is in line with the corresponding increase in revenues

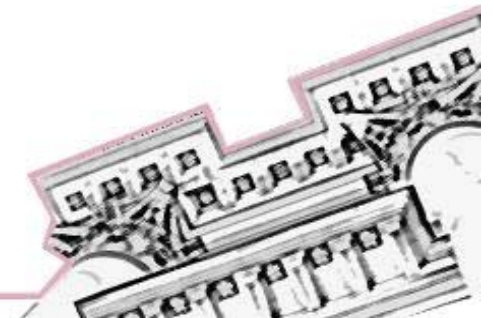
Selling, general and administrative expenses




- SG&A **decreased by 51%**, due to a one-off non-cash expense on a stock option bonus plan for the Company's management and members of the Board of Directors for 9m 2007



CURRENT MARKET SITUATION AND COMPANY'S INITIATIVES








CURRENT MARKET SITUATION

 Liquidity crisis with interest rate increase, lack of financing opportunities, more rigid requirements for borrowers and pledges caused projects freezes and new construction postponements. As a result, there will be less residential and commercial property built in medium-term perspective and **deficit of new property in already 1-2 years perspective.**

Total stock and new construction (Class A and B)









CURRENT MARKET OVERVIEW (cont.)

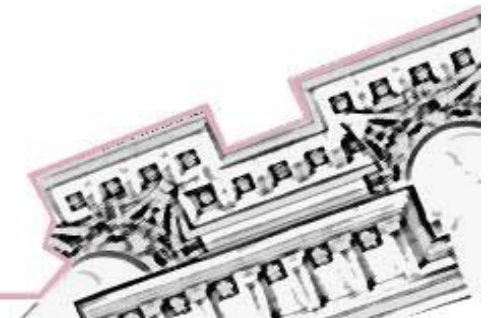
-  Tight credit market as well as sales of completed projects by developers will result in price corrections for residential property of mostly economic class. **Unique and high quality property is likely to resist.**
-  Credit scarcity and decrease of working capital will enforce business to cut costs, rent less office spaces and postpone purchase of commercial property. Renting price corrections and lower prices on commercial property may start in short term.
-  The market **transforms** from “the market of sellers” to “**the market of clients**”.
-  Currently sellers provide with **hidden discounts** to attract customers and to speed-up sales of B, B- residential and B, B- offices.
-  **Differed demand on commercial and residential property will appear as soon as the financial crisis is over** due to restricted supply of completed projects and strengthen consumer confidence with market fundamentals.



