

**Preliminarily approved by the
Board of Directors of the
Sistema-Hals JSC
(Minutes # 80 dated May 19 , 2010)**

**Approved by the
Annual General Shareholders Meeting of the
Sistema-Hals JSC
(Minutes # 21 dated June 29 , 2010)**

**ANNUAL REPORT
of the Open Joint-Stock Company Sistema-Hals for 2009**

President of Sistema-Hals JSC

_____ **A.A. Nesterenko**

Chief Accountant of Sistema-Hals JSC

_____ **V.S. Uzhondin**

1. 1. The Company's position within the sector

The company Sistema-Hals (hereinafter referred to as "Sistema-Hals JSC", the "Issuer", the "Company", "Sistema-Hals") is one of the largest diversified companies operating in the real estate market of Russia and CIS. Sistema-Hals is represented in virtually all segments of real estate – the Company implements residential projects of business class and elite class, builds office centers and shopping centers, as well as multi-purpose complexes.

Sistema-Hals JSC manages more than 80 companies, whose diversified specialization permits to carry out all stages of project implementation – from concept formation, efficiency analysis and creation of architectural concept till erection and subsequent operation of the finished object.

The Issuer believes that its high-quality portfolio of projects gives it wide recognition in the market which, in its turn, contributes to the access to new development projects and, to the attraction of new investments.

From the beginning of its activities, the Company has finished successfully some 40 projects of total area exceeding 400,000 sq. m. They include several residential complexes in Kuntsevo, the headquarters of DaimlerChrysler, the office building Hals-Tower, the headquarters of Pipe Metallurgical Company (TMK), a hotel of the MaMaison chain (Orco Property Group).

The current portfolio of projects includes more than 80 development projects including commercial property, as well as projects at preparation- and implementation stages, which will bring profits to the Company in the future. The Issuer's projects are located in Moscow and in the Moscow region, as well as in Russia's other largest cities – St. Petersburg, Kazan, Krasnoyarsk and Sochi.

The Company's project portfolio includes many major objects such as "Detsky Mir - Lubyanka", "Pekin", "Leningradsky" (currently - Skyline), "Leto", etc. The Issuer owns or leases, directly or through subsidiaries, more than 450 hectares of land in Russia, a considerable portion of which is expensive land plots in the Moscow region. Large areas of own land are a prerequisite for future growth and, they create the Company's potential liquidity. Because of lack of high-quality office premises, shopping space and residential accommodation in Russia, the Issuer believes that its asset portfolio, which includes each of the above-listed types of real estate, presents a great potential for the Issuer's growth.

The Issuer is a public company which listed its stock both on the main board of the London Stock Exchange and on the Moscow Interbank Currency Exchange.

In April 2009, AFK Sistema JSC entered into an agreement with the Bank VTB (Open JSC) on a sale of a stake in the Issuer. The transaction was carried out in two stages. At the first stage, the Bank VTB (Open JSC) purchased 19.5% ordinary shares of the Issuer and obtained an option for a purchase of 31.5% shares more. The option was exercised in December 2009 when the Bank VTB (Open JSC) acquired control over 51.24% of the Issuer's stock. At the same time, AFK Sistema brought its stake in the Company to 27.6%

So, currently the key shareholders of Sistema-Hals JSC are Bank VTB (Open JSC) (51.24%) and AFK Sistema JSC (27.6%); some 18% of the Issuer's stock is in free circulation.

Presence among shareholders of the largest Russian bank capable to provide necessary funding, and a leading diversified holding having wide experience in the development of customer sectors contributes to the Company's prospective growth and to its stock growth.

1.1. Competitors of Sistema-Hals JSC

1. Russia's reputed developers: *Otkrytye Investitsii, AFI Development, Mirland Development, MIRAX Group, Forum Properties, Capital Group, Snegiri Development and others. Companies of this group operate mainly in Moscow, and these companies are typically engaged in landmark projects and large-scale projects with self-funding and self-development.*

National developers with their projects in Russian regions: RosEuroDevelopment, Renova-Story Group, DVI Group.

2. Reputed foreign developers – *Hines, AIG/Lincoln, Enka etc. Companies of this group are usually engaged only in large projects (30,000 sq. m or more) of premium class, in cooperation with local developers, mainly in the segment of commercial real estate.*

3. Development units (subsidiaries) of major companies – *IKEA, Ramenka, METRO, Auchan, Lotte Group – the companies which develop their project only in cooperation with the respective parent company.*

4. A separate group is developers of residential spaces of both the business class and the premium class. *Mainly, they are SU-155, Barkley, Krost, Konti, Tema and other numerous minor companies. These companies are not direct competitors to the Issuer, however, they tend to diversify their business and to enter the segment of commercial real estate.*

2. Priorities of the Company's activity.

Report of the Board of Directors on results of development of the Company in its priority business lines

The year 2009 was one of the most difficult years for the emerging real estate market, both for Russia as a whole and for the Sistema-Hals Company in particular. At the same time, Sistema-Hals was able to become one of the first companies in Russia which has taken action timely to overcome the consequences of the crisis and, in spite of the complicated market situation, Sistema-Hals was able to maintain its current activities and, to keep on with its business.

Key issues (priority activities) for 2009 Results of activities in priority aspects of which are declared in the 2008 Annual Report of Sistema-Hals JSC

Production program

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| <p>1. Focusing efforts on development of priority projects of Sistema-Hals JSC (Leningradsky Towers, TRK "LETO", resort complex "Camelia", Central "Detsky Mir", as well as 7 projects of MGTC [<i>Moscow State Phone System</i>])</p> <p>2. Completion of the following projects:</p> <ul style="list-style-type: none">- residential complex "Primavera" (Simferopolsky lane 18);- residential complex "Diplomat" (Michurinsky Av. 39A);- residential building (Dnepropetrovskaya St. 25A); | <p>In 2009 Sistema-Hals JSC developed the Leningradsky Towers complex in Moscow; comprehensively redeveloped MGTS projects; reconstructed the Central "Detsky Mir" in the Lubyanskaya Square; constructed TRK "Leto" in St. Petersburg and some other projects.</p> <p>In 2009 Sistema-Hals JSC has commissioned the residential complex "Primavera" at the address: Simferopolsky lane 18; the residential complex "Izumrudnaya Dolina" at the address: Rublevskoye shosse 111A [?]; the residential building at the address: Dnepropetrovskaya St. 25A; the residential complex "Diplomat" at the address: Michurinsky Av. 39A. Total floor area of the commissioned residential buildings was some 100,000 square meters.</p> |
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- residential complex “Izumrudnaya Dolina” [Emerald Valley] (Rublevskoye shosse 11A);

- TRK “Leto”, St. Petersburg.

In addition, sales of apartments in the residential complex “Izumrudnaya Dolina” at the address: Rublevskoye shosse 111A has been completed in 2009.

In the course of construction of TRK “LETO” in St. Petersburg in 2009, operations were carried out in facade facilities, entrances, landscaping and public amenities, laying of intra-quarter- and interior utility networks.

Over 2009, agreements were signed on location of shops in TRK “LETO” with such lessees as Media Markt, Auchan, H&M, the family educational and entertainment park Babylon, LPQ and many others. Opening of TRK “LETO” is projected for 2010.

3. Cost minimization and, reach of capitalization points for projects which were not within the production plan, with the purpose of preservation of the base for the Company’s further development, in mid term and long term.

In May 2009, Sistema-Hals purchased 100% stock of Lubyanka Development JSC which is the owner of the Central “Detsky Mir” in the Lubyanskaya Square. Sistema-Hals JSC is currently reconstructing it.

In December 2009, Sistema-Hals announced opening of an electronic appliances store Media Markt (the leader of the European retail market in electronic appliances) and a new supermarket of the national chain “Detsky Mir”.

In October 2009 Sistema-Hals renewed its asset portfolio with a group of buildings, of total area equal to 18,929 sq. m, located at the address: Moscow, 8 March St 10.

In June 2009, a permit was obtained to build a residential house with an underground parking lot and the non-residential ground floor at the address: Moscow, ZAO [Western Administrative District], Kuntsevo, quarter 20, estate 28A bldg. 2, Yelninskaya St.

Project portfolio restructuring

4. Sales of projects inconsistent with the Company’s strategy. Assurance of cash flows from sales of projects/shares for funding the production plan, as well as redeeming current interest payments and payments under loans.

In 2009 Sistema-Hals left its business in “Assets Management” and “Upkeep of Buildings” and sold, within restructuring of its possessory structure, key companies of these areas – OAO Mosdachtrest and ZAO Citi-Hals, ZAO Landshaft – to the AFK Sistema Group.

So, Sistema-Hals has focused on the segment of high priority for itself, that is, “Development of Real Estate Properties” where it has already formed a wide and well-balanced portfolio of projects and assets in the growing segments of the market.

5. Maintaining prospective projects in the Company's portfolio for future development. In 2009 a subsidiary within the group of persons Sistema-Hals JSC has made a transaction to increase its ownership ratio in OOO Sib-Brok (a design company in construction of a high-class residential complex in the city of Yalta) from 75% to 100%.

OOO Sib-Brok owns, on a long-term leasehold basis, a plot of 2.4 hectares total area, which is located at the address: City of Yalta, Moskovskaya St. 15. The land plot is happily located in one of the main streets of Yalta, 500 meters from the sea, in the center of tourist industry. Sistema-Hals plans to build a multi-purpose complex with elite-class apartments, a culture and health center and a shopping center.

Strategy adjustment in the dynamic environment

6. Renovation of the Company's strategy with account taken of the dynamic environment. In its meeting dated 2009/02/27 (Minutes #61 dated 2009/03/03), the Board of Directors:

- approved the long-term financial model of Sistema-Hals JSC, with the conservative scenario taken as the base scenario;

- approved the program of participation of the Sistema-Hals group of companies in federal special-purpose programs and national projects;

7. Implementation of action aimed at increase of efficiency of the Company's business and financial performance. In 2009 Sistema-Hals JSC placed the first bond loan of the first series denominated in rubles and of 3 billion rubles nominal value. Maturity is in 2014, the issue was arranged by ZAO Raiffeisenbank, the borrowed cash was spent on current debt restructuring; the bond loan of the second series denominated in rubles and of 2 billion rubles nominal value, with maturity in 2014, the issue was arranged by OOO Renaissance capital – Financial Consultant.

Corporate management development

8. Improvement and optimization of the legal and management structure of the Company. For the said purposes, the Board of Directors, in its meeting dated 2009/11/27, approved a new organization structure of Sistema-Hals JSC (Minutes #74 dated 2009/11/30).

9. Improvement of corporate governance in accordance with best international practices. In 2009, for the said purposes the Board of Directors approved amendments to the Corporate Code of Conduct, to the Regulation of the Audit Committee, the Regulation on Nominations and Compensation (Minutes of the meeting of the Board of Directors, #71 dated 2009/10/09).

The Regulation of the Option Plan for Management of Sistema-Hals JSC was disabled (Minutes # 75 dated 2009/12/28).

The Policy "On Disclosure of Essential Non-

Public Information and Insider Transactions” was approved (Minutes of the Board of Directors, #69 dated 2009/08/03).

Corporate social responsibility

10. Participation in socially significant projects

Within an investment contract, some 2/3 of all apartments in a new building at the address: Moscow, Dnepropetrovskaya St. 25a have been provided to the Moscow Educational Department.

In total, the Educational Department. Will obtain 221 apartments with the net floor area of 11,900 sq. m, fully finished by investor companies – Sistema-Hals JSC and AZO Ferro-Stroy.

3. Prospects of the Company’s development

The Issuer’s long-term strategy is aimed at creation and growth of value for shareholders, investors and partners by means of implementation of unparalleled development projects of investment quality in segments of commercial property and residential property in the most promising markets of the Russian Federation and other countries.

The Issuer’s strategic goal is taking up leading positions among real estate companies in the Russian Federation by means of achieving a sustainable financial status, implementation of a number of unique projects, availability of strong inner competence and competitive advantages, as well as a stock of projects for further implementation and growth of shareholder value.

The Issuer’s strategy assumes creation of a diversified portfolio of leasing assets, as well as real estate properties for sale in key market segments including: office space of A and B classes, shopping malls, hotels and residential space.

Thanks to a partnership with France-based Apsys, the Issuer has a number of unique competitive advantages in project development in the domain of retail property. Properties of this segment will also be a basis of formation of the Company’s leasing portfolio.

One of the Issuer’s key activities is, as before, residential real estate of business class, mostly, thanks to its capability to obtain a quick source of cash for long-term projects of commercial real estate, as well as for funding the Company’s current activities. Also, the company maintains its presence in the elite segment of residential real estate.

Considerable attention will be paid to the growing efficiency of operating activities, to the development of inner competence and to the fulfillment of production plans. Over recent years, the Issuer has formed a high-quality basis for its further development and, the Issuer plans to develop the announced projects efficiently and in the nearest future

4. Description of key risks related to the Company’s activities

4.1. Industry risks

Activities in construction and real estate are coupled with considerable risks because a typical project requires considerable investment and lasts for several years. Fast growth and development of the real estate market can also create difficulties in getting sufficient management resources and operating resources and, can increase pressure of the Issuer’s financial resources, thus restricting its ability to enlarge its business.

Construction- and real estate business is highly risky in virtually all segments.

For example, after the high levels fixed in 2006 to 2008, the volume of investments into commercial real estate reached the bottom in the 2nd quarter of 2009, when deals summed up to as little as to \$163 million. Although the next quarter saw the volume of deals equal to \$900 million, the total volume is, as before, a far cry from the \$6.5 billion figure achieved in 2008. Moreover, minimal capitalization rates in various market segments grew 500-700 base points in comparison with their peak values.

The construction- and real estate development business grows primarily by means of borrowed cash. Because of that, a high interest risk exists – in case of long-term loans, growth of the interest rate can have a negative impact on the amount of interest payments under loans. At the same time, decline of real estate prices as a whole entails additional expenditures in the funding of the earlier loans, which can entail bankruptcy of small and even major companies in this market.

Real estate development is a long-lasting process. Due to the duration of timeframes of project implementation under conditions of changing economic indicators, a considerable operational risk emerges – excess of forecasted investment costs caused by growth of prices for construction materials, can reduce profitability of projects in implementation.

In order to minimize the above-said risks, the Issuer tries to decrease project implementation periods, quickly respond to the dynamical structure of supply and demand in various segments, raise long-term loans for its projects and, have a well-balanced portfolio of projects, both those for sale and those for lease.

4.2. Risk related to possible changes of prices for products and/or services render by the issuer

Tough competition in the market, specific features of the investment construction process, currency fluctuations, changes of the financial market, as well as the aggregate of economic development trends as a whole – all this affects the changes of prices of the Issuer's production/services.

With account taken of the current economic situation in this country and worldwide, a risk exists of a decline of prices for the Issuer's products/services.

In 2009 for instance, as a result of decline of demand, the fraction of vacant space was 8% in 2009 [?]. With two huge projects making it to the market in 2009 and, with the large volume of retail space planned for launch within the next two years, the fraction of vacant space will grow to 12% in 2010.

With account taken of the projects suspended during the previous periods, the volume of space to be launched in high-quality shopping malls will also be high over the next two years. In 2012-2013, activities will decrease drastically due to lack of projects at the initial stage of construction.

