



INVESTOR PRESENTATION

October 2008





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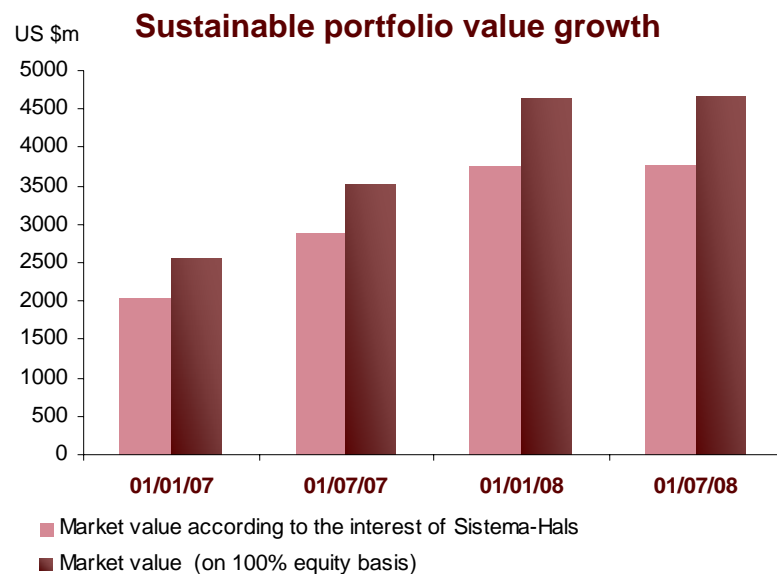
SISTEMA-HALS OVERVIEW

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 ~300,000 sq.m. successfully completed;
- **Extensive diversified portfolio** – 108 properties in premium segments
- **Projects 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



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 01/07/2008
5. C&WS&R report as of 01/07/2008 compared to C&WS&R report as of 01/01/2008

EXTENSIVE PORTFOLIO*

	Number of properties	Market value mIn USD	GBA ' 000 sqm	OMV mIn USD
Properties held as Investment	25	\$405	225 / 112 ha	
Development projects:			5 975 / 80ha	
– In course of development	42	\$2 245	2 255 / 80ha	\$6 327
Held for future development	41	\$1 117	3 719	\$9 868
TOTAL	108	\$3 768	6 200 / 192ha	\$16 195

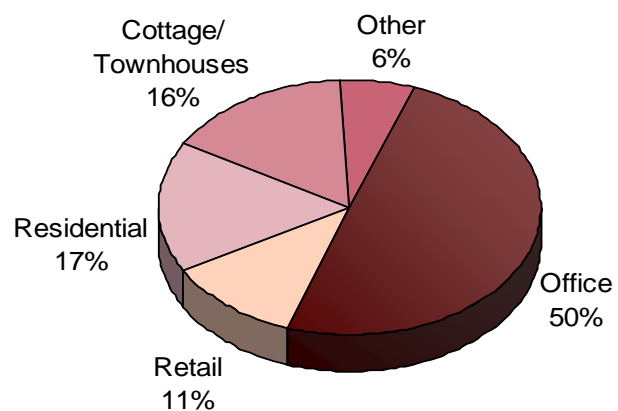
Notes:

1 Attributable to Sistema-Hals

2 Gross Building Area

3 Open Market Value, assuming built and fully let, attributable to Sistema-Hals share

Portfolio structure



■ Diversified portfolio of assets

■ Contains excellent potential for further growth in value

■ Enables Company to obtain additional funding

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

Full report is available for download at Sistema-Hals corporate website at www.sistema-hals.ru



HIGHLY EXPERIENCED MANAGEMENT TEAM



Sergey Shmakov

President (from February 2008)

- General Director of Capital Group
- PhD, Faculty of Economics, Moscow State Institute of International Relations



Andrey Slovyev

Vice-President, Finance and Investment (from February 2008)

- Head of Finance, ESN Group
- Degree from the I.M. Gubkin State Oil and Gas Academy; Major: Economics
- Certified Management Accountant by IMA