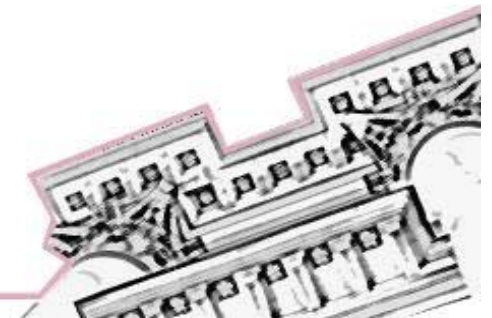
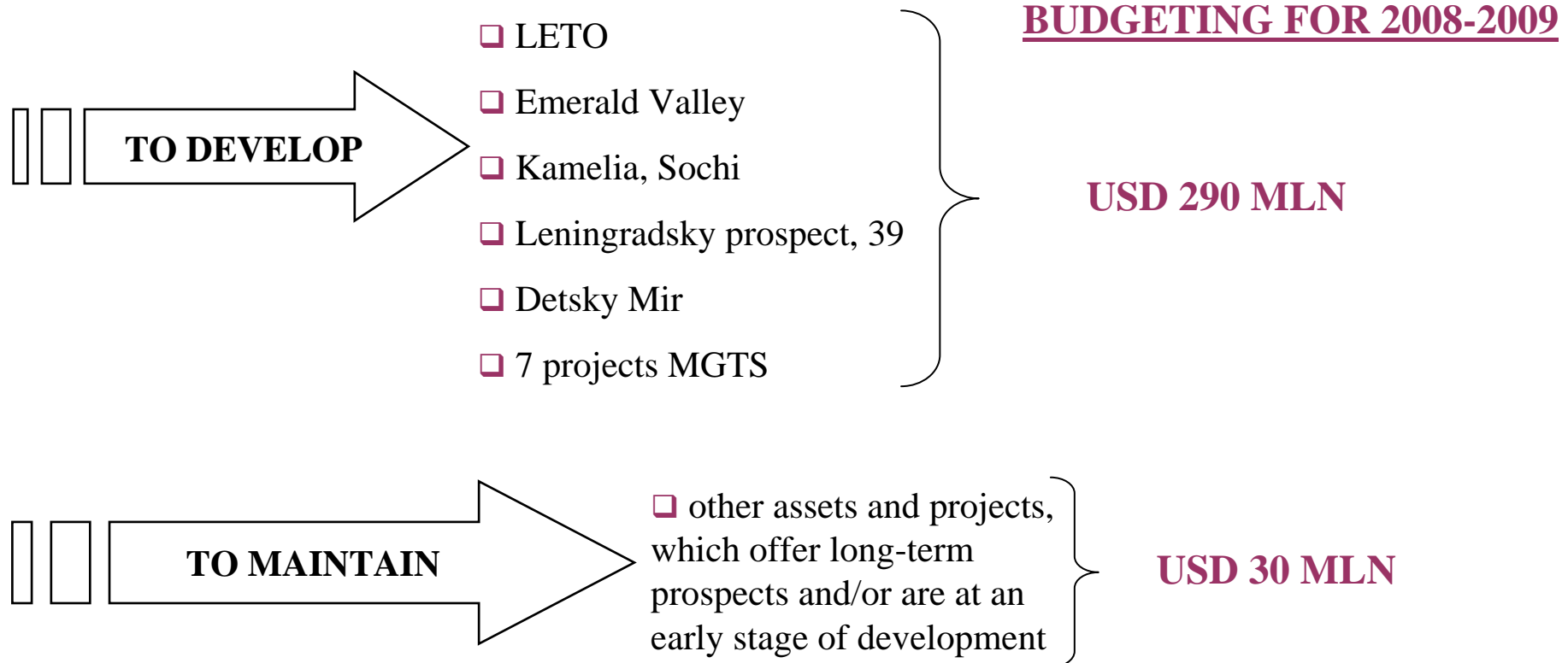
STRATEGY REVIEW & MANAGEMENT INITIATIVES

The management plans to implement the following steps to struggle with tangled financial situation, to survive in current challenging market and to create a good foundation for further thrift:

-  Restructure current portfolio, developing only priority projects with fixed financing schedule, which will deliver cash in the nearest future
-  Maintain major projects to provide with for stable operations in future
-  Consider partial or full divesture of certain project in order to generate additional cash to finance strategic projects development
-  Attract strategic partners to develop long-term and capital-intensive projects getting access to additional financing and expertise
-  Restructure current debt portfolio (~\$ 20 mln in 2008, ~\$ 130 mln in 2009 to be paid)
-  Cut operating and administrative costs

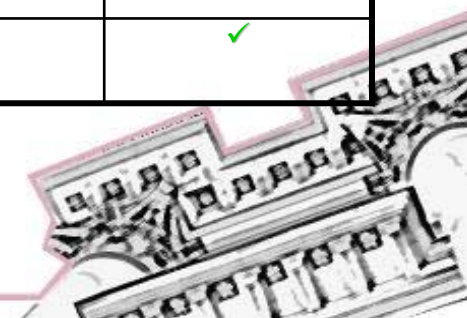


RESTRUCTURE CURRENT PROJECT PORTFOLIO



PRODUCTION PLAN FOR 2008-2009

PROJECT/STAGE	DEC 08	1Q 09	2Q 09	3Q 09	4Q 09
LETO					
Closure of contour and construction of cinema extension	✓	✓			
Engineering systems	✓	✓	✓		
Internal and external fit out works	✓	✓	✓	✓	
EMERALD VALLEY					
Construction work and infrastructure	✓	✓	✓		
Area improvement			✓	✓	
KAMELIA, SOCHI					
Project design works	✓	✓	✓	✓	
Construction works				✓	✓
LENINGRADSKI PROSPECT, 39					
Receiving heat and electricity requirement	✓	✓			
Façade works		✓	✓	✓	
Internal fit out works and engineering systems		✓	✓	✓	✓