The Issuer estimates this risk as essential and, takes all his best efforts to minimize the risk by means of active work toward reduction of expenditures (optimization of costs and optimization of the cost structure), by means of changes in its pattern of interaction with its suppliers and contractors and, by means of revision of its capital investment plan.

4.3. Country risks and regional risks

As the Issuer is incorporated and has its key businesses in the Russian Federation, the key country- and regional risks affecting the Issuer are risks related to the Russian Federation. However, due to the growing globalization of the world economy, a significant aggravation of the international economic situation can also result in a notable decline of the Russian economy and, as a consequence, in a reduced demand for the Issuer's products and services.

In the event of a considerable political instability in Russia or in an individual region, which instability would have a negative impact on the Issuer's activity and income and on the income of the Issuer's subsidiaries and related companies, the Issuer suggests to take some action for introduction of anti-crisis management with the purpose of business mobilization and maximal decrease of possible negative impact from the political situation in the country and the region on the business of the Issuer and its subsidiaries.

4.3.1. Country risks:

Economic and political instability in Russia, instability of the Russian banking system, insufficient infrastructure, as well as fluctuations of the world economy can have negative impact on activities of the Issuer and the Sistema-Hals Group as a whole.

Changes in the world economic situation can unfavorably affect the Russian economy, which can limit the Issuer's capability to manage its business processes, can limit its opportunities of access to sources of capital and, to reduce inflow of foreign and Russia-based investment.

The Russian economy is under influence of the declining market situation and reduction of commercial activity in other countries. As it has already been in the past, financial problems or hyper-perception of risks of investing into countries with emerging economies can reduce the volume of foreign investment into Russia and, can have a negative impact on the Russian economy. In addition, as Russia produces and exports oil, gas and metals in huge quantities, the Russian economy is especially dependent on global prices of these commodities, that is why a decline in prices of commodities, particularly of oil and gas, can result in a slowdown of the Russian economic growth. Availability of the above-said factors can considerably limit the Issuer's access to the funding sources and, can have an unfavorable impact on the purchasing capabilities of the Issuer's clients and, its activity as a whole.

Infrastructure of Russia was mainly created in the Soviet era and, has not been having sufficient funding or servicing over the recent decades. Railways and highways, facilities for power generation and transmission, communication systems, as well as buildings and other facilities suffered particularly. Shortage of power and heat in some regions of the country in the past resulted in serious violations in the economy of those regions. The worsened condition of Russian infrastructure causes damage to the economic development, complicates transportation of goods and cargoes, increases expenditures for business activities in Russia and, can result in disturbances of financial and economic activities, hence considerable negative effects on the Issuer's financial position and the value of its stock.

4.3.2. Regional risks:

Most of the Issuer's project portfolio is concentrated in Moscow and the Moscow region, thus limiting the Issuer's ability to diversify its business geographically.

As a result of this geographical concentration of projects in just one region, there is a considerably growing risk that some changes in the political or legislative environment, reduction of business activities or, weakening of the local real estate market can have an unfavorable impact on the Issuer's business, on the dynamics of its financial indices and on the value of its stock. At the same time, the region of Moscow and its environs is a financial center and the center of accumulation of Russian and foreign financial institutions, which is a positive factor for the Issuer's activities. The region of Moscow and its environs is one of the most promising regions with growing economy.

The Issuer does not forecast any negative changes in the nearest future as to the regional situation which would have a negative effect on the Issuer's activities and economic position.

With account taken of all the above-said circumstances, we can come to a conclusion that the region's macroeconomic environment has a favorable effect on the Issuer's activities that lets us speak about absence of region-specific risks.

In the event of negative impact of country-wise and region-wise changes on the Issuer's activities, the Issuer plans to take the following general measures aimed at supporting the profitability of the Issuer and its subsidiaries:

- Make adequate changes in the pricing policy to maintain demand for the Issuer's products at a necessary level;
- Streamline costs, including make caps on wage expenses;
- Revise the capital investment program;
- Take measures for the improvement in the turnover of receivables by means of stricter financial discipline in respect of borrowers;
- Wherever possible, keep up fixed assets till the moment of the situation changing for the better;
- Take measures aimed at sustenance of the Issuer's employees, at support of the Issuer's workability.

4.4. Financial risks

The issuer's exposure to the risks related to interest rate changes, forex changes, because of the issuer's activities or, because of the issuer's hedging in order to reduce unfavorable consequences of the above-said risks:

The Issuer is exposed to the following key financial risks:

- foreign currency risks;
- risks of abrupt variation of floating interest rates;
- risks of appreciation of funding: interest rate growth;
- other market risks, including liquidity risks;
- risks of inflation rate growth.

4.4.1. Risks of interest rate changes:

4.4.4.1. Risks of fluctuations of floating interest rates.

A part of the Issuer's loan portfolio is liabilities the interest on which accrues based on the floating rate of MOSPRIME. A sharp increase of the floating rate results in growth of expenditures on debt servicing, that is why the fraction of liabilities having a floating rate does not, at any time, exceed 25% of the Issuer's aggregate loan portfolio.

The Issuer estimated the risk of growth of the LIBOR and MOSPRIME rates by the year end and, hence, it planned to borrow loans primarily at a fixed rate, however, in order to minimize the cost of borrowings, loans at floating rates were allowed given the rate is fixed afterwards.

The Issuer, jointly with its servicing banks, has carried out a set of measures for amending terms and conditions of some loan agreements signed earlier, with a replacement of the floating rate with a fixed interest rate.

4.4.4.2. Risks of funding appreciation: interest rate growth

Since the Issuer uses borrowed funds in its activities, a growth of interest rate for banking loans or other debt financing instruments would raise the Company's expenses related to the servicing of debt liabilities.

Currently, because of the global financial crisis, we observe considerably stricter terms and conditions of loan cooperation with commercial banks.

A significant portion of the Issuer's debt liabilities is long-term, as a result of successful borrowings in 2007. Although the Issuer has succeeded in having a considerable portion of funding at historically minimal rates over the recent years, the Company estimates risks of unilateral increase of interest rates by banks for the current loan agreements as high enough.

4.4.2. Exposure of the issuer's financial position, its liquidity, its funding sources, results of its activities, etc. to changes in forex rates (currency risks)

Sharp fluctuations of ruble against foreign currencies can have a negative effect on the Issuer's financial position. The Issuer's financial position, its liquidity, its funding sources, results of its activity depend somewhat on changes in forex rates. The Issuer attracts cash mostly in US dollars, while its operating currency is Russian ruble, so, sharp strengthening of the US dollar exchange rate can result in increasing payments under those loans.

Currently the Company monitors currency markets in order to control a possible emergence of negative consequences caused by possible strengthening of the US dollar exchange rate to ruble for the Company's financial results, as well as monitors costs and efficiency of hedge instruments.

4.4.3. Other market risks, liquidity risks

There exist risks related to damages and/or loss of liquidity as a result of growth of costs, low quality, failure to complete design and construction in time, failure to deliver construction materials, equipment, engineering systems, growth of the production costs, failure to fulfill essential obligations by contractors, untimely provision of required licenses, permits, approvals or other documents from government authorities, decline of rents or other income, as well as growth of expenditures by the time of launch of projects under construction, such emerging problems as impossibility to lease a property or, to sell it within projected timeframes and at the projected price, as well as other risks related to partial or full loss of property because of cave-ins, fire, natural disasters or other events, claims and court lawsuits against the Issuer and its subsidiaries from third parties because of their construction activities. In addition, insolvency of lessees can result in cancellation of lease agreements and in decline of rental income.

The most important risks within this group also include:

- Shortage of loan funds with banks because of stricter loan policy of commercial banks (or, because of suspension of loans to developers);
- A risk of the falling solvent demand of residential real estate / commercial real estate, because of the global financial crisis. That could result in the declining market level of rents or other kinds of income gained by the Issuer under its projects as a result of worsening situation of the market.

There are also risks of failing prices of land plots and real estate property owned by the Issuer.

The Issuer's liabilities under loan agreements and credit agreements already in place can: (a) limit the Issuer's ability to raise additional funding, (b) provide a competitive advantage for its rivals that have

less debt burden, (c) result in the Issuer's having to use a considerable portion of its income for debt servicing and, limit the Issuer's capability of funding its own activity.

The above-said risks form the liquidity risk i.e. the risk of loss due to shortage of cash within required timeframes and, as a consequence, the Issuer's incapability to fulfill its obligations. Occurrence of such risk event could entail fines, penalties, damage of the Issuer's goodwill, etc.

The Issuer manages the liquidity risk by means of operational planning, distribution, analysis and control of cash flows, correlation of the flows by time of their emergence. The Issuer has drawn up an automated Payment Calendar with the 1-month horizon of income and expense planning which is updated weekly. The Issuer plans its cash flows in mid-term (1 year) and in long-term (5 years).

4.4.4. Legal risks

In foreseeable future, risks relating to changes in currency-, tax-, customs- and licensing law, which can entail a worsened financial condition for the Issuer, are insignificant, in the Issuer's opinion.

Sistema-Hals JSC builds its activity on clear compliance with the tax-, customs- and currency law, monitors and timely responds to their changes, as well as strives for a constructive dialogue with regulators on the issues of treatment of provisions of law.

4.4.4.1. Risks relating to changes in requirements made to the licensing of the issuer's key business or, licensing of the rights to use objects whose turnover is limited (including natural resources):

The Issuer implements its activities based on two licenses: design and construction. Starting January 1, 2010, licensing of activities in design and construction of buildings and facilities stops completely. Granting of licenses in this domain stopped starting January 1, 2009, with earlier granted licenses to keep their effect till January 1, 2010. Afterwards, activities in design and construction will be based on permits to be issued by self-regulated organizations. It is assumed that the access to operations will be allowed for organizations based on rules drawn up by the self-regulated organizations themselves in accordance with legislative requirements. The Issuer does have a risk related to the insufficient regulation of this issue.

4.4.4.2. Risks related to application of anti-monopoly legislation

The scale of the Issuer's activities has considerably increased by virtue of purchases and incorporation of companies. In many cases, such action required preliminary permits from the Russian anti-monopoly authority (the Federal Anti-Monopoly Service, FAS of Russia) or, subsequent notices to be sent to this governmental authority. The Issuer acquired and incorporated companies in compliance with all requirements of legislation, so we believe that the risk of any penalties to be imposed on behalf of FAS of Russia is minimal.

However, if FAS of Russia concludes that the Issuer acquired or incorporated a subsidiary or, any stock or assets with a breach of anti-monopoly legislation then FAS may try to impose administrative penalties on the Issuer and, to demand alienation of such subsidiary or other assets, which will have unfavorable effect on the Issuer's purchasing strategy and on results of the Issuer's activities.

4.4.4.3. Risks related to application of privatization legislation

The Issuer owns some Russian privatized companies and the Issuer's business strategy entirely allows purchases of new privatized companies. Since the privatization legislation remains imperfect, full of inner conflicts and conflicting with other legislative acts, including conflicts between federal legislation and local legislation on privatization, many privatization deals are defective from the outset

and correspondingly, may be impeached. For instance, a series of presidential decrees which had been issued in 1991-1992 and which had provided the Moscow City Government with the right to define privatization procedures independently, were later declared invalid by the Constitutional Court of the Russian Federation, which stated, in particular, that the said Decrees of the Russian Federation President had concerned issues categorized as being within federal legislation. Though that court ruling did not, from the theoretical point of view, require an additional enabling action, the presidential decrees were officially cancelled by another presidential decree only in 2000. If results of privatization of any businesses which are now within the group of companies are disputed as illegitimate and if the Issuer cannot prove inconsistency of those claims, the Issuer will risk losing its equity interest in such companies or their assets which will have negative unfavorable effect on results of the Issuer's activities.

5. Composition of the Board of Directors of Sistema-Hals JSC, including information on changes in the composition of the Board of Directors of the Company which took place in the reporting year, and information on members of the Board of Directors of the Company, including their brief biographical data and their ownership of the Company's stock within the reporting year.

Members of the Board of Directors of Sistema-Hals JSC are elected by the annual General Shareholders Meeting according to procedures stipulated by the Federal Law "On Joint-Stock Companies" and for a term until the next annual meeting. In accordance with Charter of Sistema-Hals JSC, the quantitative composition of the Board of Directors of the Company is defined by a resolution of the General Shareholders Meeting.

5. The Board of Directors which acted from June 2008 till June 2009 was elected by the resolution of the annual General Shareholders Meeting dated June 30, 2008 and consisted of 10 members:

- **Felix Vladimirovich Yevtushenkov** – Chairman (Vice President – head of the Business unit "Customer Assets" of AFK Sistema JSC);

- **Dmitry Olegovich Yakubovsky** – deputy Chairman (Chairman of the Board of the Non-commercial organization "First Metropolitan Board of Lawyers", Chairman of the Board of Directors of Goriki-8 LLC);

- **Anton Vladimirovich Abugov** (First Vice President – Head of the complex of strategy and development of AFK Sistema JSC);

- **Alexei Nikolayevich Buyanov** (Senior Vice President – Head of the complex of finance and investment of AFK Sistema JSC);

- **John Gummer** – (Chairman of Sancroft International Ltd; Chairman of Veolia UK Ltd (earlier, Vivendi UK); Chairman of the Association of Independent Financial Advisors (trade mission); Chairman of Valpak Ltd; non-executive director of Sovereign Reversions Ltd; non-executive director of Catholic Herald Ltd.);

- **Alexander Yurievich Goncharuk** (first deputy Chairman of the Board of Directors of AFK Sistema JSC);

- **Douglas Nevill Daft** – (a member of Boards of Directors of the McGraw-Hill group of companies, Wal-Mart Stores Inc.; a member of the European Advisory Council of N.M. Rothschild & Sons Ltd., a member of the advisory council of Longreach group and Thomas H/Lee partners, L.P.; an observer in the Management Board of Brandeis University, Massachusetts, USA, a member of the Board of Governors of Thundrbird [?] School of Global Management, Arizona, Chairman of the Advisory

Council of the Churchill Archival Center, Churchill college, Cambridge and, the head of the American Australian Association);

- **Sergei Alexeyevich Drozdov** (Senior Vice President – head of the Property Complex of AFK Sistema JSC);

- **Dmitry Lvovich Zubov** (Deputy Chairman of the Board of Directors of AFK Sistema JSC);

- **Robert Eugene Cenine** – (Director of the Australian Infrastructure Fund, of Metrix Capital Partners Pty Ltd, of Matrix European Real Estate Investment Trust plc.).

By a resolution of the annual General Shareholders Meeting of Sistema-Hals Joint-Stock Company on June 29, 2009, a new composition of the Board of Directors was elected totaling 7 persons:

- **Felix Vladimirovich Yevtushenkov** – Chairman (Vice President – head of the Business Unit “Customer Assets” of AFK Sistema JSC);

- **Dmitry Olegovich Yakubovsky** – deputy Chairman (Chairman of the Board of the Non-commercial organization “First Metropolitan Board of Lawyers”, Chairman of the Board of Directors of Gorki-8 LLC);

- **John Gummer** – (Chairman of Sancroft International Ltd; Chairman of Veolia UK Ltd (earlier, Vivendi UK); Chairman of the Association of Independent Financial Advisors (trade mission); Chairman of Valpak Ltd; non-executive director of Sovereign Reversions Ltd; non-executive director of Catholic Herald Ltd.);

- **Douglas Nevill Daft** – (a member of Boards of Directors of the McGraw-Hill group of companies, Wal-Mart Stores Inc.; a member of the European Advisory Council of N.M. Rothschild & Sons Ltd., a member of the advisory council of Longreach group and Thomas H/Lee partners, L.P.; an observer in the Management Board of Brandeis University, Massachusetts, USA, a member of the Board of Governors of Thundrbird [?] School of Global Management, Arizona, Chairman of the Advisory Council of the Churchill Archival Center, Churchill college, Cambridge and, the head of the American Australian Association);

- **Robert Eugene Cenine** – (Director of the Australian Infrastructure Fund, of Metrix Capital Partners Pty Ltd, of Matrix European Real Estate Investment Trust plc.).