Evgeny Kolodkin

Vice-President, Strategy and Development (from October 2006)

- 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



Igor Kasheev

Vice-President, Asset Management (since March 2006)

- Lawyer at the Dorosh, Grishaev and Malyarenko legal firm
- Member of the Management Board
- Degree from the Moscow State Law Academy



Gennady Frolov

Vice-President, Corporate Communications (from September 2008)

- 2007-2008 Head of Corporate communications, AFK Sistema
- Previously headed corporate communications at X5, Cherkizovo, Amtel Vredestein etc.
- Degree from Moscow State University of Foreign Language



Tatiana Gvilava

Vice-President, External Communications (from June 2008)

- Since 2002 Advisor to Chairman of the Board of Directors of JSFC "SISTEMA"
- Director of the Russian-Arab Business Council
- President of the Regional Association "Women and Business"



Teimuraz Shengelia

General Director of "Hals-Center" (from October 2007)

- Heads a number of the company's projects, including: 40/3 Pokrovka St. and the renovation of the Central Detsky Mir children's department store
- Degree from the Moscow State Academy of Law, specialised in jurisprudence



BOARD OF DIRECTORS



Felix Evtushenkov

*Chairman of the Board of Directors
Vice-President, AFK Sistema*



Dmitriy Jakubovskiy

*Director
Deputy Chairman of the Board*



Alexander Goncharuk

*Director
First Deputy Chairman of the Board, AFK
Sistema*



Dmitriy Zubov

*Director
Deputy Chairman of the Board, AFK Sistema*



Sergey Drozdov

*Director
Senior Vice-President, AFK Sistema*



Anton Abugov

*Director
First Vice-President, AFK Sistema*



Alexey Buyanov

*Director
CFO, AFK Sistema*



Robert Tsenin

*Independent Director
Director of Australian Infrastructure Fund
Limited and Metrix Capital Partners*



John Gummer

*Independent Director
Chairman, Sancroft International Ltd*



Douglas Daft

*Independent Director
Ex-Chairman of Coca-Cola*

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.

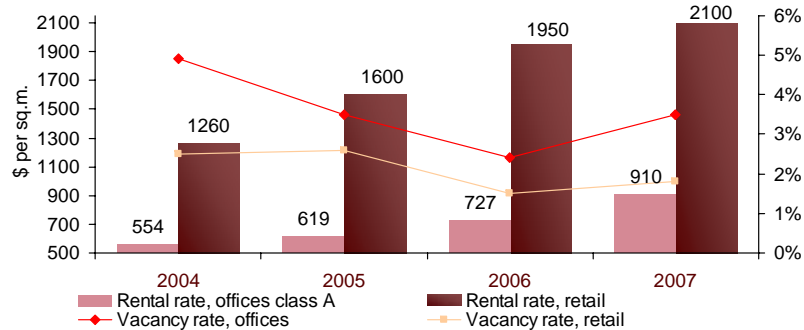
Alliances with strong financial and strategic partners

- 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.



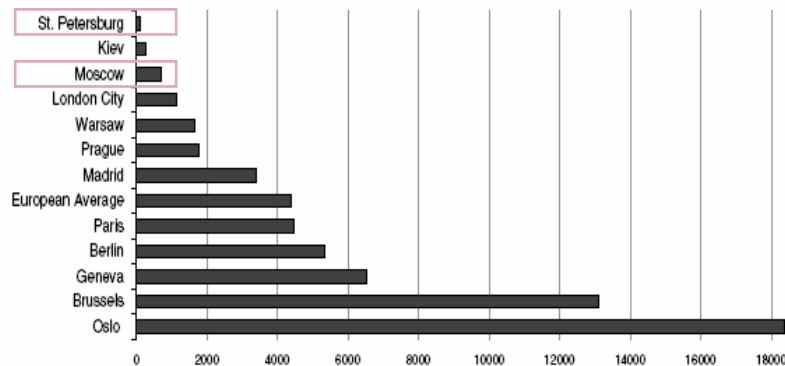
RUSSIAN REAL ESTATE MARKET IS STILL FUNDAMENTALLY STRONG

Rental rates and vacancy rates dynamics for office real estate market in Moscow



Source: C&WS&R, JLL, Colliers, Renaissance Capital

Office supply (sq.m. per 1000 inhabitants)