LETO

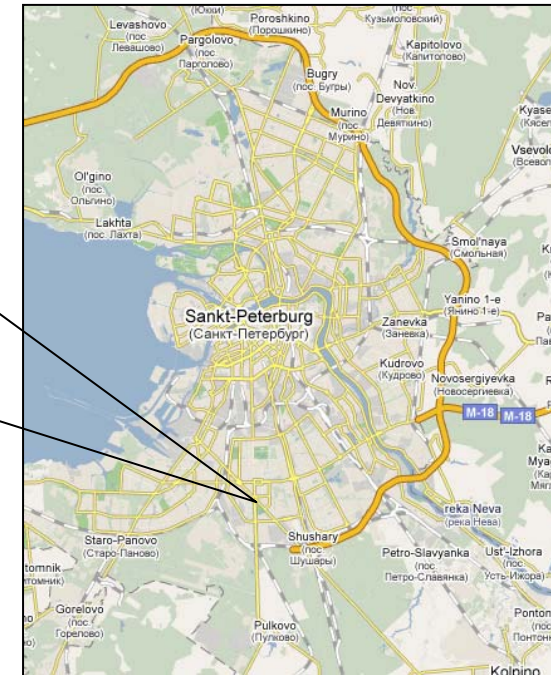
Location: St. Petersburg, Russia

Land plot: 17.7 hectares

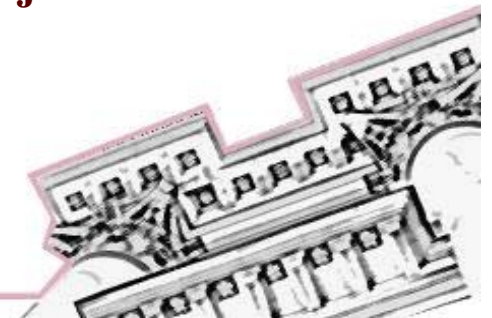
GBA: 104,810 sq.m

Partner: Apsys (50% : 50%)

Completion period: 3Q 2009



The Joint Venture partners Sistema Hals and Apsys Group have and will be investing equity in this project and EuroHypo will continue to provide financing to the project in the form of construction loan.



EMERALD VALLEY

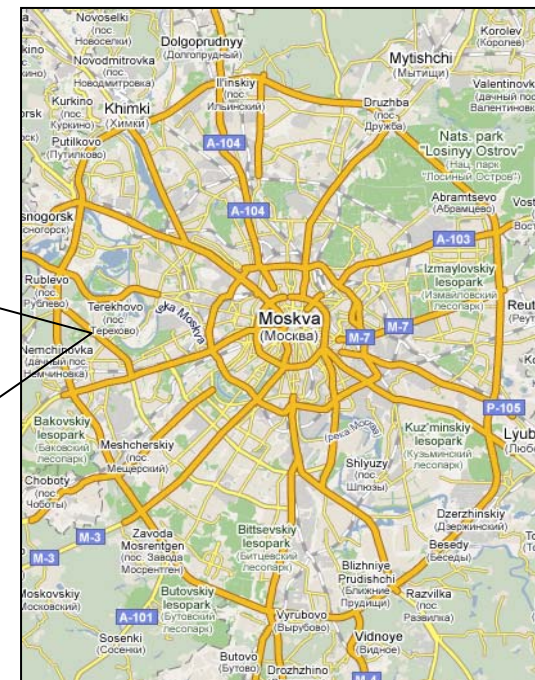
Location: Moscow, Rublevskoye Highway, 111

Residential area: 2,641 sq.m

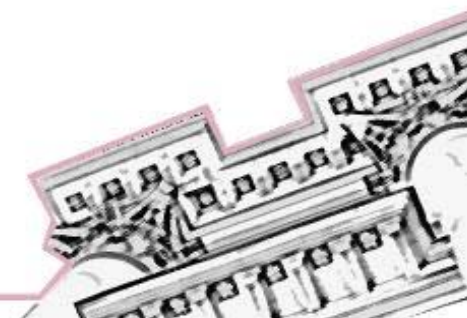
GBA: 25,935 sq.m

Partner: individual investors

Completion period: 3Q 2009



This project is completed in line with schedule.



