



INVESTOR PRESENTATION

May 2008





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SISTEMA-HALS OVERVIEW

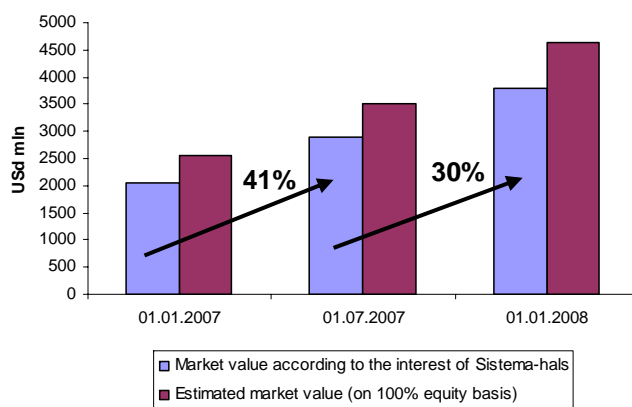
SISTEMA-HALS AT A GLANCE

- **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** – 103 projects in premium segments, located in Moscow and 9 cities across Russia and Ukraine.

Key statistics for 2007

Revenues ¹	US\$ 452.2 m
OIBDA excl. non-recurring items ^{1, 2}	US\$ 166.7 m
Properties portfolio valuation ³	US\$ 3.7 bn
Held as investment ⁴	24 properties
Development pipeline ⁴	79 projects

Sustainable portfolio value growth



Key drivers of portfolio value growth⁵

- New acquisitions; **19%**
 - Progress on existing projects **11%**
- 30%**
increase of portfolio market value³

Notes:

1. Financial statements for FY 2007
2. OIBDA represents operating income before depreciation and amortization, excluding non-recurring items
3. Beneficial share of Sistema-Hals as of January, 1, 2008 by C&WS&R
4. C&WS&R report as of January, 1, 2008
5. C&WS&R report as of January, 1, 2008 compared to C&WS&R report as of January, 1, 2008



EXTENSIVE PORTFOLIO*




	Number of properties	Market value mln USD ¹	GBA '000 sqm ²	OMV mln USD ³
Projects held as investment	24	434	3,040	
Development projects	79	3,312	5,888	
In the course of development	33	1,959	1,837	4,899
Incl. with ongoing unit sales	5		161	
Held for future development	46	1,353	4,051	10,055
TOTAL	103	3,746	8,928	14,954

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	Revenue  67%
Projects in the course of development	Market value  56%
Projects held for future development	Net market rental value  105% upon completion

Company's portfolio:

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

* based on C&WS&R report as of January, 1 2008

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

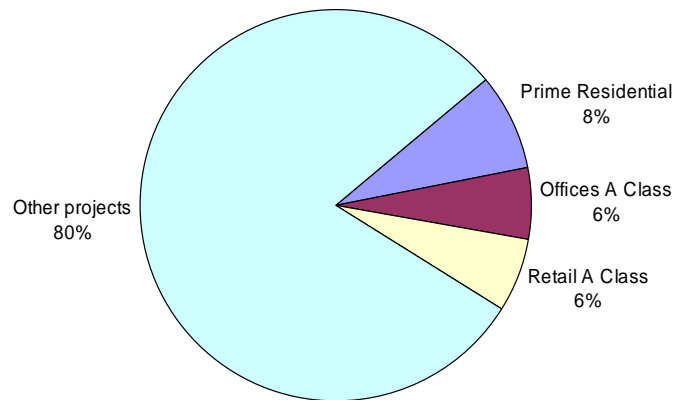
Strict Portfolio Focus

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

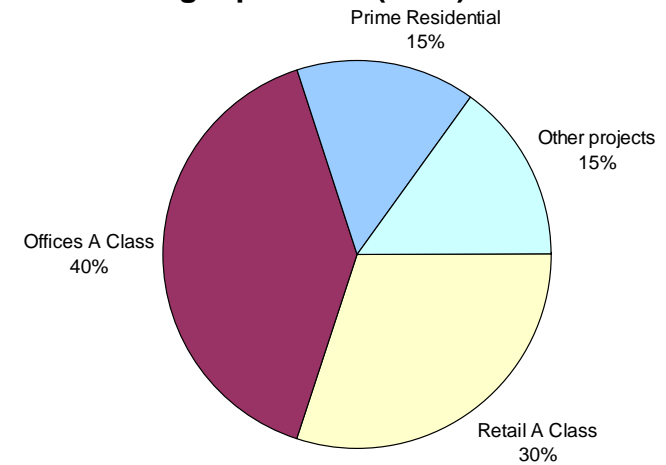
- Class A offices
- Prime retail
- Elite residential

