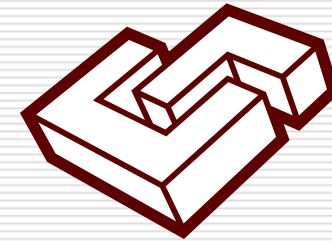


# SISTEMAHALS

DEVELOPMENT COMPANY



## ANNUAL RESULTS 2006 PRESENTATION

April 2007



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# SISTEMA-HALS & MARKET OVERVIEW

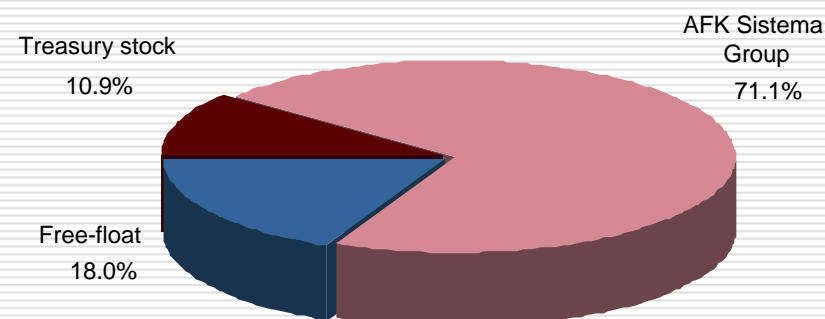
# SISTEMA-HALS AT A GLANCE

- A leading Russian property development company engaged in:
  - real estate development
  - project and construction management
  - real estate asset management
  - facility management
- IPO on the main board of the London Stock Exchange in November 2006 raising US\$432m
- Unique exposure to all areas of the construction industry including residential, commercial, retail and infrastructure
- Expertise and resources to deliver on complex projects
- Developer of choice for blue-chip companies, such as DaimlerChrysler, Dresdner Bank, Raiffeisenbank and Siemens
- Significant benefits derived from association with Sistema Group
- Focus on Moscow with current projects in 7 cities across Russia and Ukraine

## Key statistics for 2006

Revenues <sup>1</sup>	US\$ 282.9m
OIBDA <sup>1, 2</sup>	US\$ 90.1m
OIBDA margin <sup>1, 2</sup>	31.9%
Properties portfolio valuation <sup>3</sup>	US\$2bn
Held as investment <sup>4</sup>	24 properties
Development pipeline <sup>4</sup>	64 projects
Under consideration	c.40 projects

## Shareholder structure

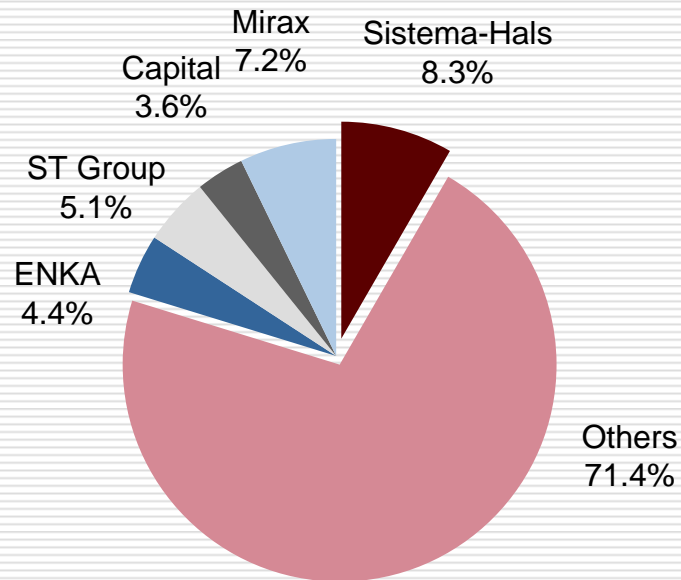


Note:

- 1 Audited financial statements for year ended 31 December 2006
- 2 OIBDA represents operating income before depreciation and amortization
- 3 Beneficial share of Sistema-Hals as of 1 January 2007 by C&WS&R
- 4 C&WS&R report as of 1 January 2007