KAMELIA

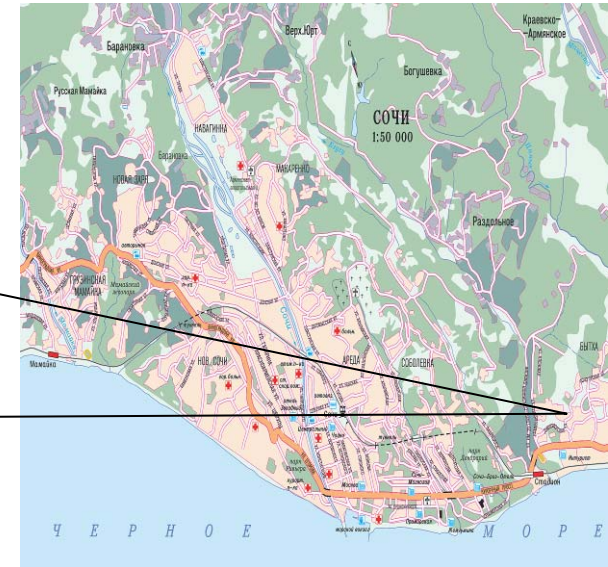
Location: Sochi, Russia

Land plot: 6.3 hectares

GBA: 96,069 sq.m

Partner: Saraya (50% : 50%)

Completion period: 2Q 2012



The partners are required to finance the construction with equity until bank financing is available. To fund its share, Sistema-Hals plans to use the outstanding amount due from Saraya under the Share purchase agreement.



LENINGRADSKY TOWERS

Location: Moscow, Leningradsky prospect, 39

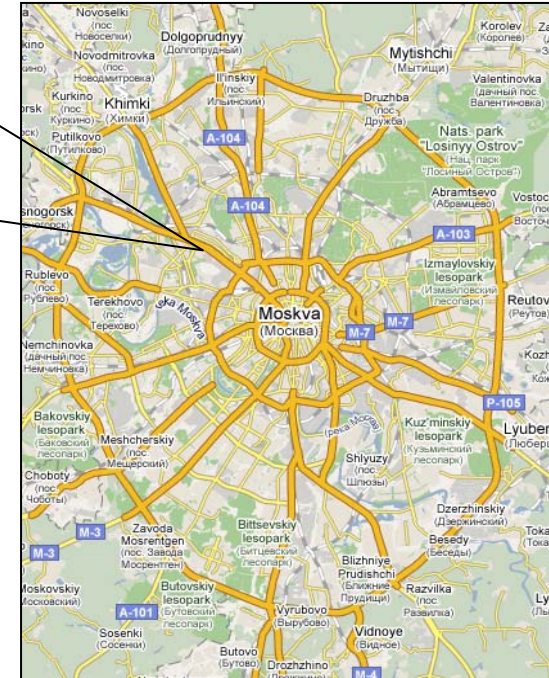
Land plot: 1.1 hectares

GBA: 110,070 sq.m

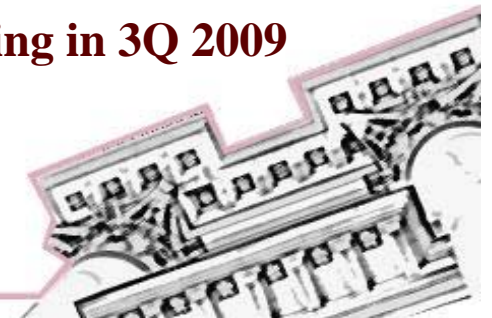
Partner: Siemens

Completion period:

Depends on terms of financing arrangements to be negotiated



In 2008, Sistema Hals will invest own cash and will attract project financing in 3Q 2009