- **Dmitry Lvovich Zubov** (Deputy Chairman of the Board of Directors of AFK Sistema JSC);

- **Georgi Vladimirovich Kravchenko** (Executive Vice President of the Business Unit “Customer Assets”).

By a resolution of the extraordinary General Shareholders Meeting of Sistema-Hals Joint-Stock Company on December 28, 2009, a new composition of the Board of Directors was elected for the time period from December 2009 till the annual General Shareholders Meeting of Sistema-Hals JSC, totaling 7 persons:

- Andrei Sergeevich Puchkov (Chairman);
- Alyona Viktorovna Deryabina;
- Sergei Alexeyevich Drozdov;
- Felix Vladimirovich Yevtushenkov;
- Pavel Nikolayevich Kosov;
- Andrei Andreyevich Nesterenko;

- Yevgeny Anatolyevich Plaksenkov.

Family name, first name, patronymic	Brief biographical data
Andrei Sergeyevich Puchkov (Chairman)	<u>Year of birth:</u> 1977 <u>Education background:</u> Legal department, Lomonosov Moscow State University, Law <u>Current position:</u> Deputy President - Chairman of the Management Board of Bank VTB JSC
Alyona Viktorovna Deryabina	<u>Year of birth:</u> 1970 <u>Education background:</u> Khabarovsk Institute of National Economy, Finance and Credit <u>Current position:</u> Vice President – head of division of non-core assets of the Legal Department of Bank VTB JSC
Sergei Alexeyevich Drozdov	<u>Year of birth:</u> 1970 <u>Education background:</u> Ordzhonikidze State Management Academy (GAU), Economics and management in machine engineering Ph.D. in economics <u>Current position:</u> Senior Vice President – Head of the Property Complex of AFK Sistema JSC
Felix Vladimirovich Yevtushenkov	<u>Year of birth:</u> 1978 <u>Education background:</u> Griboyedov Institute of International Law and Economics, law <u>Current position:</u> Vice President – head of the Business Unit “Customer Assets” of AFK Sistema JSC
Pavel Nikolayevich Kosov	<u>Year of birth:</u> 1976 <u>Education background:</u> Financial Academy of the Russian Federation Government <u>Current position:</u> Deputy President - Chairman of the Management Board of Bank VTB JSC
Andrei Andreyevich Nesterenko	<u>Year of birth:</u> 1976 <u>Education background:</u> Moscow University of Consumer Cooperation, international economy; St. Charles College, London <u>Current position:</u> President of Sistema-Hals JSC
Yevgeny Anatolyevich Plaksenkov	<u>Year of birth:</u> 1966 <u>Education background:</u> St. Petersburg University of Economy and Finance, economic mathematician, postgraduate studies, professional accountant and financial manager, GU – VShE, Executive- MBA <u>Current position:</u> Member of the Board of Directors of MIEL Holding (group of companies)

5.2. Members of the Board of Directors of Sistema-Hals JSC who owned stock of Sistema-Hals JSC within the reporting period:

Family name, first name, patronymic / office	Number of shares	Interest in charter capital, %
Yevtushenkov F.V.	246,776	2.2
Total:	246,776	2.2

5.3. Information on the person, whose office is the sole executive body of Sistema-Hals Joint-Stock Company, and members of the collective executive body of the Company, including their brief biographical data and their ownership of stock within the reporting year.

According to the Charter of Sistema-Hals JSC, the sole executive body of the Company is its President. A resolution on election of the President of the Company, early termination of his/her powers is made by the Board of Directors of Sistema-Hals JSC.

The President of Sistema-Hals JSC is Nesterenko Andrei Andreyevich (his brief biographical data are given below).

The Management Board of Sistema-Hals JSC is the collective executive body of management of the Company, it manages the Company's activities within its authority defined by the Charter of the Company, as well as secures fulfillment of resolutions of General Shareholders Meetings and the Board of Directors.

As of December 31, 2009, numerical composition of the Company's Management Board was 9 persons. Functions of the Chairman of the Management Board are performed by the President of Sistema-Hals JSC.

Member of the Management Board	Brief biographical data
Andrei Andreyevich Nesterenko (Chairman)	<u>Year of birth:</u> 1976 <u>Education:</u> St. Charles College, London, Moscow University of Consumer Cooperation in specialty "International economy". Has an ASSA degree. <u>Work experience:</u> august 2005 to December 2005 – ZAO Dixi Logistika, Financial Director; January 2006 to June 2007 – Representative office of the International Commercial Company "DIXI CAPITAL INVESTMENTS LIMITED", Vice President for Finance. September 2007 to January 2008 – OOO Capital Group, first vice president for finance. February 2009 to September 2009 - OOO Capital Group, Managing Director. January 2008 to January 2009 – OOO StroiManagement, general Director. From October 2009 – President of Sistema-Hals JSC Chairman of the Management Board of Sistema-Hals JSC since October 2009.
Vladislav Borisovich Grzhib	<u>Year of birth:</u> 1942 <u>Education:</u> Kuibyshev Moscow Institution of Civil Engineering in specialty "Industrial and Civil Construction". <u>Awards and honorary degrees:</u> Honored Builder of the Russian Federation, Esteemed Builder of the Russian Federation; military rank of major general, awarded with orders and medals <u>Work experience:</u> 2005 – 2006: ZAO USK Forum development, President 2006 – 2009: OOO M-development, President From August 2009 – Sistema-Hals JSC, First Vice President – director of the Customer Service Member of the Management Board of Sistema-Hals JSC since November 2009
Denis Viktorovich Biryukov	<u>Year of birth:</u> 1979 <u>Education:</u> Moscow Institute of Entrepreneurship and Law, specialty "Law"

		<p><u>Work experience:</u> Since 2005 till now – Sistema-Hals JSC, legal advisor, senior legal advisor, Head of the corporate property division, Director of the department of corporate property management, Head of the property and legal complex, Director of the property and legal department Member of the Management Board of Sistema-Hals JSC since November 2009</p>
Ilya Lvovich Martynov		<p><u>Year of birth:</u> 1962 <u>Education:</u> Financial Academy of the Russian Federation Government, specialty “Finance and credit” <u>Work experience:</u> 2001 – 2007: Moscow hardware plant “Proletarian Labor”, financial director, deputy general director., General Director 2007 – 2009: Russian Monolith, General Director Since April 2009 – Sistema-Hals JSC, financial auditor Member of the Management Board of Sistema-Hals JSC since November 2009</p>
Igor Kashcheyev	Nikolayevich	<p><u>Year of birth:</u> 1978 <u>Education:</u> Moscow State Juridical Academy, specialty “Jurisprudence” <u>Work experience:</u> 2003 – 2005: ZAO Sistema-Hals, head of project 2005 – 2006: Sistema-Hals JSC, Head of the department of Land Property Relations 2006 – 2008: Sistema-Hals JSC, Vice President, head of the asset management complex 2008 – July 2009: First Vice President, head of the asset management complex July 2009 – October 2009: President, Chairman of the Management Board of Sistema-Hals JSC Member of the Management Board of Sistema-Hals JSC since April 2006</p>
Elena Vitchak	Leonidovna	<p><u>Year of birth:</u> 1971 <u>Education:</u> Rostov State University, specialty – Russian language and literature, diploma with honors; State Academy of professional retraining and improvement of skills of executives and specialists of investment sphere, specialty – personnel management <u>Work experience:</u> 2002 – 2008: Insurance group Capital, director of the department for staff relations 2008 till end of reporting period: Sistema-Hals JSC, director of department for staff relations, Head of the Administrative Complex, Director of the administrative department – head of the Division for staff relations Member of the Management Board of Sistema-Hals JSC since July 2008.</p>
Dmitry Zikanov	Yurievich	<p><u>Year of birth:</u> 1971 <u>Education:</u> Lomonosov Moscow State University, specialty – mechanics, applied mathematics; International University, specialty - management <u>Work experience:</u> 2003 – 2007: OOO ISK Realtex, head of project, deputy general director, general director 2007 – 2008: ZAO Vedis-group, Vice President Since October 2008 till end of the reporting period: Sistema-Hals JSC Vice President – director of the Residential Real Estate Department Member of the Management Board of Sistema-Hals JSC since December</p>

	2008
Vladimir Sergeyyevich Uzhondin	<u>Year of birth:</u> 1953 <u>Education:</u> Kaliningrad Technical Institute of Fishing Industry and Economy; Moscow Financial Institute; Financial Academy of the Russian Federation Government <u>Work experience:</u> Since August 2001 – Sistema-Hals JSC, Chief Accountant Member of the Management Board of Sistema-Hals JSC since April 2006
Teimuraz Teimurazovich Shengeliya	<u>Year of birth:</u> 1975 <u>Education:</u> Moscow State Juridical Academy, specialty – jurisprudence; Ph.D. in economics <u>Work experience:</u> 1997 – 1999: law office ALM-Evershids, lawyer; was engaged in corporate law issues and transactions involving real estate 1999 – 2000: Fund of 100 th anniversary of world cinema, senior lawyer 2000 – 2003: lawyer with the Bar of Moscow lawyers 2003 – 2006: Sistema-Hals JSC, head of project 2006 – 2007: Sistema-Hals JSC, executive director of projects, Head of Project Office October 2007 – July 2009: general Director of OOO Hals-Center (OOO Sistema-Hals CENTER) October 2008 till end of the reporting period: Sistema-Hals JSC, Vice President, Head of the Complex (Director of the Department) of Commercial Real Estate Member of the Management Board of Sistema-Hals JSC since June 2007

Members of the Management Board of Sistema-Hals JSC who owned stock of Sistema-Hals JSC within the reporting period:

Family name, first name, patronymic / position	Number of shares	Interest in charter capital, %
Kashchheyev I.N.	11,217	0.1%
Total:	11,217	0.1%

6. Criteria of determination and size of remuneration (expenses compensation) for the person who holds office of the single executive body of Sistema-Hals JSC, each member of the Management Board and each member of the Board of Directors of Sistema-Hals JSC

Size of and procedures for payment of remuneration and compensation to members of the Board of Directors is determined in accordance with the Regulation on Remuneration and Compensation Payable to Members of the Board of Directors of Sistema-Hals JSC, approved by the General Shareholders Meeting on June 25, 2007.

Salary of the President of Sistema-Hals JSC, including compensation to the President for early termination of his/her powers is determined by the labor contract. According to Clause 18.2.9 of the Charter of the Company, authority of the Board of Directors of the Company includes approval of terms and conditions of the contract made with the President of the Company, including those on fixing his/her remuneration.

According to Clause 18.2.10 of the Charter of the Company, authority of the Board of Directors of the Company includes setting the key terms and conditions of contracts being made with members of the Management Board.

Total size of cash (including salary for fulfillment of labor functions in the Company, remuneration in accordance with inner documents of the Company, as well as other compensation stipulated by inner documents of the Company and the Russian Federation legislation) that was paid to:

- persons who were members of the Board of Directors of Sistema-Hals JSC within 2009;
- persons who held office of the single executive body of Sistema-Hals JSC – the President – in 2009;
- persons who held, in 2009, office of members of the Management Board of Sistema-Hals JSC

was 122,389,748 rubles.

7. Report on payment of announced (accrued) dividends on stock of the Company

In 2009 the Company did not announce (accrue) dividends on the outstanding stock of the Company based on the results of the first quarter, half year, nine months of the fiscal year. The annual General Shareholders Meeting of shareholders of Sistema-Hals JSC, held on June 29, 2009, resolved not to pay dividends on stock of the Company based on the results of work in 2008.

The resolution on payments of dividends for 2009 will be made by shareholders at the Annual General Shareholders Meeting which will be held on June 29, 2010.

8. List of transactions made in 2009 which are recognized as interested party transactions in accordance with the Federal Law “On Joint-Stock Companies”

1. Purchase and sale contract on securities, #24/09 dated 2009/04/27.

Parties to the transaction: Sistema-Hals JSC (“Seller”) and ZAO “Sistema-Inventure” (“Buyer”).

Interest in the transaction: the interested party – AFK Sistema JSC – the shareholder owning more than 20% of voting stock of Sistema-Hals JSC. Basis of interest : AFK Sistema JSC owned more than 20% of stock of ZAO “Sistema-Inventure” – a party to the transaction.

Essential conditions of the transaction: The Seller transfers the ownership of the below-mentioned securities to the Buyer and, must pay [?] 1,080,000,000 rubles for them.

Kind, category (type) of securities	Registered ordinary share
Form of issue of securities	Uncertificated
Issuer of securities	Open Joint-Stock Company “MOSDACHTREST”
State registration number of issue	1-02-03323-A
Quantity of securities	19,342
Nominal value of 1 (one) security	100 rubles 00 kopeks

Kind, category (type) of securities	Registered ordinary share of A type
Form of issue of securities	Uncertificated
Issuer of securities	Open Joint-Stock Company “MOSDACHTREST”
State registration number of issue	2-02-03323-A
Quantity of securities	226
Nominal value of 1 (one) security	100 rubles 00 kopeks

Within 30 calendar days after the Buyer obtains a preliminary permit from FAS of Russia for the transaction, the Seller transfers to the Buyer a duly executed instrument of transfer.

The Buyer pays for shares within 30 calendar days after the Buyer obtains a preliminary permit from FAS of Russia for the transaction.

Information on approval of transaction: the transaction was approved by the Board of Directors of Sistema-Hals JSC at a meeting (absentee vote) dated 2009/04/15 (Minutes #63 dated April 15, 2009).

2. Purchase and sale contract on securities, #208/07/09-SG dated 2009/07/08.

Parties to the transaction: Sistema-Hals JSC (“Seller”) and ZAO “Sistema-Inventure” (“Buyer”).

Interest in the transaction: the interested party – AFK Sistema JSC – the shareholder owing more than 20% of voting stock of Sistema-Hals JSC. Basis of interest : AFK Sistema JSC owned more than 20% of stock of ZAO “Sistema-Inventure” – a party to the transaction.

Essential conditions of the transaction: The Seller transfers the ownership of the below-mentioned securities to the Buyer and, must pay [?] 57,500,000 rubles for them.

Kind, category (type) of securities	Registered ordinary share
Form of issue of securities	Uncertificated
Issuer of securities	Closed Joint-Stock Company Sistema-Hals
State registration number of issue	1-01-32624-N
Quantity of securities	8,301
Nominal value of 1 (one) security	1 rubles 00 kopeks

Kind, category (type) of securities	Registered preferred share
Form of issue of securities	Uncertificated
Issuer of securities	Closed Joint-Stock Company Sistema-Hals
State registration number of issue	2-01-32624-N
Quantity of securities	1,699
Nominal value of 1 (one) security	1 rubles 00 kopeks

Within 30 calendar days after the Buyer obtains a preliminary permit from FAS of Russia for the transaction, the Seller transfers to the Buyer a duly executed instrument of transfer.