Source: C&WS&R, JLL, Colliers, Credit Suisse

Russia's GDP growth forecast as compared to oil

	Current scenario			Pessimistic scenario		
	2008E	2009E	2010E	2008E	2009E	2010E
Oil price, Urals \$ per barrel	106	91	86	93	50	50
Real GDP growth	8,3%	7,6%	7,1%	7,4%	5,5%	4,0%
Inflation % year-end	12,4%	10,7%	9,7%	12,8%	9,6%	8,0%

Source: Renaissance Capital

■ Russian real estate market is **fundamentally strong** and will demonstrate **growth** in the long run

- **Not saturated** as compared to other countries (in all segments – offices, retail and residential)
- Price and rental rates growth until August, 2008 **notwithstanding high levels** surpassing most international markets
- **Low level of vacancy rates**
- **Advance financing** of the construction by real-estate buyers

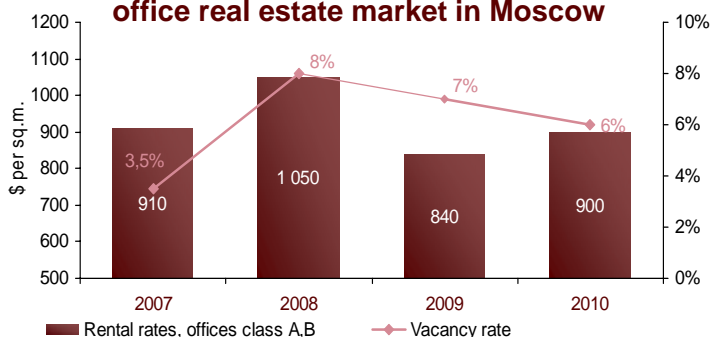
■ Fundamental drivers of the real estate market **will be affected as a result of the liquidity crisis** in the short term, however this **should not affect the general trends in the long run**:

- **Russia's GDP growth**, driven by high oil prices (even at the levels two times lower than the current ones)
- **Income growth of the population** (let it be not at as high levels as previously)
- **Low volume of mortgage loans** in the economy
- **High growth rates in retail**

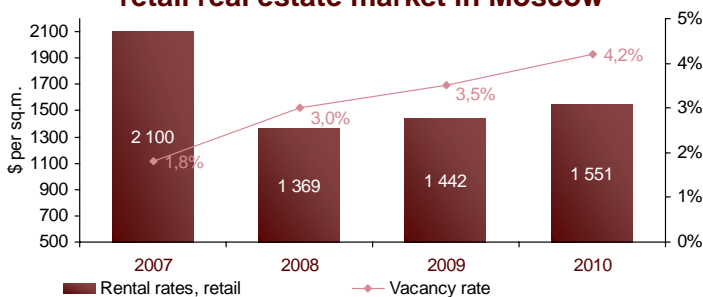
■ At the same time it is very hard now to predict the **depth and time frames of the negative consequences of the crisis**

REAL ESTATE MARKET: POTENTIAL CONSEQUENCES OF THE CRISIS

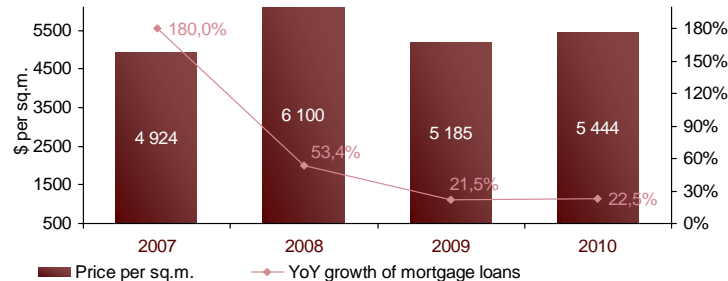
Rental rates and vacancy rates forecast for the office real estate market in Moscow



Rental rates and vacancy rates forecast for the retail real estate market in Moscow



Residential real estate market forecast (Moscow)



Source: C&WS&R, JLL, Colliers, Renaissance Capital

Current crisis and its effect on the real estate market can be only relatively compared with the situation in 1999 and foreign markets crisis in other periods since in those times economies were either in recession or the reason of the crisis was a mere cycle effect – over saturation of local markets.