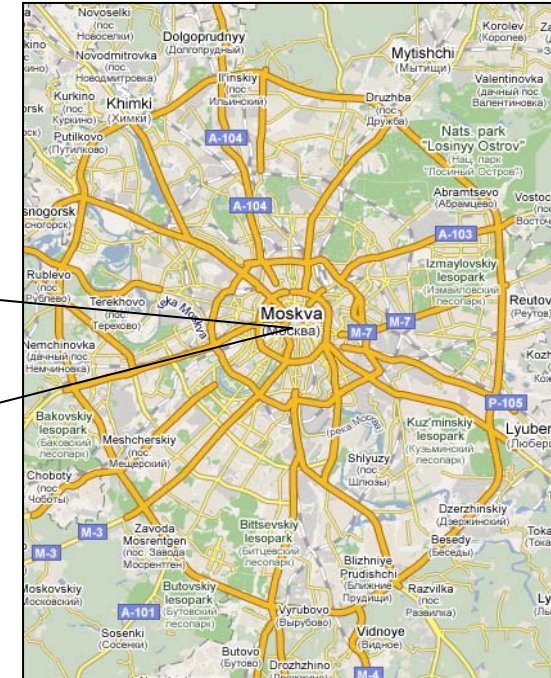
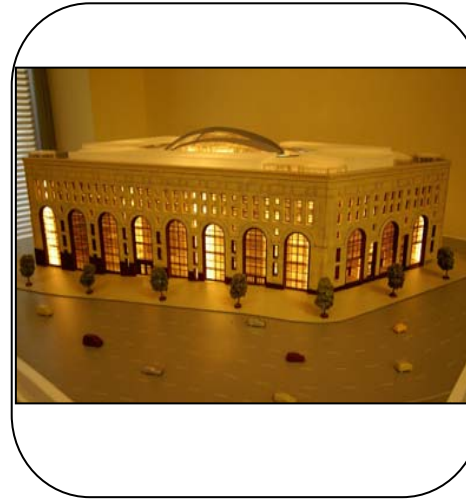
DETSKY MIR

Location: Moscow, Lubyanka

Land plot: 0.99 hectares

GBA: 74,117 sq.m

Completion period: 4Q 2011



We expect to finance DML capital expenditures with proceeds from construction loan provided by one of the leading Russian banks. The loan documentations are being currently finalized and we expect to be able to utilize the facility in 1H 2009.



MGTS (7 projects)

Location: Moscow

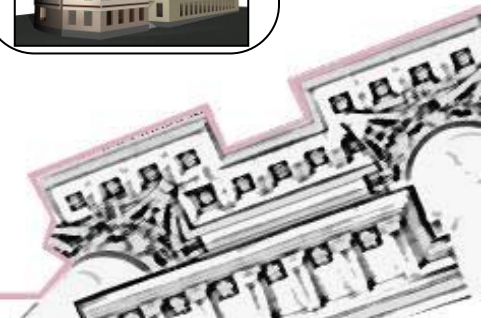
- ❑ 5, Vsevolozhsky Pereulok
- ❑ 19, Daev Pereulok
- ❑ 3, Zorge Street
- ❑ 5, Milyutinsky Pereulok
- ❑ 34, Nagatinskaya
- ❑ 11, Rogozhsky Val
- ❑ 5, Stolyarny Pereulok

GBA: 166,313 sq.m

Partner: Uralsib (50% : 50%)