# LEADING REAL ESTATE PLAYER IN RUSSIA

Highest market share among Class A office developers in Moscow



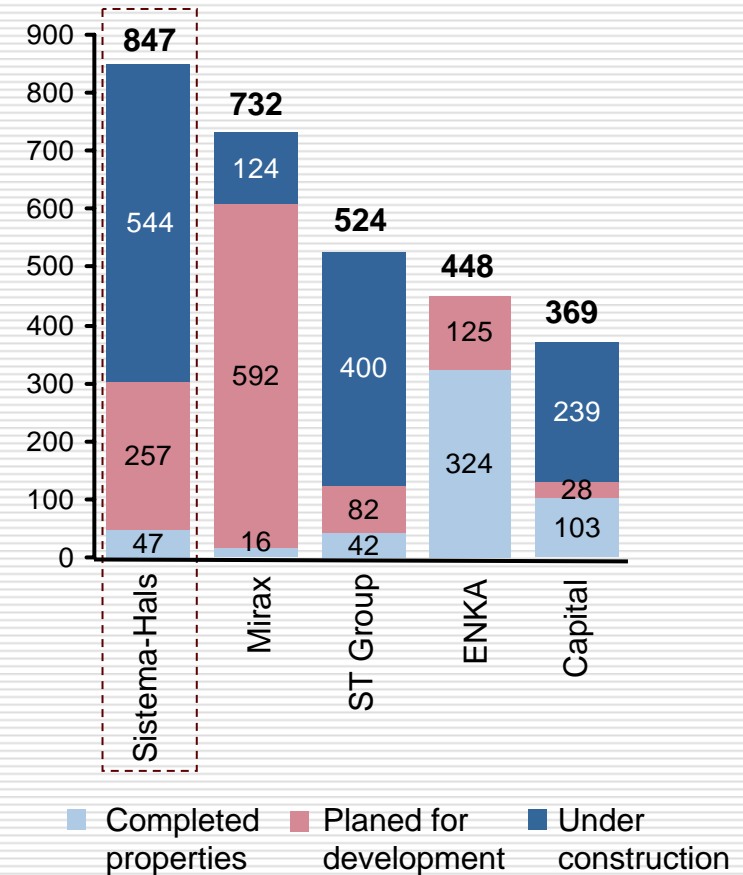
Moscow Class A office properties and development pipeline:  
**10.2<sup>1</sup> million sqm**

Note:

<sup>1</sup> Based on total space of Class A offices including completed properties, properties currently under construction and planned for future development based on publicly available information

Source: [www.developery.ru](http://www.developery.ru), January 2007

Top 5 developers of Class A offices in Moscow

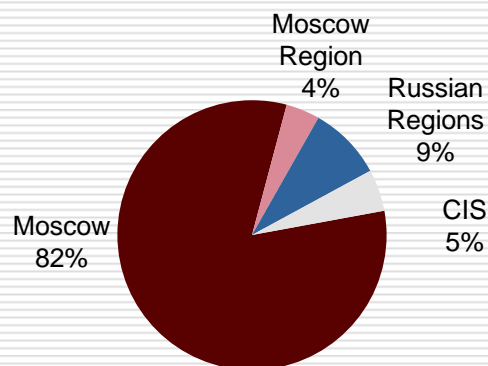


Source: [www.developery.ru](http://www.developery.ru), January 2007

# STRONG PIPELINE

	Number of properties	Market Value <sup>1</sup> US\$m	OMV <sup>2</sup> US\$m	GBA <sup>3</sup> '000 sqm
<b>Properties held as investment</b>	<b>24</b>	<b>313</b>	-	
Real estate properties	19	213		<b>137</b>
Land plots	5	100		
<b>Development projects</b>	<b>63</b>	<b>1,679</b>	<b>8,811</b>	<b>2,865</b>
In the course of development	29	878	4,512	1,516
Held for future development	34	801	4,299	1,349
<b>Land in the course of development</b>	<b>1</b>	<b>48</b>	<b>96</b>	<b>345</b>
<b>TOTAL</b>	<b>88</b>	<b>2,040</b>	-	-