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 First VP for Development and VP for Civil Construction)

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



CONSTRUCTION PIPELINE FOR 2008*

	No. of projects	GBA, sq.m '000
Projects in construction pipeline	39	1 998 + 154 ha
Due to start in 2008	23	1 531 + 61 ha
Projects planned to completion	10	233 + 154 ha
With units on sale	11	517 + 154 ha

* based on Company's management estimations

NEW PROJECTS

Project name	Description	Portfolio selection criteria					
		Focus		IRR, %		Size, sqm	
Khamovniki	<p>Location: Russia, Moscow, 23/7 and 23/5 Lev Tolstoy Street.</p> <p>GBA: 2.2 hectares, 70,000 m2.</p> <p>Description: land plot, premium location in a city centre.</p> <p>Purpose: mixed use elite office-residential complex, elite units sales and rental income from offices.</p>	Elite residential	✓	>20	✓	>30,000	✓
Gorky 8	<p>Location: Russia, Moscow, Rublevo-Uspenskoye Highway</p> <p>GBA: 9 hectares</p> <p>Description: land plot with more than 70 townhouses and a retail mall on it (app. 35,000 sqm), premium suburban location</p> <p>Purpose: rental income generating property.</p>	Elite residential	✓	>20	✓	>30,000	✓
Gorky 8, Second phase	<p>Location: Russia, Moscow, Rublevo-Uspenskoye Highway</p> <p>GBA: 61 hectares</p> <p>Description: Land plot, premium suburban location</p> <p>Purpose: land development, land plots sales.</p>	Land plot	✗	>20	✓	>30,000	✓

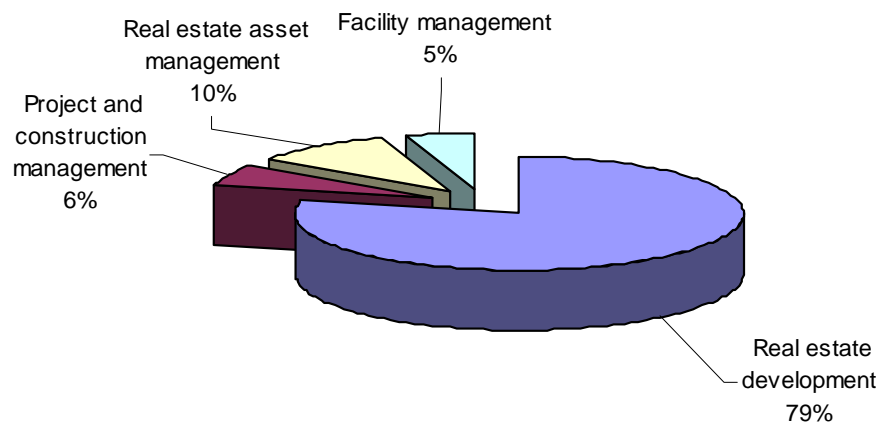


Mokhovaya 13, AFK Sistema's head office

2007 FINANCIAL RESULTS

2007 FINANCIAL AND OPERATING HIGHLIGHTS

	2007 (USD '000)	2006 (USD '000)
Revenues	452,196	282,899
Operating expenses, incl.:	-400,154	-199,903
Stock-based compensation	-99,807	-
Operating income	52,042	82,996
OIBDA [1]	66,912	90,140
OIBDA excl. non-recurring items [2]	166,719	90,140
Net income/(loss)	34,681	55,574



- Consolidated revenue from Real Estate Development grew by **72.7 %** year-on-year to USD 356.0
- Asset Management consolidated revenues increased by **67.2%** year-on-year to USD 44.8 million
- Facility Management division reported year-on-year revenue growth of **127.5%** to USD 22.8 million

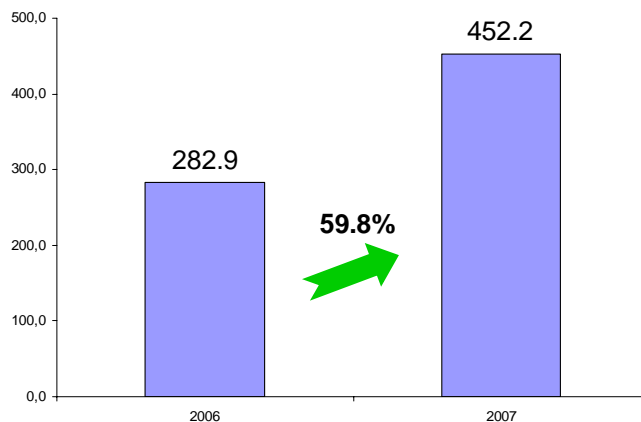
[1] OIBDA is a non-US GAAP measure.