The Buyer pays for shares within 30 calendar days after the Buyer obtains a preliminary permit from FAS of Russia for the transaction.

Information on approval of transaction: the transaction was approved by the Board of Directors of Sistema-Hals JSC at a meeting dated 2009/06/29 (Minutes #68 dated June 30, 2009).

3. Agreement on cancellation of the framework Investment Contract made on July 28/29, 2003, amended as of May 29, 2009, # of the document: K0924/2009

Parties to the transaction: AFK Sistema JSC, Sistema-Hals JSC, ECU GEST HOLDING S.A., SIMOS Real Estate GmbH, Simens Real Estate GmbH&Co. OHG, Simens Aktiengesellschaft.

Interest in the transaction: the interested party – AFK Sistema JSC – the shareholder owing more than 20% of voting stock of Sistema-Hals JSC. Basis of interest : AFK Sistema JSC was a party to the said transaction.

Essential conditions of the transaction: the framework Investment Contract (as amended) secured construction of a complex of office buildings of Sistema-Hals JSC in a land plot in Moscow, located at: Leningradsky Av. 39 (hereinafter referred to as the “Complex of Office Buildings”), as well as transfer of a part of the finished Complex of Office Buildings, as well as rights and obligations of the Parties to that part to the benefit of SIMOS Real Estate GmbH.

As of the date of the agreement, construction of the Complex of Office Buildings was not finished.

All existing and outstanding commitments of the Parties to the Framework Investment Contract are executed by payment, by Sistema-Hals JSC, of a lump sum to the benefit of SIMOS Real Estate GmbH in the amount of 18,000,000 euro on June 30, 2009.

The framework Investment Contract terminates since the time of full payment of the above-said amount.

Starting the payment of the above-said amount, Sistema-Hals JSC, AFK Sistema JSC and/or ECU GEST HOLDING S.A. do not bear any commitments to SIMOS Real Estate GmbH, Simens Real Estate GmbH&Co. OHG, Simens Aktiengesellschaft, except for commitments stipulated by §4.3, §5.1, §7 of the Agreement.

Upon its choice, Sistema-Hals JSC may complete or not complete construction of the complex of office buildings and, may dispose of it and of rights for it, including those for the land plot under the complex of office buildings, may use or not use and, may supplement the current planning of the Complex of Office Buildings.

Information on approval of transaction: the transaction was approved by the Board of Directors of Sistema-Hals JSC at a meeting dated 2009/05/21 (Minutes #67 dated May 25, 2009).

4. Debt transfer agreement, #SAP/SG-31/07/09 dated July 31, 2009.

Parties to the transaction: SAPIDUS HOLDINGS LIMITED (“Party 1”) and Sistema-Hals JSC (“Party 2”).

Interest in the transaction: the interested party – ZAO Hals-Finance. SAPIDUS HOLDINGS LIMITED, which is a party to the transaction, was an affiliate of ZAO Hals-Finance – a shareholder of Sistema-Hals JSC which owned more than 20% of stock of Sistema-Hals JSC.

Essential conditions of the transaction: according to procedures stipulated by Article 391 of the Civil Code of the Russian Federation and, upon terms and conditions effective as of the date of the Agreement, the Party 1 transfers and, the Party 2 fully assumes commitments of the Party-1 under the Agreement on Cancellation of the Purchase and Sale of All Issued and Publicly Traded Stock of DEUS HOLDINGS LIMITED dated September 5, 2008, made by the Party-1 and DANNERS BUSINESS CORP. Including:

- on the principal (purchase price of stock of DEUS HOLDINGS LIMITED) – 20,000,000 US dollars, as well as
- interest accrued over the period of use of monetary funds in the amount of 1,806,666.67 US dollars.

The Party 2 redeems the above-said debt within 30 calendar days after the date of the Agreement.

For the debt transfer, the Party 1 pays to the Party 2 an amount of 21,806,666.67 US dollars.

Information on approval of transaction: the transaction was approved by the Board of Directors of Sistema-Hals JSC at a meeting dated 2009/07/31 (Minutes #69 dated August 03, 2009).

5. Securities purchase agreements between Sistema-Hals JSC (the Seller) and OOO Hals-Invest (the “Buyer”).

Interest in the transaction: the interested party – ZAO Hals-Finance. OOO Hals-Invest, which is a party to transactions, is an affiliate of ZAO Hals-Finance – a shareholder of Sistema-Hals JSC which owns more than 20% of stock of Sistema-Hals JSC.

Common essential conditions of securities purchase agreements:

The Seller commits to transfer a promissory note to the Buyer, and the buyer commits to accept the Promissory Note and pay to the Seller for it a cash amount determined by the agreement.

The Seller commits to provide to the Buyer an opportunity of payment for the agreement amount by installments, for up to 365 days starting the date of the Agreement. The Buyer has the right to make the payment in full prior to the above-said maturity.

Interest accrues monthly on the actual outstanding amount payable on the installment plan, at the rate of 16% per annum and based of the actual number of days of use of the cash payable on the installment plan. The interest is payable to the Seller simultaneously with redemption of the debt payable on the installment plan (in full or in part), in an amount pro rata to the sum being redeemed.

5.1. Securities purchase agreement #26-11/SG-GI-1 dated November 26, 2009.

Requisites of Promissory Note:

Drawer of Promissory Note	number	Principal amount	Date and place of execution	Maturity	Interest rate, %	Purchase price
Bank VTB (OAO)	000060002402	81,400	2009/11/23, Moscow	On demand	Interest-free	81,400

Contract amount: 81,400 rubles

5.2. Securities purchase agreement #23-11/ SG-GI -1 dated November 23, 2009.

Requisites of Promissory Note:

Drawer of Promissory Note	number	Principal amount	Date and place of execution	Maturity	Interest rate, %	Purchase price
Bank VTB (OAO)	000060002400	2,246,965.67	2009/11/23, Moscow	On demand	Interest-free	2,246,965.67

Contract amount: 2,246,965.67rubles.

5.3. Securities purchase agreement #12-11/SG-GI-2 dated November 12, 2009

Requisites of Promissory Note:

Drawer of Promissory Note	number	Principal amount	Date and place of execution	Maturity	Interest rate, %	Purchase price
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Bank (OAO)	VTB	000060002377	156,009.63	2009/11/12, Moscow	On demand	Interest-free	156,009.63
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Contract amount: 156,009.63 rubles.

5.4. Securities purchase agreement #09-11/SG-GI-1 dated November 09, 2009.

Requisites of Promissory Note:

Drawer of Promissory Note		number	Principal amount	Date and place of execution	Maturity	Interest rate, %	Purchase price
Bank (OAO)	VTB	000060002376	4,666,462.13	2009/11/09, Moscow	On demand	Interest-free	4,666,462.13

Contract amount: 4,666,462.13 rubles.

5.5. Securities purchase agreement #17-11/SG-GI-1 dated November 17, 2009.

Requisites of Promissory Note:

Drawer of Promissory Note		number	Principal amount	Date and place of execution	Maturity	Interest rate, %	Purchase price
Bank (OAO)	VTB	000060002398	918,640	2009/11/17, Moscow	On demand	Interest-free	918,640

Contract amount: 918,640 rubles.

5.6. Securities purchase agreement #17-11/SG-GI-3 dated November 17, 2009.

Requisites of Promissory Note:

Drawer of Promissory Note		number	Principal amount	Date and place of execution	Maturity	Interest rate, %	Purchase price
Bank (OAO)	VTB	000060002399	4,725,459.01	2009/11/17, Moscow	On demand	Interest-free	4,725,459.01

Contract amount: 4,725,459.01 rubles.

5.7. Securities purchase agreement #20-10/SG-GI-3 dated October 20, 2009.

Requisites of Promissory Note:

Drawer of Promissory Note		number	Principal amount	Date and place of execution	Maturity	Interest rate, %	Purchase price
Bank (OAO)	VTB	000060002365	2,138,259.77	2009/10/20, Moscow	On demand	Interest-free	2,138,259.77

Contract amount: 2,138,259.77 rubles.

5.8. Securities purchase agreement #20-10/SG-GI-2 dated October 20, 2009.

Requisites of Promissory Note:

Drawer of Promissory Note	number	Principal amount	Date and place of execution	Maturity	Interest rate, %	Purchase price
Bank VTB (OAO)	000060002366	478,178	2009/10/20, Moscow	On demand	Interest-free	478,178

Contract amount: 478,178 rubles.

5.9. Securities purchase agreement #27-10/SG-GI-2 dated October 27, 2009.

Requisites of Promissory Note:

Drawer of Promissory Note	number	Principal amount	Date and place of execution	Maturity	Interest rate, %	Purchase price
Bank VTB (OAO)	000060002369	8,575,577.88	2009/10/27, Moscow	On demand	Interest-free	8,575,577.88

Contract amount: 8,575,577.88 rubles.

5.10. Securities purchase agreement #20-10/SG-GI-1 dated October 20, 2009.

Requisites of Promissory Note:

Drawer of Promissory Note	number	Principal amount	Date and place of execution	Maturity	Interest rate, %	Purchase price
Bank VTB (OAO)	000060002368	1,324,574.74	2009/10/22 [?], Moscow	On demand	Interest-free	1,324,574.74

Contract amount: 1,324,574.74 rubles.

5.11. Securities purchase agreement #21-10/SG-GI-1 dated October 21, 2009.

Requisites of Promissory Note:

Drawer of Promissory Note	number	Principal amount	Date and place of execution	Maturity	Interest rate, %	Purchase price
Bank VTB (OAO)	000060002367	2,538,591.82	2009/10/21, Moscow	On demand	Interest-free	2,538,591.82

Contract amount: 2,538,591.82 rubles.

5.12. Securities purchase agreement #28-10/SG-GI-1 dated October 28, 2009.

Requisites of Promissory Note:

Drawer of	number	Principal	Date and	Maturity	Interest rate, %	Purchase
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Promissory Note		amount	place of execution			price
Bank VTB (OAO)	000060002370	9,428,889	2009/10/21, Moscow	On demand	Interest-free	9,428,889

Contract amount: 9,428,889 rubles.

5.13. Securities purchase agreement #03-11/SG-GI-1 dated November 03, 2009.

Requisites of Promissory Note:

Drawer of Promissory Note	number	Principal amount	Date and place of execution	Maturity	Interest rate, %	Purchase price
Bank VTB (OAO)	000060002373	514,504.86	2009/11/03, Moscow	On demand	Interest-free	514,504.86

Contract amount: 514,504.86 rubles.

5.14. Securities purchase agreement #1108/09/SG-GI-VTB dated August 11, 2009.

Requisites of Promissory Note:

Drawer of Promissory Note	Series # of promissory note	Date of execution	Maturity	Principal amount (in rubles)	Interest rate, %	Price in rubles
Bank VTB (OAO)	000060002230	2009/08/11	On demand	7,695,078.88	0.00	7,695,078.88

Contract amount: 7,695,078.88 rubles.

5.15. Securities purchase agreement #1908/09/SG-GI-VTB dated August 19, 2009.

Requisites of Promissory Note:

Drawer of Promissory Note	Series # of promissory note	Date of execution	Maturity	Principal amount (in rubles)	Interest rate, %	Price in rubles
Bank VTB (OAO)	000060002234	2009/08/19	On demand	52,144,755.00	0.00	52,144,755.00

Contract amount: 52,144,755.00 rubles.

5.16. Securities purchase agreement #1409/09/SG-GI-VTB dated September 14, 2009.

Requisites of Promissory Note:

Drawer of Promissory Note	Series # of promissory note	Date of execution	Maturity	Principal amount (in rubles)	Interest rate, %	Price in rubles

Bank VTB (OAO)	000060002356	2009/08/19	On demand	5,119,167.44	0.00	5,119,167.44
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Contract amount: 5,119,167.44 rubles.

5.17. Securities purchase agreement #1709/09/SG-GI-VTB dated September 17, 2009.

Requisites of Promissory Note:

Drawer of Promissory Note	Series # of promissory note	Date of execution	Maturity	Principal amount (in rubles)	Interest rate, %	Price in rubles
Bank VTB (OAO)	000060002360	2009/09/17	On demand	191,339.19	0.00	191,339.19

Contract amount: 191,339.19 rubles.

5.18. Securities purchase agreement #2109/09/SG-GI-VTB dated September 21, 2009.

Requisites of Promissory Note:

Drawer of Promissory Note	Series # of promissory note	Date of execution	Maturity	Principal amount (in rubles)	Interest rate, %	Price in rubles
Bank VTB (OAO)	000060002361	2009/09/21	On demand	2,476,798.00	0.00	2,476,798.00

Contract amount: 2,476,798.00 rubles.

5.19. Securities purchase agreement #2608/09/SG-GI-VTB dated August 26, 2009.

Requisites of Promissory Note:

Drawer of Promissory Note	Series # of promissory note	Date of execution	Maturity	Principal amount (in rubles)	Interest rate, %	Price in rubles
Bank VTB (OAO)	000060002309	2009/08/26	On demand	11,189,174.20	0.00	11,189,174.20

Contract amount: 11,189,174.20 rubles.

6. Securities purchase agreements between Sistema-Hals JSC (the Seller) and OOO Hals-Prof (the "Buyer").

Interest in the transaction: the interested party – ZAO Hals-Finance. OOO Hals-Prof, which is a party to transactions, is an affiliate of ZAO Hals-Finance – a shareholder of Sistema-Hals JSC which owns more than 20% of stock of Sistema-Hals JSC.

6.1. Securities purchase agreement #1108/09-SG-GP-VTB dated August 11, 2009.

Essential conditions of the transaction:

The Seller commits to transfer the ownership of a promissory note to the Buyer, and the Buyer commits to accept the promissory note and pay for it an amount of 2,400,000 rubles.

Requisites of Promissory Note:

Drawer of Promissory Note	Series # of promissory note	Date of execution	Maturity	Principal amount (in rubles)	Interest rate, %	Price in rubles
Bank VTB (OAO)	000060002229	2009/08/11	On demand	2,400,000.00	0.00	2,400,000.00

Common essential conditions of securities purchase agreements specified by Clauses 6.2 – 6.8:

The Seller commits to transfer a promissory note to the Buyer, and the buyer commits to accept the Promissory Note and pay to the Seller for it a cash amount determined by the agreement.

The Seller commits to provide to the Buyer an opportunity of payment for the amount of the agreement by installments, up to 365 days starting the date of the Agreement. The Buyer has the right to make the payment in full prior to the above-said maturity.

Interest accrues monthly on the actual outstanding amount payable on the installment plan, at the rate of 16% per annum and based of the actual number of days of use of the cash payable on the installment plan. The interest is payable to the Seller simultaneously with redemption of the debt payable on the installment plan (in full or in part), in an amount pro rata to the sum being redeemed.

6.2. Securities purchase agreement #2108/09-SG-GP-VTB dated August 21, 2009.

Requisites of Promissory Note:

Drawer of Promissory Note	Series # of promissory note	Date of execution	Maturity	Principal amount (in rubles)	Interest rate, %	Price in rubles
Bank VTB (OAO)	000060002236	2009/08/21	On demand	1,910,476.30	0.00	1,910,476.30

Contract amount: 1,910,476.30 rubles.