## Geographical breakdown of properties <sup>5</sup>

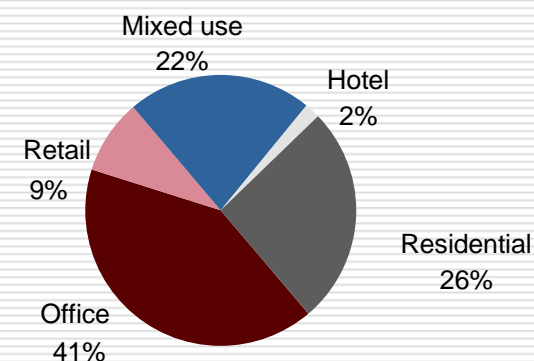


TOTAL: 3,002,399 sqm

Source: Company data, C&WS&R report as of 1 January 2007



## Development portfolio breakdown by property type



TOTAL: 2,864,657 sqm

Notes:

- 1 Attributable to Sistema-Hals
- 2 Open Market Value, assuming built and fully let, attributable to Sistema-Hals share
- 3 Gross Building Area
- 4 Land plot in the Moscow region, Aurora project
- 5 Including real estate properties held as investment

# HIGHLY EXPERIENCED MANAGEMENT



## Felix Evtushenkov

*President*

- Deputy General Director for Strategy and Marketing of Sistema-Hals
- Serves on board of directors of Detsky Mir-Center and Detsky Mir
- Degree from the Moscow University of International Law and Economics



## Evgeny Kolodkin

*Vice-President – Strategy and Development*

- From 2005 to 2006 served as Head of Corporate Development Department of Sistema
- consultant at Bain & Company in Moscow, Sydney and London.
- Bachelor degree in marketing from Arnhem Business School, the Netherlands



## Azariy Lapidus

*First Vice-President, Construction*

- Deputy Chairman of the Board of Directors of Sistema-Hals
- Professor of Moscow State University of Civil Engineering
- Founder and President of SUE Holding (general contractor for the Bolshoi Theatre and Gazprom buildings in Moscow)



## Iosif Purits

*General Director of Hals Stroy*

- Over 30 years in industry
- Projects:
  - Detskiy Mir (Kazan)
  - Serebryany Bor
  - 15 Yelninskaya Street



## Michael Golomb, CPA

*CFO*

- Head of Compliance and External Reporting Division at Trimble Navigation (NASDAQ listed)
- Corporate Controller at Entegrity Solutions
- PriceWaterhouseCoopers
- MBA Finance from Santa Clara University, California



## Vladimir Soprun

*Project Manager (since 1994)*

- Over 15 years in industry
- Projects:
  - Ordynka
  - Hals Tower
  - Leningradsky Towers



## Igor Kasheev

*Vice-President, Asset Management*

- Head of land property department
- Legal specialist at “Capital Group”
- Business development at Sistema-Hals