[2] OIBDA excluding non-recurring expense on stock based compensation.



2007 FINANCIAL AND OPERATING HIGHLIGHTS

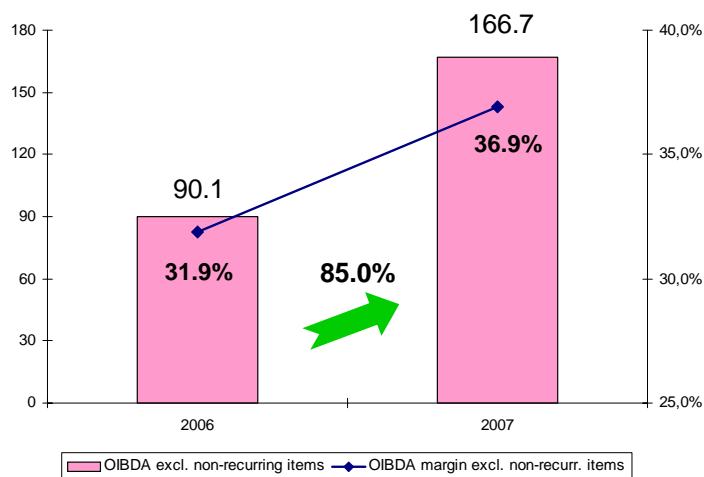
Strong revenue increase



- Sistema-Hals consolidated revenue for 2007 increased by **59.8%** year-on-year to USD 452.2 million

- Sistema-Hals consolidated OIBDA excluding non-recurring expense on stock based compensation increased by **85.0%** to USD 166.7 million and represented an OIBDA margin of **36.9%**, a solid increase compared to the previous year.

Operational efficiency growth



- The Company's consolidated net income for the full year of 2007 amounted to USD **34.7** million.

[1] OIBDA is a non-US GAAP measure.

[2] OIBDA excluding non-recurring expense on stock based compensation.



DEVELOPMENT AND CONSTRUCTION PROJECTS FOR 2008

UNIQUE DEVELOPMENT EXPERIENCE

Pokrovka, 40



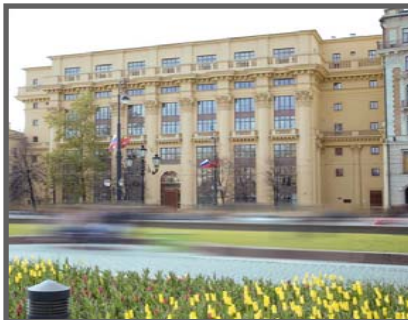
Location:
Moscow, Russia

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



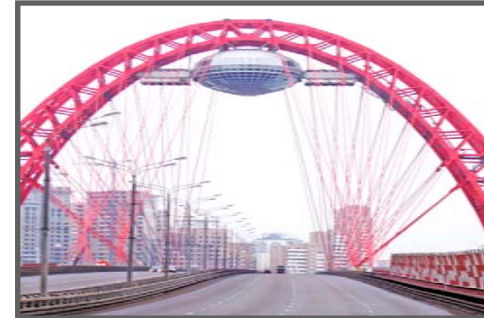
Location:
Moscow, Russia

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\$ 24.2 m



Dnepropetrovskaya 25A



Location:
Moscow, Russia

GBA:
32,971 sq.m

Market value*:
US\$ 18.3 m



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

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

2008: RESIDENTIAL PROJECTS

Key ongoing projects

Nakhimovsky Prospect, 4



Location:
Moscow, Russia

GBA:
42,218 sq.m

Market value*:
US\$ 22.5 m



Serebryanny Bor, 3



Location:
Moscow, Russia

GBA:
21,234 sq.m

Market value*:
US\$ 37.4 m



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

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

2008: KEY ONGOING PROJECTS

Leningradsky towers



Location:
Moscow, Russia



GBA:
110,070 sq.m

Market value*:
US\$ 291.1 m

Avrora



Location:
Moscow region,
Russia

GBA:
22 ha land site

Market value*:
US\$ 48.1 m



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

Source: C&WS&R report as of 1 January 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\$ 76.5 m