6.3. Securities purchase agreement #2608/09-SG-GP-VTB dated August 26, 2009.

Requisites of Promissory Note:

Drawer of Promissory Note	Series # of promissory note	Date of execution	Maturity	Principal amount (in rubles)	Interest rate, %	Price in rubles
Bank VTB (OAO)	000060002310	2009/08/26	On demand	18,654,611.12	0.00	18,654,611.12

Contract amount: 18,654,611.12 rubles.

6.4. Securities purchase agreement #0809/09-SG-GP-VTB dated September 08, 2009.

Requisites of Promissory Note:

Drawer of Promissory Note	Series # of promissory note	Date of execution	Maturity	Principal amount (in rubles)	Interest rate, %	Price in rubles
Bank VTB (OAO)	000060002355	2009/09/08	On demand	34,117,778.30	0.00	34,117,778.30

Contract amount: 34,117,778.30 rubles.

6.5. Securities purchase agreement #28-10/09-SG-GP-1 dated October 28, 2009.

Requisites of Promissory Note:

Drawer of Promissory Note	number	Principal amount	Date and place of execution	Maturity	Interest rate, %	Purchase price
Bank VTB (OAO)	000060002371	16,232,296.00	2009/10/28, Moscow	On demand	0.00	16,232,296.00

Contract amount: 16,232,296.00 rubles.

6.6. Securities purchase agreement #26-11/SG-GP-1 dated November 26, 2009.

Requisites of Promissory Note:

Drawer of Promissory Note	number	Principal amount	Date and place of execution	Maturity	Interest rate, %	Purchase price
Bank VTB (OAO)	000060002401	15,573,950.77	2009/11/26, Moscow	On demand	0.00	15,573,950.77

Contract amount: 15,573,950.77 rubles.

6.7. Securities purchase agreement #10-12/SG-GP-1 dated December 10, 2009.

Requisites of Promissory Note:

Drawer of Promissory Note	number	Principal amount	Date and place of execution	Maturity	Interest rate, %	Purchase price
Bank VTB (OAO)	000060002405	31,984,137.92	2009/12/10, Moscow	On demand	0.00	31,984,137.92

Contract amount: 31,984,137.92 rubles.

6.8. Securities purchase agreement # KPV2512/09-SG-GP dated December 25, 2009.

Requisites of Promissory Note:

Drawer of Promissory Note	Series and number	Principal of promissory note, rubles	Date and place of execution	Maturity	Interest rate, % per annum	Purchase price, rubles
Bank VTB (OAO)	A084070 00000600024 53	15,591,913.96	2009/12/25, Moscow	On demand	Interest-free	15,591,913.96

Contract amount: 15,591,913.96 rubles.

Information on approval of transactions specified by Clauses 5-6: the transactions were approved by the Board of Directors of Sistema-Hals JSC at a meeting dated 2009/07/31 (Minutes #69 dated August 03, 2009).

7. Additional agreement #2 dated December 30, 2009, to the Loan Agreement #2316 dated June 30, 2009

Parties to the transaction: Sistema-Hals JSC (the Borrower) and OAO Bank VTB (the Lender)

Interest in the transaction: the interested party – OAO BANK VTB – a shareholder which owns more than 20% of voting stock of Sistema-Hals JSC. Basis of interest: OAO BANK VTB is a party to the transaction.

Essential conditions of the transaction:

#	Wording of the Agreement	Wording as amended
1	Drawdown limit under credit line: 2,674,000,000 rubles	Drawdown limit under credit line: 5,324,000,000 rubles
2	3.2. Purpose of the Credit Line: 1-3..... The Borrower's loans to third parties for amounts not exceeding 279,000,000 rubles.	3.2. Purpose of the Credit Line: 1-3..... The Borrower's loans to third parties for amounts not exceeding 2,929,000 rubles.
3	6.5. In the event of early redemption (repayment) of the Loan (part of the Loans) by means of cash other than those from sales of real estate pledged with the Lender, the Borrower shall pay the Lender a Fee for early redemption, to be calculated based on the time left from the date of early redemption till the date of final redemption of the Principal, set by Clause 7.1 of the Agreement of Loans: - in the event less than ¼ (inclusive) of the term of the Credit Line (defined by Clause 7.1 of the Agreement and starting from the effective date of the Agreement) is left till the date of final redemption of the Principal – in an amount of 0.7 per cent of early redemption of the Loan Amount, - in the event more than ¼ but less than ¾ (inclusive) of the term of the Credit Line (defined	6.5. In the event of early redemption (repayment) of the Loan (part of the Loans) by means of cash other than those from sales of real estate pledged with the Lender, the Borrower shall pay the Lender a Fee for early redemption, to be calculated based on the time left from the date of early redemption till the date of final redemption of the Principal, set by Clause 7.1 of the Agreement of Loans: - in the event less than ¼ (inclusive) of the term of the Credit Line (defined by Clause 7.1 of the Agreement and starting from the effective date of the Agreement) is left till the date of final redemption of the Principal – in an amount of 1.0 per cent of early redemption of the Loan Amount,

	<p>by Clause 7.1 of the Agreement and starting from the effective date of the Agreement) is left till the date of final redemption of the Principal – in an amount of 0.9 per cent of the Loan Amount being redeemed earlier,</p> <p>- in the event more than $\frac{3}{4}$ of the term of the Credit Line (defined by Clause 7.1 of the Agreement and starting from the effective date of the Agreement) is left till the date of final redemption of the Principal – in an amount of 1.25 per cent of the Loan Amount being redeemed earlier.</p> <p>The Fee shall be paid in a lump sum, on the date of early redemption (repayment) of the Credit Line.</p>	<p>- in the event more than $\frac{1}{4}$ but less than $\frac{3}{4}$ (inclusive) of the term of the Credit Line (defined by Clause 7.1 of the Agreement and starting from the effective date of the Agreement) is left till the date of final redemption of the Principal – in an amount of 1.2 per cent of the Loan Amount being redeemed earlier,</p> <p>- in the event more than $\frac{3}{4}$ of the term of the Credit Line (defined by Clause 7.1 of the Agreement and starting from the effective date of the Agreement) is left till the date of final redemption of the Principal – in an amount of 1.6 per cent of the Loan Amount being redeemed earlier.</p> <p>The Fee shall be paid in a lump sum, on the date of early redemption (repayment) of the Credit Line.</p>
4	7.1. The Borrower shall commit to redeem (repay) the Loans on the day coming 365 calendar days after the effective date of the Agreement, in a lump sum and in full.	7.1. The Borrower shall commit to redeem (repay) the Loans on June 30, 2013, in a lump sum and in full.
5	<p>Clause 9.1 of Article 9</p> <p>1.....13</p> <p>14) Prior to December 30, 2009 – make surety agreements specified by Subclauses d)f) of Clause 10.1 of the Agreement;</p> <p>16) By December 30, 2009 – secure making a pledge agreement for 100% of stock of ZAO “Experimental Plants of Drinks in Khamovniki” specified by Subclause b) of Clause 10.1 of the Agreement, as well as secure provision, to the Lender, of relevant findings of an outside legal consultant supporting the pledger’s legal competence and, powers of persons acting on its behalf.</p> <p>17) within 240 calendar days after the Agreement – provide the Lender with a registered pledge agreement for tenancy of the land plot (specified by Subclause a) of Clause 10.1 of Article 10 of the Agreement) and, an excerpt from the Uniform State Register of Land Plot Rights confirming the pledge of tenancy of the land plot in the favor of the Lender.</p>	<p>Clause 9.1 of Article 9</p> <p>1.....13</p> <p>14) Prior to December 30, 2009 – make surety agreements specified by Subclauses d)e) of Clause 10.1 of the Agreement;</p> <p>16) By February 15, 2010 – secure making a pledge agreement for 100% of stock of ZAO “Experimental Plants of Drinks in Khamovniki” specified by Subclause b) of Clause 10.1 of the Agreement, as well as secure provision, to the Lender, of relevant findings of an outside legal consultant supporting the pledger’s legal competence and, powers of persons acting on its behalf.</p> <p>17) within 270 calendar days after the Agreement – provide the Lender with a registered pledge agreement for tenancy of the land plot (specified by Subclause a) of Clause 10.1 of Article 10 of the Agreement) and, an excerpt from the Uniform State Register of Land Plot Rights confirming the pledge of tenancy of the land plot in the favor of the Lender.</p>

	20) prior to December 25, 2009 - provide the Lender with repeat positive findings (which findings should be acceptable for Lender and should be paid for by the Borrower (a third party)) of an outside legal consultant on the legal status of Celosita Holdings Ltd., Cyprus, including confirmation of powers for signing pledge agreements, procedures for their execution and other issues agreed upon with the Lender. In the event the findings note a necessity to amend documentation – make the appropriate amendments within 10 calendar days from the date of receipt of the findings and, fulfill other recommendations (requirements) specified by the findings.	20) prior to February 10, 2010 - provide the Lender with repeat positive findings (which findings should be acceptable for Lender and should be paid for by the Borrower (a third party)) of an outside legal consultant on the legal status of Celosita Holdings Ltd., Cyprus, including confirmation of powers for signing pledge agreements, procedures for their execution and other issues agreed upon with the Lender. In the event the findings note a necessity to amend documentation – make the appropriate amendments within 10 calendar days from the date of receipt of the findings and, fulfill other recommendations (requirements) specified by the findings.
6	---	Add the following Subclause 23) to Clause 9.1 of Article “OBLIGATIONS OF THE BORROWER” of the Agreement: “23) by February 15, 2010 – make a surety agreement specified by Subclause f) of Clause 10.1 of the Agreement”

8. Agreement # 158-PV on transfer of promissory notes [to? from?] OAO Bank VTB, dated December 25, 2009

Parties to the transaction: Sistema-Hals JSC (the Client) [and] OAO Bank VTB (the Bank)

Interest in the transaction: the interested party – OAO BANK VTB – a shareholder which owns more than 20% of voting stock of Sistema-Hals JSC. Basis of interest: OAO BANK VTB is a party to the transaction.

Essential conditions of the transaction:

The Client transfer cash in an amount of 31,334,372.76 rubles and the Bank transfers to the Client the ownership of the Bank’s promissory notes having the following requisites:

Name of maturity	Principal amount (nominal value)	Interest clause	Value, Name of currency	Quantity
On demand	15,742,458-80 rubles	--	15,742,458-80 rubles	1
On demand	15,591,913-96 rubles	--	15,591,913-96 rubles	1
Total:	31,334,372-76	--	31,334,372-76	2

The Client settles accounts for the promissory notes till December 25, 2009 inclusive.

Information on approval of transactions specified by Clauses 7-8: the transactions specified by Clauses 7-8 were approved by the Extraordinary General Shareholder Meeting of Sistema-Hals JSC on 2009/12/25 (Minutes #19 dated December 30, 2009).

9. Additional agreements to surety agreements, pledge agreements made with AKB MBRR (OAO).

Parties to transactions - Additional agreements to surety agreements: Sistema-Hals JSC (the Provider of Surety, AKB MBRR (OAO) (the Lender), ZAO Ferro-Stroy (the Debtor).

Parties to transactions - Additional agreements to pledge agreements: Sistema-Hals JSC (the Pledger 2), AKB MBRR (OAO) (the Pledge Holder), ZAO Ferro-Stroy (the Pledger 1).

Interest in the transaction:

1. The interested party: a shareholder – AFK Sistema JSC which, together with its affiliates, owns more than 20% of voting stock of Sistema-Hals JSC.

Basis of interest: AFK Sistema JSC owns more than 20% of voting stock of OAO AKB MBRR which is a party to the transaction;

2. The interested party: Kravchenko Georgi Vladimirovich, a member of the Board of Directors of Sistema-Hals JSC.

Basis of interest: Kravchenko G.V. holds office in executive bodies of a legal entity which is a party to the transaction (a member of the Board of Directors of OAO AKB MBRR).

3. The interested party: Yevtushenkov Felix Vladimirovich, the Chairman of the Board of Directors of Sistema-Hals JSC.

Basis of interest:

- Yevtushenkov F.V. holds office in executive bodies of a legal entity which is a party to the transaction (a member of the Board of Directors of OAO AKB MBRR);

- Yevtushenkova Natalya Nikolayevna, mother of Yevtushenkov F.V., hold offices in executive bodies of a legal entity which is a party to the transaction (a member of the Board of Directors, a member of the Management Board of OAO AKB MBRR).

Essential conditions of the transactions:

Additional agreements to Surety Agreements:

#	Details of additional agreement	Wording of Surety Agreements with account taken of amendments made by Additional Agreements
1	Additional Agreement dated July 31, 2009 to the Surety Agreement # 2314-4/07 dated June 22, 2007	“Amend Clause 1.1 of the Agreement as follows: In the event of the Debtor’s non-fulfillment or undue fulfillment of its obligations under the Loan Agreement # 2314-4/07 dated June 22, 2007, under which the Lender committed to lodge a Credit Line to the Debtor with a drawdown limit of 6,060,000 US dollars and, with an interest rate for use of the loan set, starting January 01, 2009, as 19% per annum; with the loan payment period no later than January 31, 2010, the Provider of Surety commits to repay, no later than February 10, 2010, the Borrower’s debt to the Bank in the amount stipulated by terms and conditions of the Loan Agreement as of the date of performance of obligations under the Agreement.”
2	Additional Agreement dated July 31, 2009 to	“Amend Clause 1.1 of the Agreement as follows:

	the Surety Agreement # 2372-4/07 dated August 10, 2007	In the event of the Debtor's non-fulfillment or undue fulfillment of its obligations under the Loan Agreement # 2372-4/07 dated August 10, 2007, under which the Lender committed to lodge a Credit Line to the Debtor with a drawdown limit of 3,650,000 US dollars and, with an interest rate for use of the loan set, starting January 01, 2009, as 19% per annum; with the loan payment period no later than January 31, 2010, the Provider of Surety commits to repay, no later than February 10, 2010, the Borrower's debt to the Bank in an amount stipulated by terms and conditions of the Loan Agreement as of the date of performance of obligations under the Agreement."
3	Additional Agreement dated July 31, 2009 to the Surety Agreement # 2349-4/07 dated July 31, 2007	<p>"Amend Clause 1.1 of the Agreement as follows:</p> <p>In the event of the Debtor's non-fulfillment or undue fulfillment of its obligations under the Loan Agreement # 2349-4/07 dated July 23 [?], 2007, under which the Lender committed to lodge a Credit Line to the Debtor with a drawdown limit of 4,000,000 US dollars and, with an interest rate for use of the loan set, starting January 01, 2009, as 19% per annum; with the loan payment period no later than January 31, 2010, the Provider of Surety commits to repay, no later than February 10, 2010, the Borrower's debt to the Bank in an amount stipulated by terms and conditions of the Loan Agreement as of the date of performance of obligations under the Agreement."</p>
4	Additional Agreement dated July 31, 2009 to the Surety Agreement # 2373-4/07 dated August 10, 2007	<p>"Amend Clause 1.1 of the Agreement as follows:</p> <p>In the event of the Debtor's non-fulfillment or undue fulfillment of its obligations under the Loan Agreement # 2373-4/07 dated August 10, 2007, under which the Lender committed to lodge a Credit Line to the Debtor with a drawdown limit of 4730,000 US dollars and, with an interest rate for use of the loan set, starting January 01, 2009, as 19% per annum; with the loan payment period no later than January 31, 2010, the Provider of Surety commits to repay, no later than February 10, 2010, the Borrower's debt to the Bank in an amount stipulated by terms and conditions of the Loan Agreement as of the date of performance of obligations under the Agreement."</p>
5	Additional Agreement dated July 31, 2009 to the Surety Agreement # 2422-4/07 dated October 30, 2007	<p>"Amend Clause 1.1 of the Agreement as follows:</p> <p>In the event of the Debtor's non-fulfillment or undue fulfillment of its obligations under the Loan Agreement # 2422-4/07 dated October 30, 2007, under which the Lender committed to lodge a Credit Line to the Debtor with a drawdown limit of 6,237,000 US dollars and, with an interest rate for use of the loan set, starting January 01, 2009, as 19% per annum; with the loan payment period no later than January 31, 2010, the Provider of Surety commits to repay, no later than February 10, 2010, the Borrower's debt to the Bank in an amount stipulated by terms and conditions of the Loan Agreement as of the date of performance of obligations under the Agreement."</p>
6	Additional Agreement dated July 31, 2009 to the Surety Agreement # 2443-4/07 dated November 30, 2007	<p>"Amend Clause 1.1 of the Agreement as follows:</p> <p>In the event of the Debtor's non-fulfillment or undue fulfillment of its obligations under the Loan Agreement # 2443-4/07 dated November 30, 2007, under which the Lender committed to lodge a Credit Line to the Debtor with a drawdown limit of 473,000 US dollars and, with an interest rate for use of the loan set, starting January 01, 2009, as 19% per annum; with the loan payment period no later than January 31, 2010, the Provider</p>