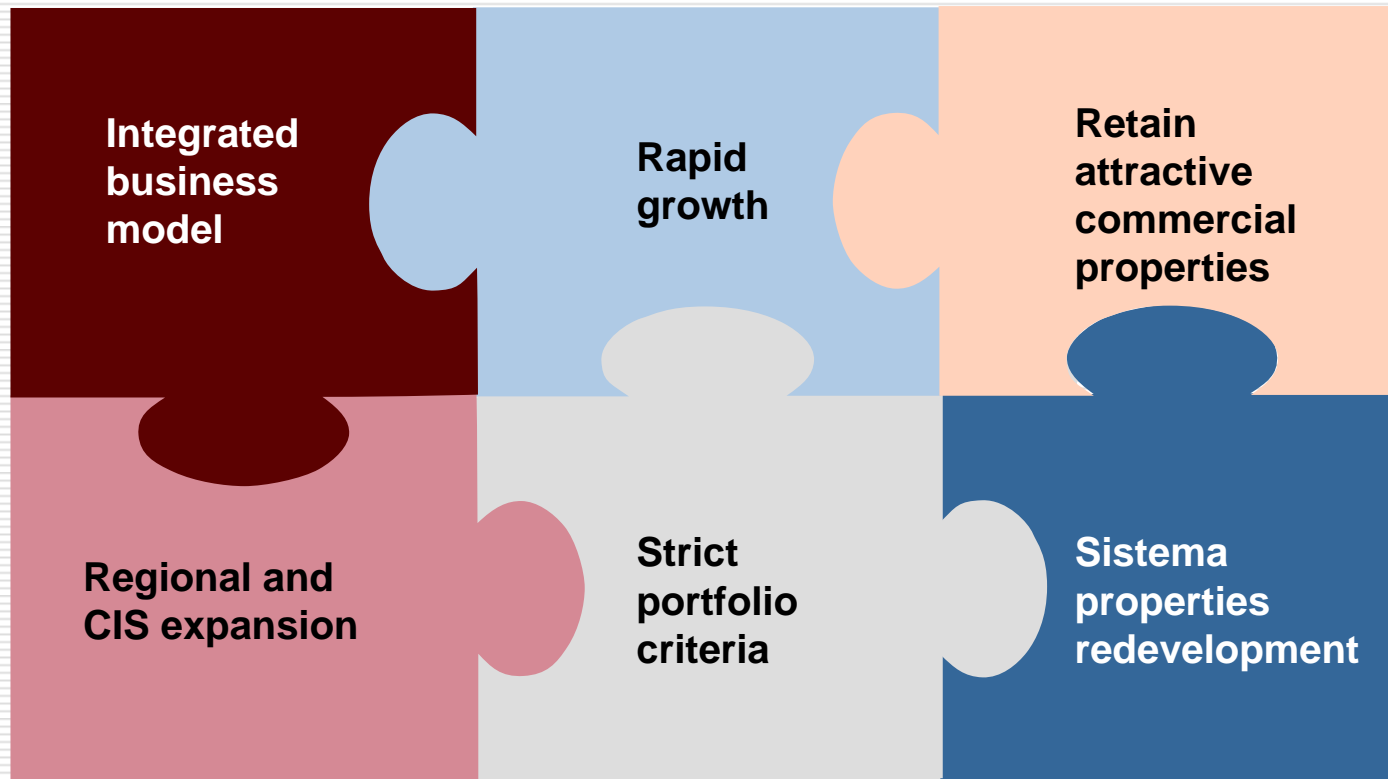


## Mikhail Kazakov

*General Director of City Hals (since 2001)*

- 9 years in industry, Certified Property Manager
- Projects:
  - Hals Tower
  - Kompozitorskaya St.
  - 5 Mamontovsky Avenue (MTU)
  - 29 Gagarinsky Lane
  - Izumrudnaya Dolina residential complex
  - 4 Bobrov Lane

# STRATEGY HIGHLIGHTS



**Sistema-Hals aims to become the largest real estate developer and a leading real estate asset portfolio manager, in Russia and elsewhere in the CIS**

# STRICT BUSINESS SELECTION CRITERIA

Return-Based Strategy

- Minimum IRR target 20%
- Minimum size of 15,000 sqm

Strict Portfolio Focus

- Class A and B offices
- Shopping centres and mixed use
- Business class residential
- Single family houses
- Land development

Maintaining high quality

- Enhancing construction capabilities
- Engaging international contractors and consultants

**Disciplined investment approach focused on the most profitable market segments**

# DEVELOPMENTS VS. RENTAL PROPERTIES

Commercial Properties

Residential Properties

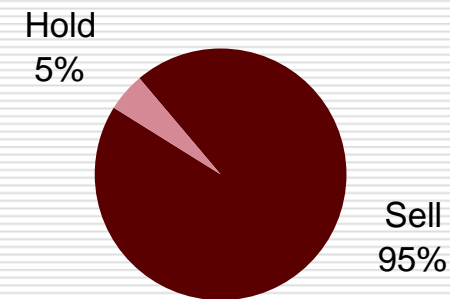
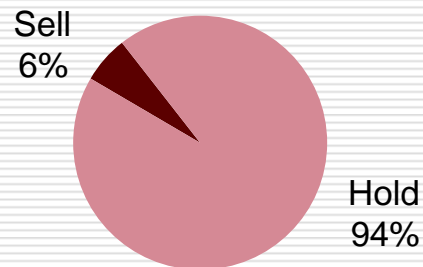
Develop and hold