Strategic Partnership
Agreement With Apsys**
Will each control 50%
of a joint venture

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

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

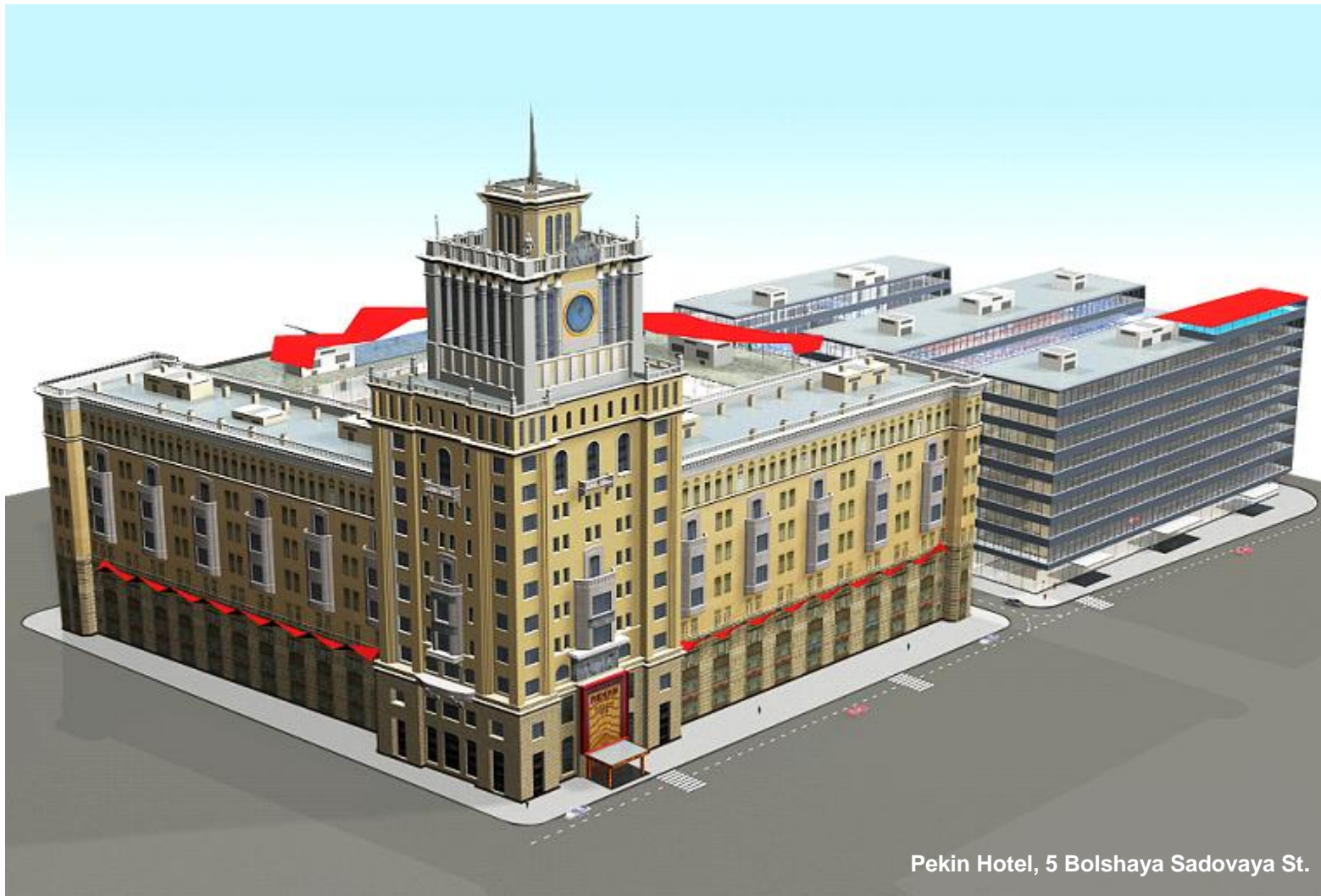
***Strategic Partnership Agreement With Apsys was signed 02.01.08*