		of Surety commits to repay, no later than February 10, 2010, the Borrower's debt to the Bank in an amount stipulated by terms and conditions of the Loan Agreement as of the date of performance of obligations under the Agreement."
7	Additional Agreement dated July 31, 2009 to the Surety Agreement # 2448-4/07 dated December 13, 2007	<p>"Amend Clause 1.1 of the Agreement as follows:</p> <p>In the event of the Debtor's non-fulfillment or undue fulfillment of its obligations under the Loan Agreement # 2448-4/07 dated December 13, 2007, under which the Lender committed to lodge a Credit Line to the Debtor with a drawdown limit of 2,210,000 US dollars and, with an interest rate for use of the loan set, starting January 01, 2009, as 19% per annum; with the loan payment period no later than January 31, 2010, the Provider of Surety commits to repay, no later than February 10, 2010, the Borrower's debt to the Bank in an amount stipulated by terms and conditions of the Loan Agreement as of the date of performance of obligations under the Agreement."</p>

Essential conditions of the transactions:

Additional agreements to Pledge Agreements:

#	Details of additional agreement	Wording of Pledge Agreements with account taken of amendments made by Additional Agreements
1	Additional Agreement, dated July 31, 2009, to the Pledge Agreement # 2314-4/07 dated 2007/06/22	<p>Amend Clause 1.1 of the Agreement as follows:</p> <p>"Pledgers shall pledge to the Pledge Holder, as collateral, all rights for execution of title documentation for Apartments specified by Appendix #1 to the Agreement, in an apartment building under construction at the address: Moscow, Nakhimovsky prosp. estate 4a, ensuring performance of all obligations under the Loan Agreement # 2314-4/07 dated 2007/06/22, made between the Pledger 1 and the Pledge Holder, under which the Pledge Holder lodged to the Pledger 1 a credit line with a drawdown limit of 6,060,000 US dollars and with an interest rate for use of the loan set, starting January 01, 2009, as 19% per annum, with the loan payment period no later than January 31, 2010 and, with an interest rate for use of the loan set, starting January 01, 2009, as 19% per annum [?], with monthly payment of interest.</p> <p>In the event of non-performance, by the Pledger 1, of its obligations under the Loan Agreement, the Pledge Holder shall acquire a right to have relief at the expense of the subject of pledge."</p>
2	Additional Agreement, dated July 31, 2009, to the Pledge Agreement # 2349-4/07 dated 2007/08/10	<p>Amend Clause 1.1 of the Agreement as follows:</p> <p>"Pledgers shall pledge to the Pledge Holder, as collateral, all rights for execution of title documentation for Apartments specified by Appendix #1 to the Agreement, in an apartment building under construction at the address: Moscow, Nakhimovsky prosp. estate 4a, ensuring performance of all obligations under the Loan Agreement # 2349-4/07 dated 2007/07/23, made between the Pledger 1 and the Pledge Holder, under which the Pledge Holder lodged to the Pledger 1 a credit line with a drawdown limit of 4,000,000 US dollars and with an interest rate for use of the loan set, starting January 01, 2009, as 19% per annum, with the loan payment period no later than January 31, 2010 and, with an interest rate for use of the loan set, starting January 01, 2009, as 19% per annum</p>

		<p>[?], with monthly payment of interest.</p> <p>In the event of non-performance, by the Pledger 1, of its obligations under the Loan Agreement, the Pledge Holder shall acquire a right to have relief at the expense of the subject of pledge.”.</p>
3	<p>Additional Agreement, dated July 31, 2009, to the Pledge Agreement # 2372-4/07 dated 2007/08/10</p>	<p>Amend Clause 1.1 of the Agreement as follows:</p> <p>“Pledgers shall pledge to the Pledge Holder, as collateral, all rights for execution of title documentation for Apartments specified by Appendix #1 to the Agreement, in an apartment building under construction at the address: Moscow, Dnepropetrovskaya St. estate 25a, ensuring performance of all obligations under the Loan Agreement # 2372-4/07 dated 2007/08/10, made between the Pledger 1 and the Pledge Holder, under which the Pledge Holder lodged to the Pledger 1 a credit line with a drawdown limit of 3,650,000 US dollars and with an interest rate for use of the loan set, starting January 01, 2009, as 19% per annum, with the loan payment period no later than January 31, 2010 and, with an interest rate for use of the loan set, starting January 01, 2009, as 19% per annum [?], with monthly payment of interest.</p> <p>In the event of non-performance, by the Pledger 1, of its obligations under the Loan Agreement, the Pledge Holder shall acquire a right to have relief at the expense of the subject of pledge.”.</p>
4	<p>Additional Agreement, dated July 31, 2009, to the Pledge Agreement # 2373-4/07 dated 2007/08/10</p>	<p>Amend Clause 1.1 of the Agreement as follows:</p> <p>“Pledgers shall pledge to the Pledge Holder, as collateral, all rights for execution of title documentation for Apartments specified by Appendix #1 to the Agreement, in an apartment building under construction at the address: Moscow, Nakhimovsky prosp. estate 4a, ensuring performance of all obligations under the Loan Agreement # 2373-4/07 dated 2007/08/10, made between the Pledger 1 and the Pledge Holder, under which the Pledge Holder lodged to the Pledger 1 a credit line with a drawdown limit of 4,730,000 US dollars and with an interest rate for use of the loan set, starting January 01, 2009, as 19% per annum, with the loan payment period no later than January 31, 2010 and, with an interest rate for use of the loan set, starting January 01, 2009, as 19% per annum [?], with monthly payment of interest.</p> <p>In the event of non-performance, by the Pledger 1, of its obligations under the Loan Agreement, the Pledge Holder shall acquire a right to have relief at the expense of the subject of pledge.”.</p>
5	<p>Additional Agreement, dated July 31, 2009, to the Pledge Agreement # 2422-4/07 dated 2007/10/30</p>	<p>Amend Clause 1.1 of the Agreement as follows:</p> <p>“Pledgers shall pledge to the Pledge Holder, as collateral, all rights for execution of title documentation for Apartments specified by Appendix #1 to the Agreement, in an apartment building under construction at the address: Moscow, Dnepropetrovskaya St. estate 25a, ensuring performance of all obligations under the Loan Agreement # 2422-4/07 dated 2007/10/30, made between the Pledger 1 and the Pledge Holder, under which the Pledge Holder lodged to the Pledger 1 a credit line with a drawdown limit of 6,237,000 US dollars and with an interest rate for use of the loan set, starting January 01, 2009, as 19% per annum, with the loan payment period no later than January 31, 2010 and, with an interest rate for use of the loan set, starting January 01, 2009, as 19% per annum</p>

		<p>[?], with monthly payment of interest.</p> <p>In the event of non-performance, by the Pledger 1, of its obligations under the Loan Agreement, the Pledge Holder shall acquire a right to have relief at the expense of the subject of pledge.”.</p>
6	<p>Additional Agreement, dated July 31, 2009, to the Pledge Agreement # 2443-4/07 dated 2007/11/30</p>	<p>Amend Clause 1.1 of the Agreement as follows:</p> <p>“Pledgers shall pledge to the Pledge Holder, as collateral, all rights for execution of title documentation for Apartments specified by Appendix #1 to the Agreement, in an apartment building under construction at the address: Moscow, Nakhimovsky prosp. estate 4a, ensuring performance of all obligations under the Loan Agreement # 2443-4/07 dated 2007/11/30, made between the Pledger 1 and the Pledge Holder, under which the Pledge Holder lodged to the Pledger 1 a credit line with a drawdown limit of 4 73 000 [?] US dollars and with an interest rate for use of the loan set, starting January 01, 2009, as 19% per annum, with the loan payment period no later than January 31, 2010 and, with an interest rate for use of the loan set, starting January 01, 2009, as 19% per annum [?], with monthly payment of interest.</p> <p>In the event of non-performance, by the Pledger 1, of its obligations under the Loan Agreement, the Pledge Holder shall acquire a right to have relief at the expense of the subject of pledge.”.</p>
7	<p>Additional Agreement, dated July 31, 2009, to the Pledge Agreement # 2448-4/07 dated 2007/12/13</p>	<p>Amend Clause 1.1 of the Agreement as follows:</p> <p>“Pledgers shall pledge to the Pledge Holder, as collateral, all rights for execution of title documentation for Apartments specified by Appendix #1 to the Agreement, in an apartment building under construction at the address: Moscow, Nakhimovsky prosp. estate 4a, ensuring performance of all obligations under the Loan Agreement # 2448-4/07 dated 2007/12/13, made between the Pledger 1 and the Pledge Holder, under which the Pledge Holder lodged to the Pledger 1 a credit line with a drawdown limit of 2,210,000 US dollars and with an interest rate for use of the loan set, starting January 01, 2009, as 19% per annum, with the loan payment period no later than January 31, 2010 and, with an interest rate for use of the loan set, starting January 01, 2009, as 19% per annum [?], with monthly payment of interest.</p> <p>In the event of non-performance, by the Pledger 1, of its obligations under the Loan Agreement, the Pledge Holder shall acquire a right to have relief at the expense of the subject of pledge.”.</p>

Information on approval of the above-said transactions: The transactions – the Additional Agreements to surety agreements and pledge agreements were approved at a meeting of the Board of Directors of Sistema-Hals JSC on 2009/10/12 (Minutes of the meeting of the Board of Directors of Sistema-Hals JSC, #72 dated 2009/10/12).

9. List of transactions made in 2009 and recognized as major transactions in accordance with the Federal Law “On Joint-Stock Companies”.

1. The Additional Agreement # 4, dated 2009/06/06, to the Loan Agreement # 1831 dated 2007/08/03.

Parties to the transaction: Bank VTB (OAO) (the Lender) and Sistema-Hals JSC (the Borrower).

Essential conditions of the transaction:

The said additional agreement stipulates corrective amendments to the following essential conditions of the Loan Agreement:

Clause 6.3 of Article 6 of the Agreement, “INTEREST AND FEES”, is supplemented with the following paragraph:

“Interest accrued from February 10, 2009 till February 08, 2010 shall be paid by the Borrower in a lump sum, on February 08, 2010”.

Information on approval of the transaction: the transaction was approved at a meeting of the Board of Directors of Sistema-Hals JSC on 2009/05/21 (Minutes # 67 dated May 21, 2009).

10. Information on the Company’s compliance with the Code of Corporate Conduct

#	Provision of the Code of Corporate Conduct	Complied with or not complied with ⁽²⁾	Notes
<u>General Shareholder Meeting</u>			

#	Provision of the Code of Corporate Conduct	Complied with or not complied with ⁽²⁾	Notes
1.	Notification of shareholders about a General Shareholder Meeting no later than 30 days before the Meeting, regardless of issues on its agenda, unless a longer timeframe is stipulated by the law.	Complied with	<p>According to Clause 14.9 of the Charter”</p> <p>“A notice on a General Shareholder Meeting shall be sent to shareholders no later than 30 days before the Meeting, unless a longer timeframe is stipulated by the law.</p> <p>According to paragraph 5 of Clause 3.2 of the Regulation of General Shareholder Meeting of Shareholders of Sistema-Hals JSC, a notice on a General Shareholder Meeting shall be sent to persons specified by the list of persons eligible to attend the General Shareholder Meeting by registered mail or, shall be delivered to them personally, against their signature and no later than:</p> <ul style="list-style-type: none"> - 40 days before the Meeting in case the agenda of the General Meeting includes an issue of reorganization of the Company; - 50 days before the Meeting in case the agenda of the Extraordinary General Meeting includes an issue of election of members of the Board of Directors; - 30 days – in all other cases.
2.	The shareholders’ ability to become aware of the list of persons eligible to attend the General Shareholder Meeting, starting the date of notice on the General Shareholder Meeting till the closure of the General Shareholder Meeting "in praesentia" or, in case of a General Shareholder Meeting “in absentia” – till the date of acceptance of voting ballots.	Complied with	In accordance with Clause 4.6 of the Regulation of the General Shareholder Meeting, from the date of execution of the list of persons eligible to attend the General Shareholder Meeting till the date of the Meeting, each shareholder owning 1 or more per cent of voting shares of the Company shall be eligible to become aware of information provided by such list (except for information on addresses and passport details of shareholders), any interested person shall be eligible to obtain an excerpt from the above-said list containing information on this person or, a note certifying that this person was not included in the list.