By analogy with other crisis in Russia and other countries prices and rental rates are **expected to decrease to the levels of beginning-mid 2007**:

- Decrease in office rental rates by 15-25%
- Decrease in residential real estate prices by 10-15% (Moscow will be affected to a lower degree)
 - Buyers will wait whether mortgage is expensive or cheap
 - Investors and banks will get rid off real-estate assets with discount
 - Developers will settle with contractors by using apartments
 - Decrease in primary offerings from homebuilders
- A stronger decrease in prices for cottage real estate market in the medium price segment

The biggest decrease in prices will **become apparent within 10-15 months** taking into account foreign markets dynamics and inherent sluggishness of the market

LONG-TERM PORTFOLIO MANAGEMENT STRATEGY

Commercial Properties

Develop and hold premium projects

Retail Properties

Develop and hold premium projects

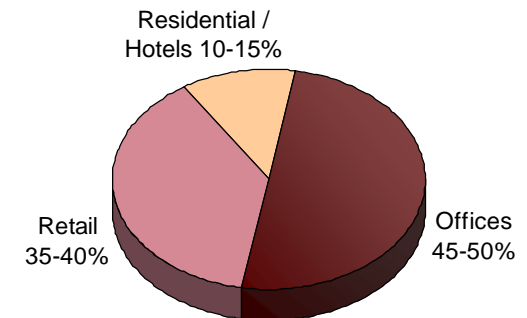
Residential Properties

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*)

** based on Company's management estimations*

Target rental portfolio structure





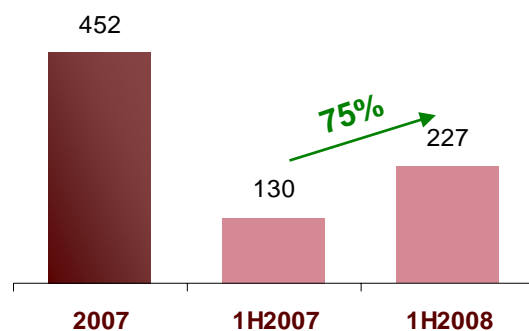
Mokhovaya 13, AFK Sistema's head office

FINANCIAL RESULTS FOR 6M 2008

KEY FINANCIALS

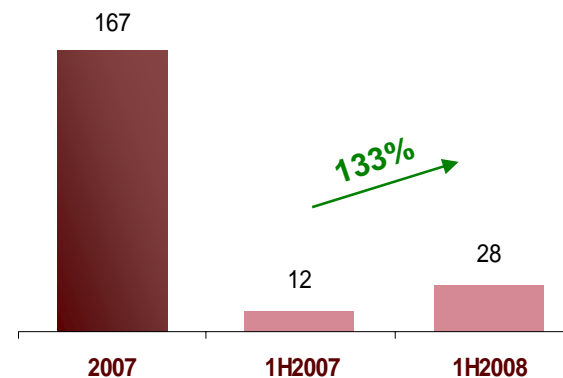
	6m 2008 (USD '000)	6m 2007 (USD '000)	Change, %
Revenues	227,100	129,773	75%
Operating expenses, incl.:	(210,399)	(221,655)	5%
Stock-based compensation	-	(97 966)	N/A
Operating income	16,701	(91,882)	N/A
OIBDA [1]	27,829	(85,828)	N/A
OIBDA excl. non-recurring items [2]	27,829	12,138	130%
Net income/(loss)	8,663	(99,572)	N/A