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

2007 FY US GAAP FINANCIAL HIGHLIGHTS

(USD '000)	2007	2006
Revenues	452,196	282,899
Real estate development	356,045	206,155
Project and construction management	28,551	39,930
Real estate asset management	44,828	26,805
Facility management	22,772	10,009
Operating expenses, incl.:	-400,154	-199,903
Cost of sales	-218,663	-151,476
Sales, General and Administrative (excluding stock-based compensation)	-66,814	-41,283
Depreciation and amortization	-14,870	-7,144
Stock-based compensation	-99,807	-
Operating income	52,042	82,996
Other income (expenses):		
Other income/(expenses), net	-10,266	-372
Interest income	14,274	4,255
Interest expense, net of amounts capitalised	-11,950	-7,554
Gain/(loss) on foreign currency transactions	19,089	-1,930
Gain/(loss) on sale of shares in associates	-	2,808
Gain on sale of subsidiaries	113	-
Income before income tax and minority interests	63,302	80,203
Income tax expense	-16,216	-16,299
Minority interests	-12,405	-8,330
Net income/(loss)	34,681	55,574

US GAAP CONSOLIDATED BALANCE SHEET

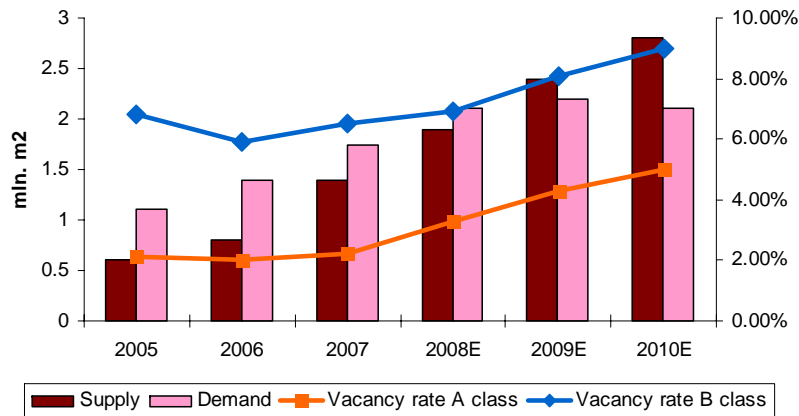
(USD '000)	Dec. 31, 2007	Dec. 31, 2006
ASSETS		
Cash and cash equivalents	45,398	261,952
Trade receivables, net	180,024	34,741
Taxes receivable	55,769	38,855
Other receivables, net	36,114	9,771
Deposits, loans receivable and investments in debt and equity securities	186,447	164,855
Costs and estimated earnings in excess of billings on uncompleted contracts	119,040	13,081
REAL ESTATE INVESTMENTS, NET		
Real estate developed for sale	856,883	270,892
Income producing properties, net	155,736	59,541
Total	1,012,619	330,433
Buildings used for administrative purposes, plant and equipment, net	10,702	5,477
Development rights and other intangible assets, net	33,229	40,035
Investments in associates	32,235	2,799
Debt issuance costs net of accumulated amortization	36,866	-
Deferred tax assets	11,014	-
TOTAL ASSETS	1,759,457	901,999

US GAAP CONSOLIDATED BALANCE SHEET

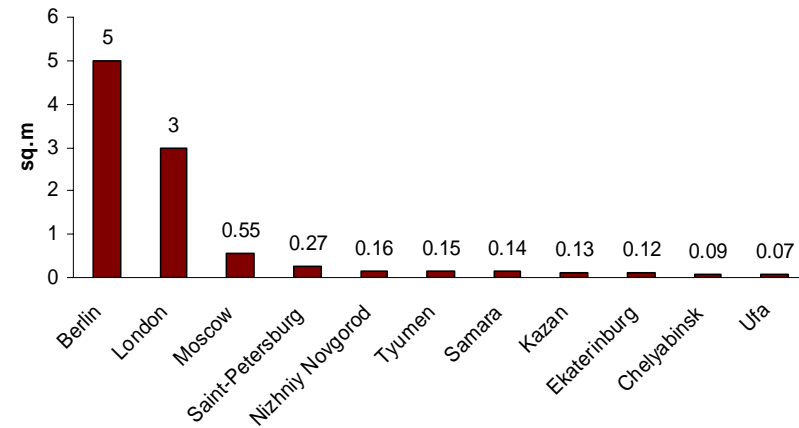
(USD '000)	Dec. 31, 2007	Dec. 31, 2006
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Payables to suppliers and subcontractors	58,229	33,477
Billings in excess of costs and estimated earnings on uncompleted contracts	31,666	25,363
Accrued expenses and other liabilities	67,092	25,130
Taxes payable	11,937	3,899
Construction obligations	-	2,232
Loans and notes payable	980,490	377,967
Deferred tax liabilities	32,324	21,504
TOTAL LIABILITIES	1,181,738	489,572
COMMITMENTS AND CONTINGENCIES	-	-
MINORITY INTERESTS	27,058	18,681
SHAREHOLDERS' EQUITY		
Share capital	20,492	20,492
Treasury stock	-1,576	-2,322
Additional paid-in capital	529,910	430,126
Undistributed profit/(accumulated deficit)	1,835	-54,550
TOTAL SHAREHOLDERS' EQUITY	550,661	393,746
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,759,457	901,999