#	Provision of the Code of Corporate Conduct	Complied with or not complied with ⁽²⁾	Notes
3.	The shareholders' ability to become aware of information (materials) to be presented during preparation for the General Shareholder Meeting, by means of electronic communication facilities, including that by means of Internet	Complied with	<p>Shareholders can become aware of documents and information on issues of the agenda of the General Shareholder Meeting immediately at the meeting, as well as no later than 20 days before the General Shareholder Meeting (and in case the agenda of the General Shareholder Meeting includes an issue of reorganization of the Company – no later than 30 days before the General Meeting) on each business day, from 9:00 till 18:00, at the following address: Moscow, Bolshaya Tatarskaya St. 35/4.</p> <p>Shareholders may send a request to the Company for provision of the said information by means of electronic mail facilities, at the electronic mail address of the Corporate Secretary specified on the Company's website. (Clause 3.6 of the Regulation of the General Shareholder Meeting)</p>

#	Provision of the Code of Corporate Conduct	Complied with or not complied with ⁽²⁾	Notes
4.	The shareholders' ability to enter an issue to the agenda of the General Shareholder Meeting or, to demand a General Shareholder Meeting without provision of an excerpt from the register of shareholders in case his/her rights for stock are registered within the system of the register of shareholders and, in case his/her rights for stock are registered on a depot account – sufficiency of an excerpt from the depot account for implementation of the above-said rights.	Complied with	<p>According to Clause 1.5 of the Regulation of the General Shareholder Meeting, all meetings held in addition to the Annual General Shareholder Meeting are extraordinary. An Extraordinary General Shareholder Meeting is held upon resolution of the Board of Directors of the Company including that based on a demand of shareholders (a shareholder) who are owners of at least 10 per cent of voting stock of the Company as of the date of demand.</p> <p>According to Clause 2.1 of the Regulation, the Shareholders (shareholder) who are, on aggregate, owners of at least 2 per cent of voting stock of the Company are eligible to enter issues to the agenda of the Annual General Shareholder Meeting and to nominate candidates to the Board of Directors of the Company, the Audit Commission of the Company and, the Company's auditors.</p> <p>The voting stock owned by the shareholder (shareholders) who puts forward a suggestion to the agenda of the Annual General Shareholder Meeting and/or, who nominates candidates to the Company's bodies to be elected by the General Shareholder Meeting, is determined as of the date of such suggestion.</p> <p>The voting stock owned by the shareholder (shareholders) who demands an Extraordinary General Shareholder Meeting is determined as of the date of such demand</p>

#	Provision of the Code of Corporate Conduct	Complied with or not complied with ⁽²⁾	Notes
5.	Availability, within the charter or internal documents of the Joint-Stock Company, of a provision on mandatory presence of the President, members of the Management Board, members of the Board of Directors, members of the Audit Commission and the auditor of the Joint-Stock Company at the General Shareholder Meeting.	Complied with, in part	According to Clause 8.5 of the Regulation of the General Shareholder Meeting, the Company strives at securing presence, at the General Shareholder Meeting held in the form of compresence, of members and candidate members of the Board of Directors, members and candidate members of the Audit Commission of the Company, the Auditor of the Company, as well as top executives of the Company, however, neither the Charter nor internal documents of the Company have any provisions stipulating the mandatory nature of their presence at General Shareholder Meetings.
6.	Mandatory presence of candidates when the General Shareholder Meeting considers the issue of election of members of the Board of Directors, the President, members of the Management Board, members of the Audit Commission, as well as the issue of approval of the auditor of the Joint-Stock Company.	Complied with	<p>According to Clause 8.5 of the Regulation of the General Shareholder Meeting, the Company strives at securing presence, at the General Shareholder Meeting held in the form of compresence, of members and candidate members of the Board of Directors, members and candidate members of the Audit Commission of the Company, the Auditor of the Company, as well as top executives of the Company, however, neither the Charter nor internal documents of the Company have any provisions stipulating the mandatory nature of their presence at General Shareholder Meetings.</p> <p>According to Clauses 18.2.9 – 18.2.10 of the Charter of the Company, formation of the collective executive body – the Management Board, as well as early termination of their [?] powers is within authority of the Board of Directors.</p>
7.	Availability, within internal documents of the Joint-Stock Company, of a procedure for registration of participants of the General Shareholder Meeting.	Complied with	<p>According to Clause 5.4 of the Regulation of the General Shareholder Meeting, the Counting Commission of the Company registers persons who attend the General Shareholder Meeting held in the form of a meeting.</p> <p>Clauses 5.5-5.8 of the Regulation cover the registration procedure.</p>
Board of Directors			

#	Provision of the Code of Corporate Conduct	Complied with or not complied with ⁽²⁾	Notes
8.	Availability, within the Charter of the Joint-Stock Company, of powers of the Board of Directors concerning annual approval of the financial and economic plan of the Joint-Stock Company.	Complied with	According to Clause 18,2,1 of the Charter of the Company, authority of the Board of Directors includes approval of financial and economic plans.
9.	Availability of a risk management procedure in the Joint-Stock Company, approved by the Board of Directors	Not complied with	The Company lack a risk management procedure approved by the Board of Directors
10.	Availability, within the Charter of the Joint-Stock Company, of the right of the Board of Directors to decide on suspension of powers of the President appointed by the General Shareholder Meeting.	Not complied with	According to Clause 18.2.9 of the Charter of the Company, “appointment of the President of the Company, ... as well as early termination of powers of the President of the Company” is within authority of the Board of Directors.
11.	Availability, within the Charter of the Joint-Stock Company, of the right of the Board of Directors to establish requirements to skills and remuneration of the President, members of the Management Board, heads of key units of the Joint-Stock Company.	Complied with	According to Clauses 18.2.9, 18.2.10, 18.2.24 of the Charter of the Company, the Board of Directors approves terms and conditions of the contract with the President of the Company, including those on establishing his/her remuneration, establishes key terms and conditions of contracts being made with members of the Management Board, as well as approves requirements to skills, principles of job evaluation and the incentive-providing system for top executives of the Company.
12.	Availability, within the Charter of the Joint-Stock Company, of the right of the Board of Directors to approve terms and conditions of contracts with the President and members of the Management Board.	Complied with	The said requirements are included in Clauses 18.2.9-18.2.10 of the Charter of the Company.
13.	Availability, within the charter or internal documents of the Joint-Stock Company, of a provision that, when approving terms and conditions of contracts with the President (a managing organization, a manager) and with members of the Management Board, votes of members of the Board of Directors who are the President and members of the Management Board are not taken into account when counting votes.	Not complied with	Neither the Charter nor internal documents of the Company envisage such requirements.
14.	Availability, within the Board of Directors of the Joint-Stock Company, of at least 3 independent directors meeting the requirements of the Code of Corporate Conduct.	complied with	The said requirement was complied with in 2009.

#	Provision of the Code of Corporate Conduct	Complied with or not complied with ⁽²⁾	Notes
15.	Absence, within the Board of Directors of the Joint-Stock Company, of persons who were convicted for crime in the domain of economic activities or for crime against state authorities, interests of state service and service in local self-government bodies or, who were subject to administrative punishment for breach of law in the domain of entrepreneurial activities or in the domain of finance, taxes and fees, the securities market.	Complied with	The said persons are absent in the current Board of Directors.
16.	Absence, within the Board of Directors of the Joint-Stock Company, of persons who are members, the President (manager), members of executive bodies or, employees of a legal entity which is a competitor of the Joint-Stock Company	Complied with	The said persons are absent in the current Board of Directors.
17.	Availability, within the charter of the Joint-Stock Company, of a provision on election of the Board of Directors by cumulative voting.	Complied with	According to Clause 13.5.4 of the Charter of the Company, "... a resolution on election of members of the Board of Directors shall be made by cumulative voting"
18.	Availability, within internal documents of the Joint-Stock Company, of an obligation of members of the Board of Directors to refrain from acts which would result or, could result in emergence of a conflict between their interests and interests of the Joint-Stock Company and, in case of emergence of such conflict – their obligation to disclose information on that conflict to the Board of Directors.	Complied with	According to Clause 5.4.2 of the Regulation of the Board of Directors dated 2008/06/30, Members of the Board of Directors refrain from actions which lead or may lead to a conflict of their interest and that of the Company and should such conflict arise they shall disclose information on such conflict to the Board of Directors.
19.	Availability, within internal documents of the Joint-Stock Company, of an obligation of members of the Board of Directors to notify the Board of Directors in the writing on their intent to make transactions involving securities of the Joint-Stock Company whose members of the Board of Directors they are or, of its subsidiaries (affiliates), as well as to disclose information on the transactions which are made by them and which involve such securities.	Complied with	According to Clause 5.3.11 of the Regulation of the Board of Directors, each member of the Board of Directors must disclose data on his/her ownership of the Company's securities, as well as on sale and/or purchase of the Company's securities, advise the Chairman of the Board of Directors of his/her intention to close a deal with the Company's securities.

#	Provision of the Code of Corporate Conduct	Complied with or not complied with ⁽²⁾	Notes
20.	Availability, within internal documents of the Joint-Stock Company, of a provision on conduct of meetings of the Board of Directors at least once every six weeks.	Complied with	The Charter, Clause 19.9 (amendments approved on 2008/06/30).
21.	Conduct of meetings of the Board of Directors of the Joint-Stock Company at least once every six weeks within the year for which the annual report of the Joint-Stock Company is drawn up.	Complied with	Planned regularity of meetings of the Board of Directors is defined by the Chairman of the Board of Directors. Meetings of the Board of Directors are held at least once every six weeks. In total, 15 meetings were held in 2009 (in praesentia and in absentia).
22.	Availability, within internal documents of the Joint-Stock Company, of a procedure for meetings of the Board of Directors	Complied with	Regulation of the Board of Directors, section VII, "Meetings of the Board of Directors and resolution-making by the Board of Directors"
23.	Availability, within internal documents of the Joint-Stock Company, of a provision on necessity of approval by the Board of Directors for transactions of the Joint-Stock Company involving 10 per cent or more of the equity of the Company, except for transactions to be made in normal course of business.	Complied with	According to Clause 18.2.16 of the Charter of the Company, the Board of Directors makes resolutions on the Company's making of transactions related to alienation or, to possible alienation of real estate whose value exceeds 10% of the book value of assets.
24.	Availability, within internal documents of the Joint-Stock Company, of a right of members of the Board of Directors to obtain information necessary for performance of their functions from executive bodies and heads of key units of the Joint-Stock Company as well as, responsibility for non-provision of such information.	Complied with	Regulation of the Board of Directors, Clause 5.2: "a member of the Board of Directors shall be entitled to ... demand from officials and employees of the Company submittal of any data (documents and materials) and explanations relating to activities of the Company".

#	Provision of the Code of Corporate Conduct	Complied with or not complied with ⁽²⁾	Notes
25.	Availability of the Strategic Planning Committee of the Board of Directors or, charge of functions of the said Committee to other Committee (except for the Audit Committee and the Nomination and Compensation Committee)	Complied with	<p>The Charter of the Company (Clause 18.2.29) envisages the opportunity to form Committees of the Board of Directors.</p> <p>According to Clause 6.4.1 of the Regulation of the Board of Directors, the following committees must be created in a mandatory manner: the Audit Committee, the Nomination and Compensation Committee, the Strategic Planning Committee, the Corporate Governance Committee.</p> <p>The Company complies with the said requirements of the Regulation. The Strategy Committee of the Board of Directors operates in the Company.</p>
26.	Availability of the Committee of the Board of Directors (the Audit Committee) which recommends an auditor of the Joint-Stock Company to the Board of Directors and, which cooperates with him/her and with the Revision Commission of the Joint-Stock Company.	Complied with	<p>The Audit Committee of the Board of Directors operates in the Company.</p> <p>According to the regulation of the Audit Committee, approved by the resolution of the Board of Directors dated 2006/07/25, authority of the Audit Committee includes preparation of recommendations for the Board of Directors on the nominee Auditor of the Company and presentation of results of the assessment to the Board of Directors; consideration of written reports, memoranda, messages of the Revision Commission, requests of any information from members of the Revision Commission.</p>
27.	Presence of only independent and non-executive directors within the Audit Committee	Complied with	<p>According to the Regulation of the Audit Committee, the Audit Committee consists of 2 members elected from among non-executive directors of the Company. At least one of members of the Audit Committee must be an independent director, in case such is elected to the Board of Directors of the Company.</p>
28.	The head of the Audit Committee should be an independent director.	Complied with	<p>According to Clause 5.2 of the Regulation of the Audit Committee, the chairman of the Audit Committee is elected from among independent directors.</p> <p>The requirement is complied with.</p>

#	Provision of the Code of Corporate Conduct	Complied with or not complied with ⁽²⁾	Notes
29.	Availability, within internal documents of the Joint-Stock Company, of a right of all members of the Audit Committee for access to any documents and information of the Joint-Stock Company provided they do not disclose confidential information.	Complied with	According to Clause 3.2.3 of the Regulation of the Audit Committee, the Audit Committee has a right to request and receive any information necessary for its activities from the President of the Company, from members of the Revision Commission, from the financial and economic service and from the Auditor of the Company, from heads of units of the Company, as well as from other employees of the Company.
30.	Creation of a Committee of the Board of Directors (the Nomination and Compensation Committee) whose function is to determine criteria for selection of candidate members of the Board of Directors and, to draw up a policy of the Joint-Stock Company in the domain of compensation	Complied with	<p>The Nomination and Compensation Committee has been created in the Company.</p> <p>According to the Regulation of the Nomination and Compensation Committee, the committee has the right to carry out preliminary assessment of candidates for office of members of executive bodies of the Company and, to give respective recommendations to the Board of Directors of the Company.</p>
31.	The head of the Nomination and Compensation Committee should be an independent director.	Complied with	<p>According to Clause 5.2 of the Regulation of the Nomination and Compensation Committee, the chairman of the Committee is elected from among independent directors.</p> <p>The requirement is complied with.</p>
32.	Absence of executives of the Joint-Stock Company within the Nomination and Compensation Committee.	Complied with	<p>According to Clause 5.2 of the Regulation of the Nomination and Compensation Committee, the Committee consists of 2 members elected from among non-executive directors of the Company.</p> <p>The requirement is complied with.</p>
33.	Creation of the Risk Committee of the Board of Directors or, charging functions of the said Committee on another committee (except for the Audit Committee and the Nomination and Compensation Committee)	Not complied with	<p>The Charter of the Company (Clause 18.2.29) and the Regulation of the Board of Directors (section 6.4) envisage the possibility to create Committees of the Board of Directors.</p> <p>Currently, no Risk Committee of the Board of Directors has been created in the Company.</p>

#	Provision of the Code of Corporate Conduct	Complied with or not complied with ⁽²⁾	Notes
34.	Creation of the Committee of the Board of Directors for regulation of corporate conflicts or, charging functions of the said Committee on another committee (except for the Audit Committee and the Nomination and Compensation Committee)	Complied with	The Charter of the Company (Clause 18.2.29) and the Regulation of the Board of Directors (section 6.4) envisage the possibility to create Committees of the Board of Directors. According to Clause 2.2.12 of the Regulation of the Corporate Governance Committee, objectives of the committee include assistance in prevention of corporate conflicts and, whenever necessary, participation in their settlement.
35.	Absence of executives of the Joint-Stock Company within the Committee for Regulation of Corporate Conflicts.	Complied with	The Corporate Governance Committee includes members of the Board of Directors of the Company who are not its executives.
36.	The head of the Committee on Regulation of Corporate Conflicts should be an independent director.	Complied with	The Company complies with the said requirement.
37.	Availability of inner documents of the Joint-Stock Company approved by the Board of Directors which stipulate procedures for formation and work of Committees of the Board of Directors.	Complied with	Procedures for formation and work of committees of the Board of Directors are regulated by regulations of the respective committees.
38.	Availability, within the Charter of the Joint-Stock Company, of procedures for determining quorum of the Board of Directors which allows to secure mandatory participation of independent directors in the meetings of the Board of Directors	Not complied with	According to Clause 17.6 of the Charter, quorum for meetings of the Board of Directors is ½ (half) of the elected members of the Board of Directors. No requirement on mandatory participation of independent directors is available.
Executive bodies			
39.	Availability of a collective executive body (Management Board) of the Joint-Stock Company.	Complied with	The Joint-Stock Company has formed a collective executive body – the Management Board
40.	Availability, in the charter or inner documents of the Joint-Stock Company, of a provision of necessity of the Management Board's approval for transactions involving real estate, for the Joint-Stock Company's borrowings in case the said transactions are not categorized as major transactions and, their making is not categorized as normal course of business of the Joint-Stock Company.	Complied with, in part	Clause 21.6.12 of the Charter includes a provision on approval by the Management Board of the Company of transactions related to alienation or possible alienation, by the Company, of real estate whose value does not exceed or is equal to 10% of the book value of assets of the Company and, preliminary consideration of transactions related to alienation or possible alienation of real estate whose value exceeds 10% of the book value of assets.