Consolidated revenues



■ Consolidated revenues YoY grew by 75% to USD 227,1 mln

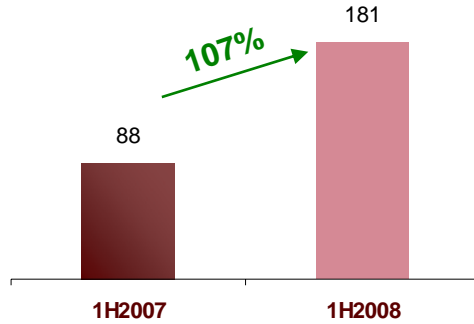
OIBDA excl. non-recurring items



■ Consolidated OIBDA excl. non-recurring items grew YoY by 133% to USD 27,8 mln

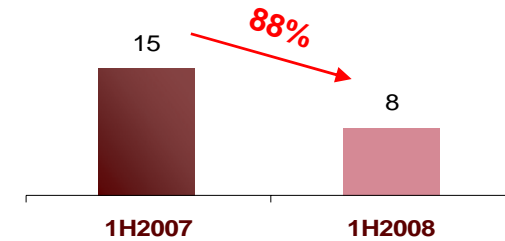
BREAKDOWN OF REVENUES

Real estate development



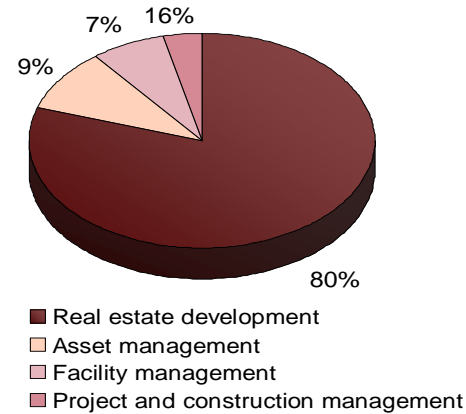
Revenues from Real Estate Development segment grew by 107% to USD 181.4 mln

Project and construction management

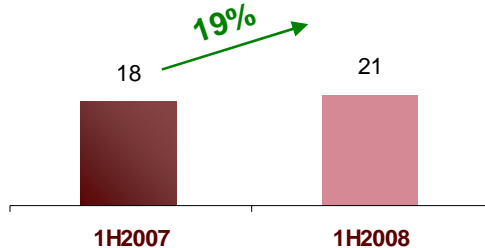


Project and construction management segment reported revenue in the amount of USD 8.1 mln