REAL ESTATE MARKET OUTLOOK - OFFICE

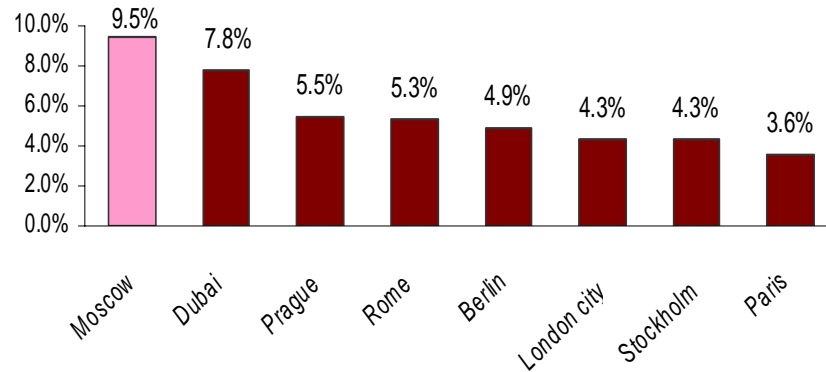
Vacancy rates and demand/supply ratio (Moscow)



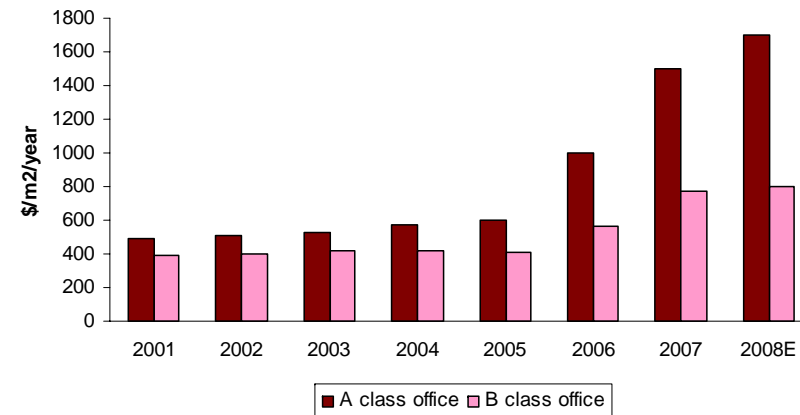
Modern office stock per capita



Rental yields

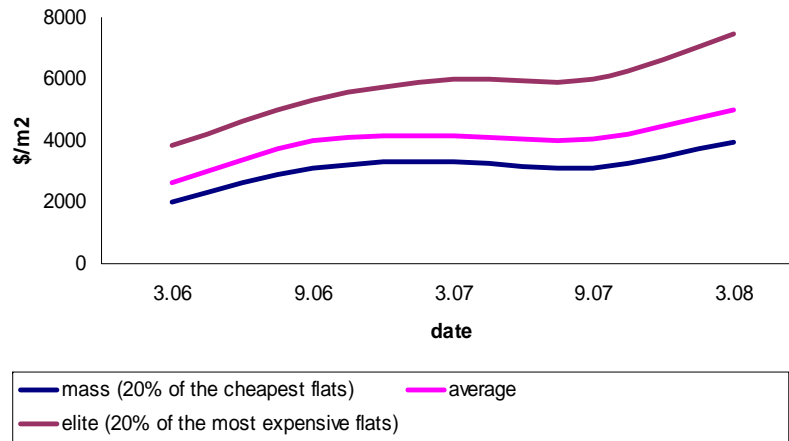


Rental rates dynamics (Moscow)