#	Provision of the Code of Corporate Conduct	Complied with or not complied with ⁽²⁾	Notes
41	Availability, in the inner documents of the Joint-Stock Company, of procedures for coordination of operations which go beyond the financial and economic plan of the Joint-Stock Company	Complied with	Operations that go beyond the financial and economic plan of the Company are considered and coordinated by the Board of Directors of the Company in accordance with the approved Regulation of material events (approved by the Board of Directors on 2006/08/30, Minutes # 28).
42.	Absence, within executive bodies, of persons who are members, the President (manager), members of executive bodies or, employees of a legal entity which is a competitor of the Joint-Stock Company	Complied with	The recommendation is complied with, however, the Charter and inner documents of the Company do not include provisions which would establish the restrictions listed by the recommendation for persons who are within executive bodies of the Company.
43.	Absence, within the Board of Directors of the Joint-Stock Company, of persons who were convicted for crime in the domain of economic activities or for crime against state authorities, interests of state service and service in local self-government bodies or, who were subject to administrative punishment for breach of law in the domain of entrepreneurial activities or, in the domain of finance, taxes and fees, the securities market. If functions of the single executive body are performed by a managing organization or a manager – compliance of the President and members of the Management Board of the managing organization or the manager with requirements made to the President and members of the Management Board of the Joint-Stock Company.	Complied with	The recommendation is complied with, however, the Charter and inner documents of the Company do not include provisions which would establish the restrictions listed by the recommendation for persons which are within executive bodies of the Company.
44.	Absence, in the Charter or in the inner documents of the Joint-Stock Company, of a ban for the managing organization or the manager to perform similar functions in a competitor company, as well as to be in any other property relations with Joint-Stock Company, in addition to rendering services of the managing organization (manager).	Not complied with	The Charter envisages a possibility to attract a managing organization, however, inner documents are lacking which would ban the managing organization or the manager to perform similar functions in a competitor company, as well as to be in any other property relations with Joint-Stock Company, in addition to rendering services of the managing organization (manager).

#	Provision of the Code of Corporate Conduct	Complied with or not complied with ⁽²⁾	Notes
45.	Availability, within internal documents of the Joint-Stock Company, of an obligation of executive bodies to refrain from acts which would result or, could result in emergence of a conflict between their interests and interests of the Joint-Stock Company and, in case of emergence of such conflict – their obligation to disclose information on that conflict to the Board of Directors.	Complied with	Inner documents of the Company lack a formulation of these obligations. At the same time, according to regulations of the Management Board and of the President, the President of the Company and members of the Management Board must act in the interests of the Company, implement their rights and perform their obligations in respect of the Company in good faith and reasonably.
46.	Absence, in the Charter or in the inner documents of the Joint-Stock Company, of criteria for selection of the managing organization (manager)	Complied with, in part	The Charter envisages a possibility to attract a managing organization; the managing organization (manager) is selected by the authorized executive body of the Company upon respective resolution on transfer of authority.
47.	Submittal, by executive bodies of the Joint-Stock Company, of their monthly business reports to the Board of Directors	Complied with	Reports on the Company’s activities are submitted to the Board of Directors on a quarterly basis.
48.	Provisions on responsibility for violation of provisions on the use of confidential and inside information should be included in the contracts made by the Joint-Stock Company with the President (the managing organization, the manager) and with members of the Management Board.	Complied with	According to Clause 2.5 of the Regulation of the President, the labor contract to be made with the President determines and includes, among others, provisions on full material liability for violation of requirements on non-disclosure of inside and commercial secrets.
Secretary of the Joint-Stock Company			
49.	Availability, with the Joint-Stock Company, of a special official (the Secretary of the Joint-Stock Company) whose task being to ensure compliance of bodies and officials of the Joint-Stock Company with procedural requirements guaranteeing implementation of rights and legitimate interests of shareholders of the Company.	Complied with	According to Clause 1.3 of the Regulation of Corporate Secretary, the Corporate Secretary ensures compliance of bodies and officials of the Company with rules and procedures of corporate conduct that are set by requirements of the current legislation and inner documents of the Company and that guarantee implementation of rights and legitimate interests of shareholders of the Company.
50.	Availability, within the Charter or inner documents of the Joint-Stock Company, of procedures for appointment (election) of the Secretary of the Company and, duties of the Secretary of the Company.	Complied with	According to the Charter of the Company, [Clause] 18.2.25, authority of the Board of Directors includes: “appointment of the Corporate Secretary of the Company and termination of his/her powers.”

#	Provision of the Code of Corporate Conduct	Complied with or not complied with ⁽²⁾	Notes
51.	Availability, within the Charter or inner documents of the Joint-Stock Company, of requirements to a candidate Secretary of the Company.	Complied with	The Charter fails to define these requirements, however, requirements to a candidate Secretary of the Company are included in an inner document – the Regulation of the Corporate Secretary of the Company approved by the Minutes # 27 of the Board of Directors dated 2006/08/4.
Essential Corporate Action			
52.	Availability, within the Charter or inner documents of the Joint-Stock Company, of a requirement on approval of a major transaction prior to its making	Not complied with	The Charter and inner documents fail to determine these requirements
53	Mandatory outsourcing of an independent appraiser for appraisal of market value of property which is the object of a major transaction	Not complied with	The Charter fails to determine these requirements
54.	Availability, within the of the Joint-Stock Company, of a ban, in case of a purchase of major stakes in the Joint-Stock Company (an acquisition), on taking any action aimed at protection of interests of executive bodies (members of these bodies) and members of the Board of Directors of the Joint-Stock Company, as well as action aggravating the position of shareholders in comparison to the current position (in particular, a ban on the Board of Directors making the following resolution before the expected term of a purchase of stock: the resolution on issue of additional shares, on issue of securities convertible into shares or, [on issue of] securities that grant the right to purchase the Company's stock, even if the right to make such resolution is granted to the Board of Directors by the Charter)	Not complied with	The Charter fails to determine these requirements
55	Availability, within the Joint-Stock Company, of a requirement of outsourcing of an independent appraiser for appraisal of current market value of stock and, appraisal of possible changes of the market value as a result of acquisition	Not complied with	The Charter fails to determine these requirements

#	Provision of the Code of Corporate Conduct	Complied with or not complied with ⁽²⁾	Notes
56	Absence, within the Charter of the Joint-Stock Company, of exemption of a purchaser from its duty to offer shareholders to sell their ordinary shares of the Company (issuance securities convertible into ordinary shares) in case of an acquisition.	Complied with	The Charter lacks an exemption of a purchaser from its duty to offer shareholders to sell their ordinary shares of the Company (issuance securities convertible into ordinary shares) in case of an acquisition
57	Availability, within the Charter or inner documents of the Joint-Stock Company, of a requirement on mandatory outsourcing of an independent appraiser for determining the ratio of stock conversion in case of reorganization.	Not complied with	The Charter fails to determine these requirements

#	Provision of the Code of Corporate Conduct	Complied with or not complied with ⁽²⁾	Notes
Information disclosure			
58.	Availability of an inner document, approved by the Board of Directors, determining the rules and approaches of the Joint-Stock Company to information disclosure (the Regulation of Information Policy)	Complied with	The Regulation of Disclosure of Essential Information and Insider Transactions was approved by the Board of Directors on 2008/07/24, the Regulation of Information Policy was approved by a resolution of the Board of Directors dated 2006/06/01.
59.	Availability, within inner documents of the Joint-Stock Company, of a requirement on disclosure of information on goals of stock flotation, on persons who intend to purchase the stock floated, including major stakes of shares, as well as on whether top executives of the Joint-Stock Company will take part in purchases of the Company's stock to be floated.	Not complied with	The said requirements are absent in inner documents of the Company.
60.	Availability, within inner documents of the Joint-Stock Company, of a list of information, documents and materials which should be presented to shareholders for their deciding on issues being put to the General Shareholder Meeting	Complied with	Regulation of the General Shareholder Meeting, Clause 3.5
61.	Availability, with the Joint-Stock Company, of a website and, regular disclosure of information on the Joint-Stock Company on this website.	Complied with	www.sistema-hals.ru
62.	Availability, within inner documents of the Joint-Stock Company, of a requirement on disclosure of information on transactions of the Joint-Stock Company involving persons who, in accordance with the Charter, are among top executives of the Joint-Stock Company, as well as on transactions of the Joint-Stock Company involving organizations in which top executives of the Joint-Stock Company own, directly or indirectly, 20 per cent or more of charter capital or, on which transactions the said persons can have considerable influence in another manner.	Not complied with	The said requirements are absent in inner documents of the Company.
63.	Availability, within inner documents of the Joint-Stock Company, of a requirement on disclosure of information on all transactions which can affect the market value of stock of the Joint-Stock Company	Complied with	By [?] the Regulation of Information Policy, Clause 2.1.

#	Provision of the Code of Corporate Conduct	Complied with or not complied with ⁽²⁾	Notes
64.	Availability of an inner document, approved by the Board of Directors, on the use of essential information on activities of the Joint-Stock Company, on shares and other securities of the Company and, on transactions involving them, which information is not in the public domain and, its disclosure can affect considerably the market value of shares and other securities of the Company.	Complied with	The Company lacks having a Regulation of Inside Information.
<u>Control financial and economic activities</u>			
65.	Availability of procedures, approved by the Board of Directors, for internal control of financial and economic activities of the Joint-Stock Company	Complied with	The resolution of the Company's Board of Directors, dated 2006/12/11, approved the Regulation of Procedures for Inner Control of Financial and Economic Activities
66.	Availability of a special unit of the Joint-Stock Company in charge of compliance with inner control procedures (the supervision and auditing service)	Complied with	The Company has formed a unit which controls compliance with inner control procedures – the Department of Internal Control and Audit
67.	Availability, within inner documents of the Joint-Stock Company, of a requirement on establishment of structure and composition of the Supervision and Auditing Service of the Joint-Stock Company by the Board of Directors	Not complied with	Structure and composition of the Department of Internal Control and Audit are determined by the staffing pattern which is approved by the President of the Company.
68.	Absence, within the Supervision and Auditing Service, of persons who were convicted for crime in the domain of economic activities or for crime against state authorities, interests of state service and service in local self-government bodies or, who were subject to administrative punishment for breach of law in the domain of entrepreneurial activities or, in the domain of finance, taxes and fees, the securities market	Complied with	The recommendation is complied with, however, inner documents of the Company do not include provisions which would establish the restrictions listed by the recommendation for employees of the Department of Internal Control.
69.	Absence, within the Supervision and Auditing Service, of persons who are members of executive bodies of the Joint-Stock Company, as well as persons who are members, the President (manager), members of management bodies or, employees of a legal entity which is a competitor of the Joint-Stock Company	Complied with	The recommendation is complied with, however, inner documents of the Company do not include provisions which would establish the restrictions listed by the recommendation for employees of the Department of Internal Control.

#	Provision of the Code of Corporate Conduct	Complied with or not complied with ⁽²⁾	Notes
70.	Availability, within inner documents of the Joint-Stock Company, of a term for submittal, to the Supervision and Auditing Service, of documents and materials for assessment of financial and economic operations made, as well as liability of executives and employees of the Joint-Stock Company for their non-submittal within the said term	Complied with	Based on Clause 10.1.2 of the Regulation Department of Internal Control and Audit, units of the Company submit, within timeframes set by requests of the Department of Internal Control and Audit, documents and materials (with written explanations) for assessment of financial and economic operations made. Liability for compliance with requirements of inner regulatory acts is stipulated by labor contracts concluded with each employee.
71.	Availability, within inner documents of the Joint-Stock Company, of a duty of the Supervision and Auditing Service to advise the Audit Committee, and in case it is absent – the Board of Directors of the Joint-Stock Company, on the violations detected.	Complied with	In accordance with Clause 5.2.4 of the Regulation of Procedures for Inner Control of Financial and Economic Activities of the Company, the Department of Internal Control and Audit controls over compliance with inner control procedures of the Company and, advises the Audit Committee on the violations detected.
72.	Availability, within the Charter of the Joint-Stock Company, of a requirement on preliminary appraisal by the Supervision and Auditing Service of advisability of transactions not stipulated by the financial and economic plan of the Joint-Stock Company (non-routine transactions)	Not complied with	This requirement is not stipulated by the Charter of the Company
73.	Availability, within inner documents of the Joint-Stock Company, of procedures for coordination of non-routine transactions with the Board of Directors	Complied with	All non-routine transactions are considered by and coordinated with the Board of Directors of the Company in accordance with the approved Regulation of Essential Events (approved by the Board of Directors on 2006/08/30, Minutes # 28)
74.	Availability of an inner document approved by the Board of Directors, to determine procedures for checks of financial and economic activities of the Joint-Stock Company by the Revision Commission	Complied with	Regulation of the Revision Commission, Section 5, “Procedures for Checks (Revision)”
75.	The Audit Committee’s appraisal of the audit report before it is presented to shareholders at the General Shareholder Meeting	Complied with	Clause 3.1.6 of the Regulation of the Audit Committee
Dividends			

#	Provision of the Code of Corporate Conduct	Complied with or not complied with ⁽²⁾	Notes
76.	Availability of an inner document approved by the Board of Directors, to be a guidance for the Board of Directors in accepting recommendations on the dividend amount (Regulation of the Dividend Policy)	Complied with	The Dividend Policy Regulation was approved by a resolution of the Extraordinary General Shareholder Meeting on 2006/07/14.
77.	Availability, within the Regulation of the Dividend Policy, of procedures for determining the minimal portion of net profits of the Joint-Stock Company to be used for paying dividends and, terms and conditions under which dividends on preferred stock (the dividend amount for which is defined by the Charter of the Joint-Stock Company) are not paid or, are not paid in full	Complied with	Section 3 of the Dividend Policy Regulation. Recommendations concerning terms and conditions of paying dividends on preferred stock are not applicable to the Company because the said category of stock is absent.
78.	Information on the dividend policy of the Joint-Stock Company and on amendments made to it should be published in a periodical stipulated by the Charter of the Joint-Stock Company for publication of announcements of General Shareholder Meetings. The said information should also be posted on the website of the Company.	Complied with	Information on the Dividend Policy is posted in annual reports, quarterly reports.

Notes

(1) This report on compliance with the Code of Corporate Conduct is drawn up in accordance with methodological recommendations approved by the Order of the Federal Commission for the Securities Market of Russia, # 03-849/r dated April 30, 2003.

(2) For purposes of this report, in respect to a specific provision of the Code of Corporate Conduct, words “complied with” / “not complied with” means fulfillment/non-fulfillment, by the Company, of the main (essential) part of the recommendation by virtue of requirements of the Charter and of inner documents of the Company, which are in effect as of the time of the Annual Report and/or, by virtue of prevailing current practices of corporate governance in the Company. For purposes of this Annual Report, in respect to a specific provision of the Code of Corporate Conduct, words “not applicable” mean inapplicability of this recommendation to the Company by virtue of absence, with the Company, of the relevant institution/procedures to which this recommendation refers.