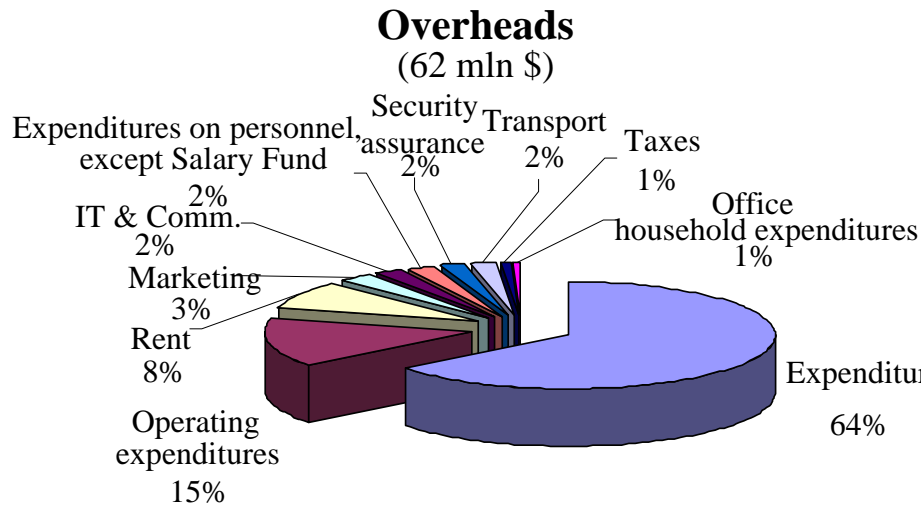
Completion period: 2010-2012

**Financing will be provided by Uralsib.
There is no financing required from Sistema Hals.**

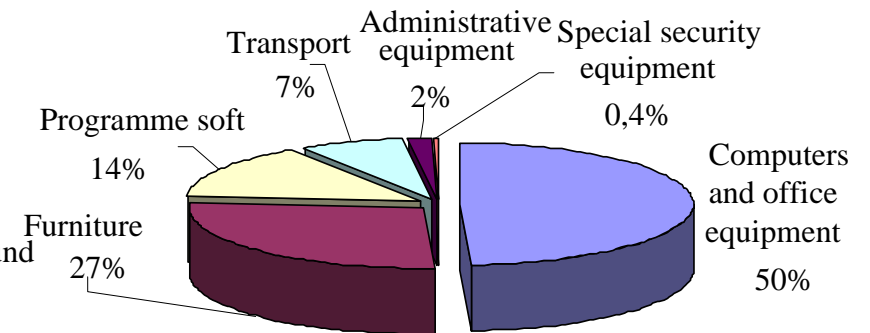


CUTTING SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

For 9 m 2008, SG&A expenses amounted to ~69 mln \$:



Capital expenditure
(7 mln \$)

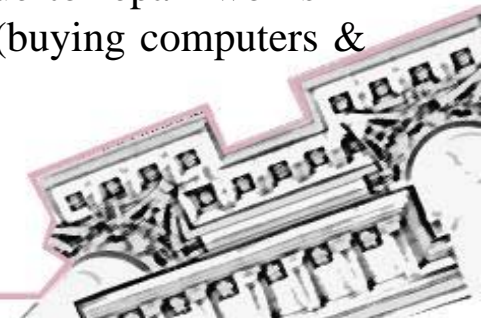


In 2009, Sistema Hals plans to decrease SG&A expenses by ~ 50% to approximately 40 mln \$:

All fixed expenses will be cut down, especially:





- payroll expenses (↓55%)
- operating expenses (↓30%)
- renting expenses (↓30%)
- transportation expenses (↓30%)

Variable expenses will be decreased by 3 mln \$ in 2009 (↓60%) as major portion of variable expenses in 9 m 2008 was due to repair works in the Company's headquarters (buying computers & furniture)






CUTTING PAYROLL AND OTHER EXPENSES

Sistema-Hals plans the following measures to cut the payroll expenses:

-  To decrease headcounts by 40%
-  To implement new bonus program, more appropriate in the current market situation (dependent on % of revenue)
-  To optimize social programs
-  Top management of Sistema-Hals plans to trim their salaries by 20%





Sistema-Hals plans the following measures to cut other expenses:

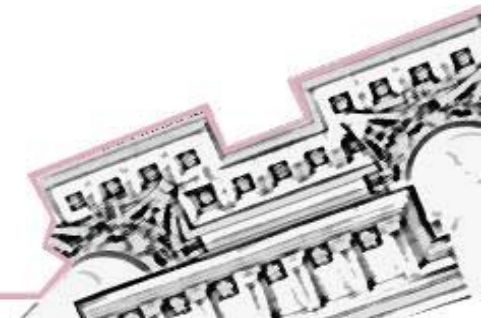
-  Operating expenses (consulting, business trips, etc) will be decreased by 4 mln \$ in 2009
-  Renting expenses will be cut down by ~0.7 mln \$ due to:
 - moving all subsidiaries to the headquarters
 - renting empty offices
-  Transportation expenses will decrease by ~0.5 mln \$



FINANCING SOURCES

The funds required to finance the adjusted construction programme, service the Company's debt and cover SG&A expenditure are expected to come in 2009 principally from:

-  operating activities (expected to generate about USD 70 million in 2009);
-  completion and sale of a number of projects (expected to generate from USD 150 to USD 250 million in 2009);
-  credit facilities (up to USD 250 million expected to be raised in 2009); and
-  co-investors on selected projects (about USD 150-200 million expected to be raised in 2009).



CONTACTS

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