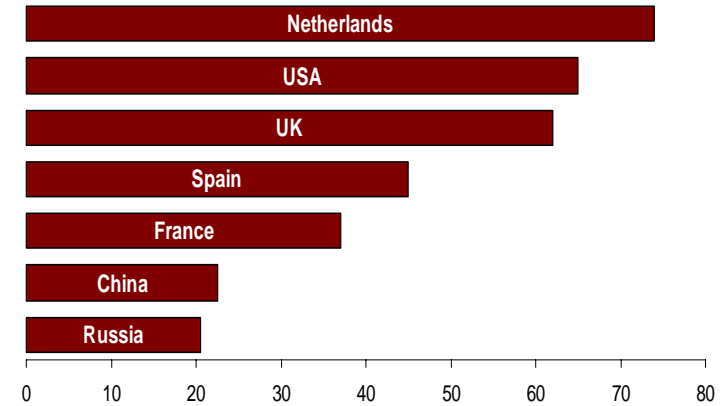


REAL ESTATE MARKET OUTLOOK - RESIDENTIAL

Residential cheap/expensive price index (Moscow)



Residential sq. meters per capita (2007)



Elite residential price/rental rate (Moscow)

	Average price/rental rate in 2007, USD/m2 (per month)	Average price/rental rate growth in 2007, %
Units for sale	17 973	22,9
Units for rent	6 281	26,8

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

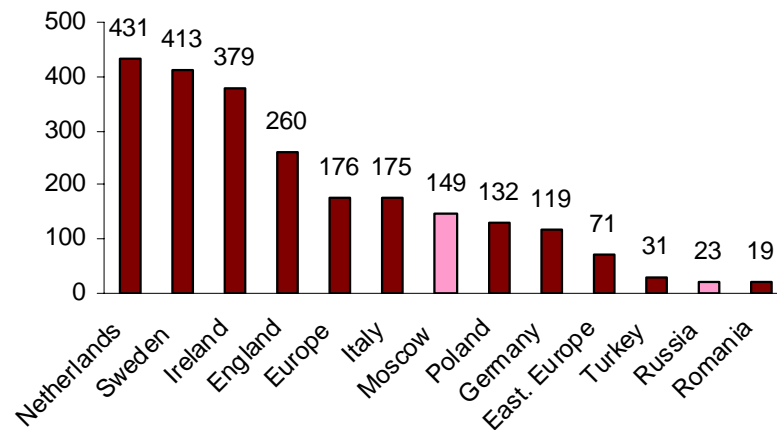
Source: Knight Frank, IRN.ru,

REAL ESTATE MARKET OUTLOOK - RETAIL

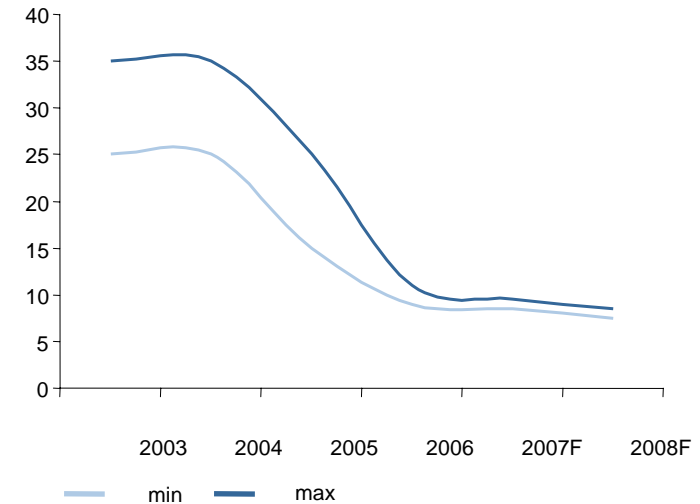
Retail market forecast (Moscow)

	2007	2008F	2009F
Rental rates (CBD)	2,100	2,000	1,950
Quality stock	2,179	2,500	2,800
Vacancy rates	0.8%	1.1%	1.5%

Retail sq. meters per 1000 people (2007)



Retail yields, (%) Moscow



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

Sources: C&WS&R, IRN.ru



CONTACT DETAILS



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