1H 2008 Revenue breakdown

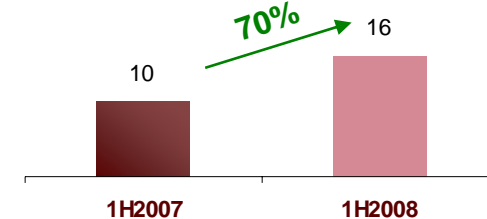


Asset management



Revenues from Asset Management segment increased by 19% to USD 21.3 mln

Facility management



Facility management segment reported revenue growth of 70% to USD 16.3 mln



DEVELOPMENT AND CONSTRUCTION PROJECTS FOR 2008

UNIQUE DEVELOPMENT EXPERIENCE

Pokrovka, 40



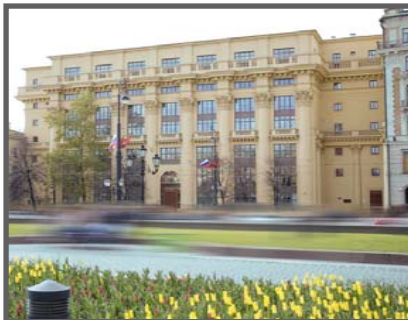
Location:
Moscow, Russia

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



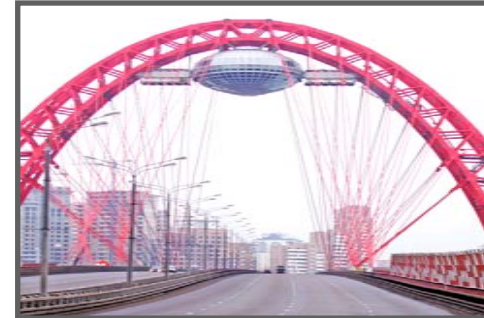
Location:
Moscow, Russia

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*

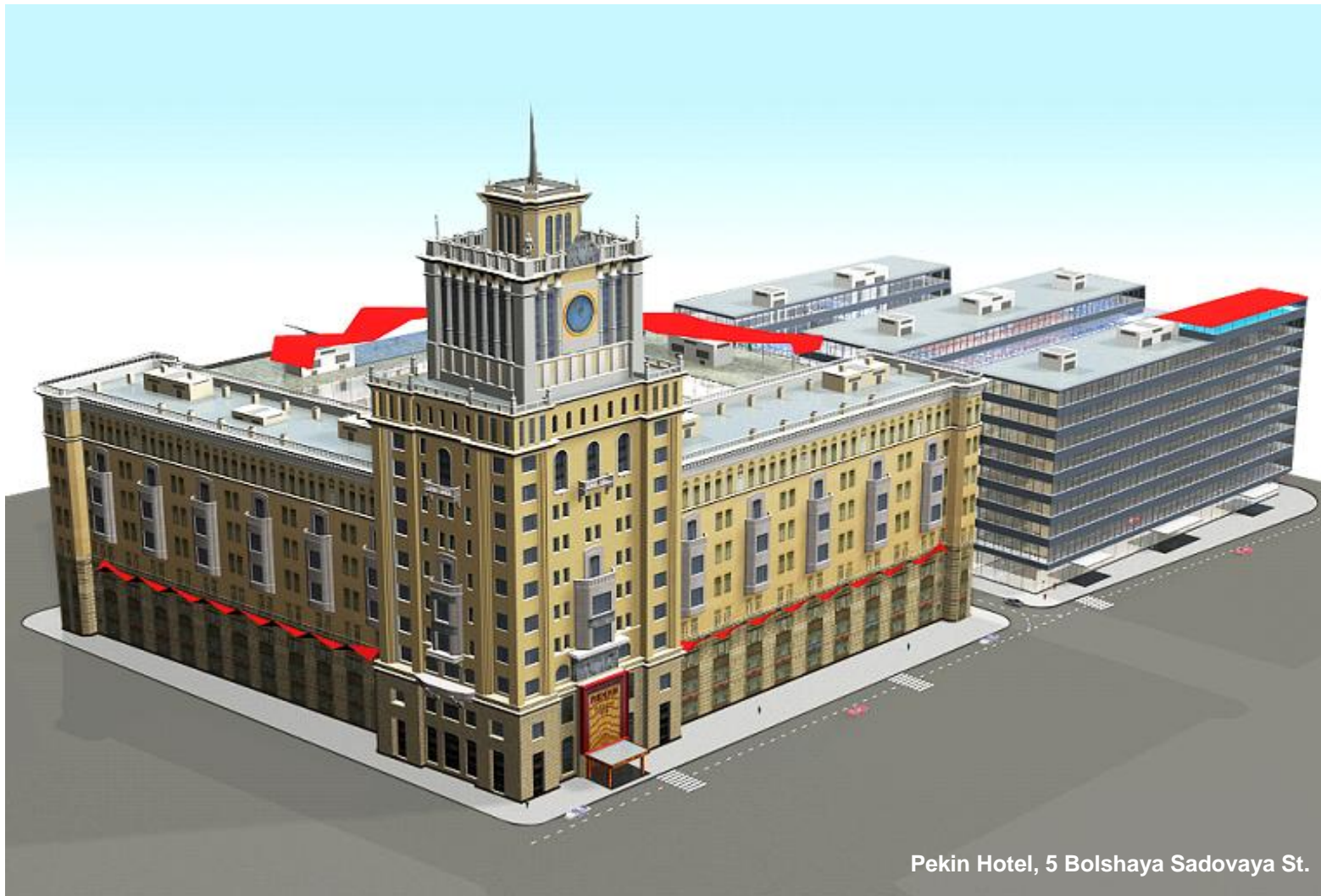


2008: INFRASTRUCTURE AND TRANSPORTATION PROJECTS

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



CONTACT DETAILS



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