Develop and sell

**BUT:** sell properties of less than 15,000 sqm

**BUT:** hold unique assets

## Breakdown of development projects



**We focus on commercial properties for investment**

Source: C&WS&R report as of 1 January 2007

# EXPANDING ACROSS THE REGIONS

- We aim to replicate our Moscow experience in other Russian regions and in the CIS
  - now present in 7 locations across Russia and Ukraine

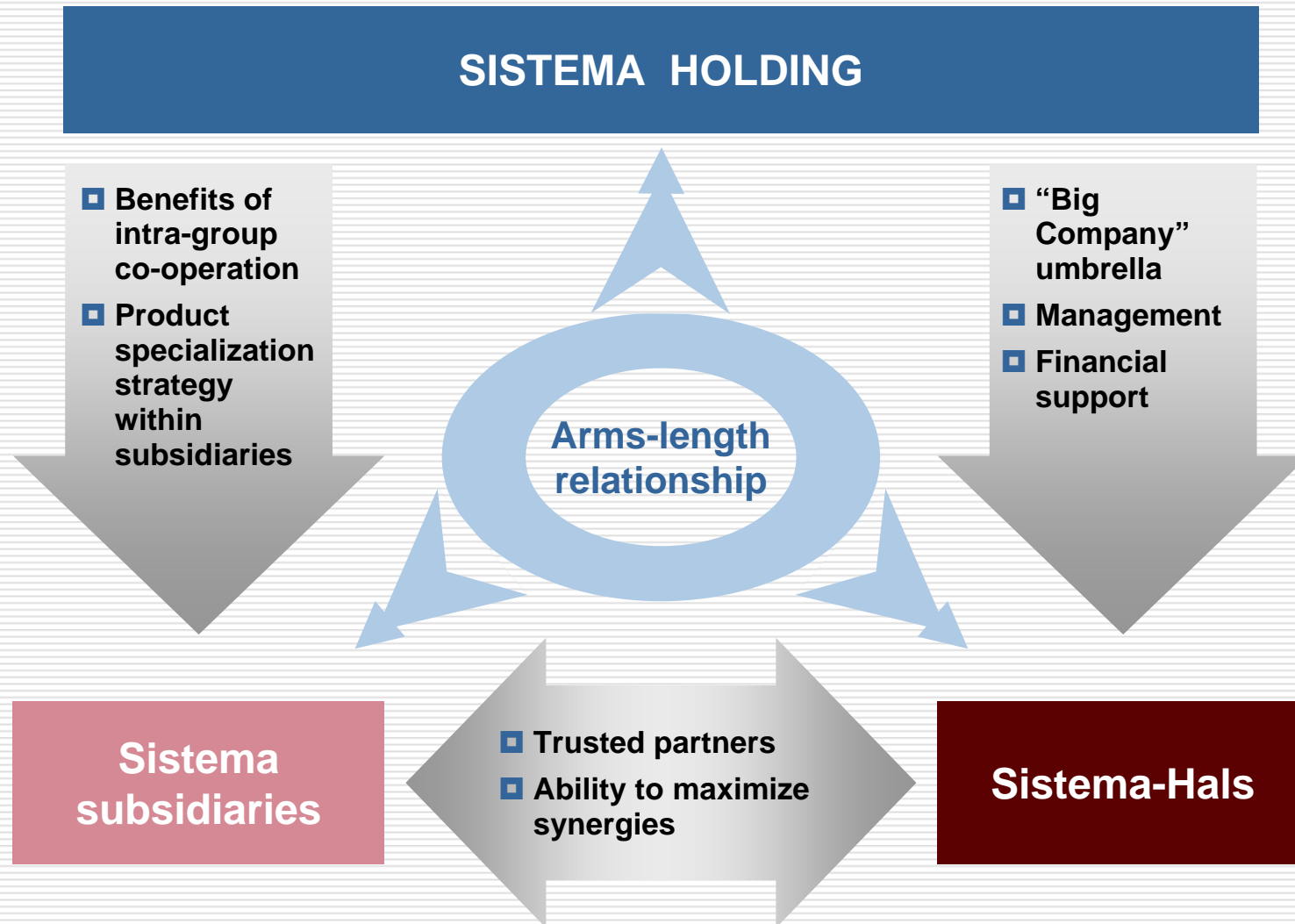


Notes:

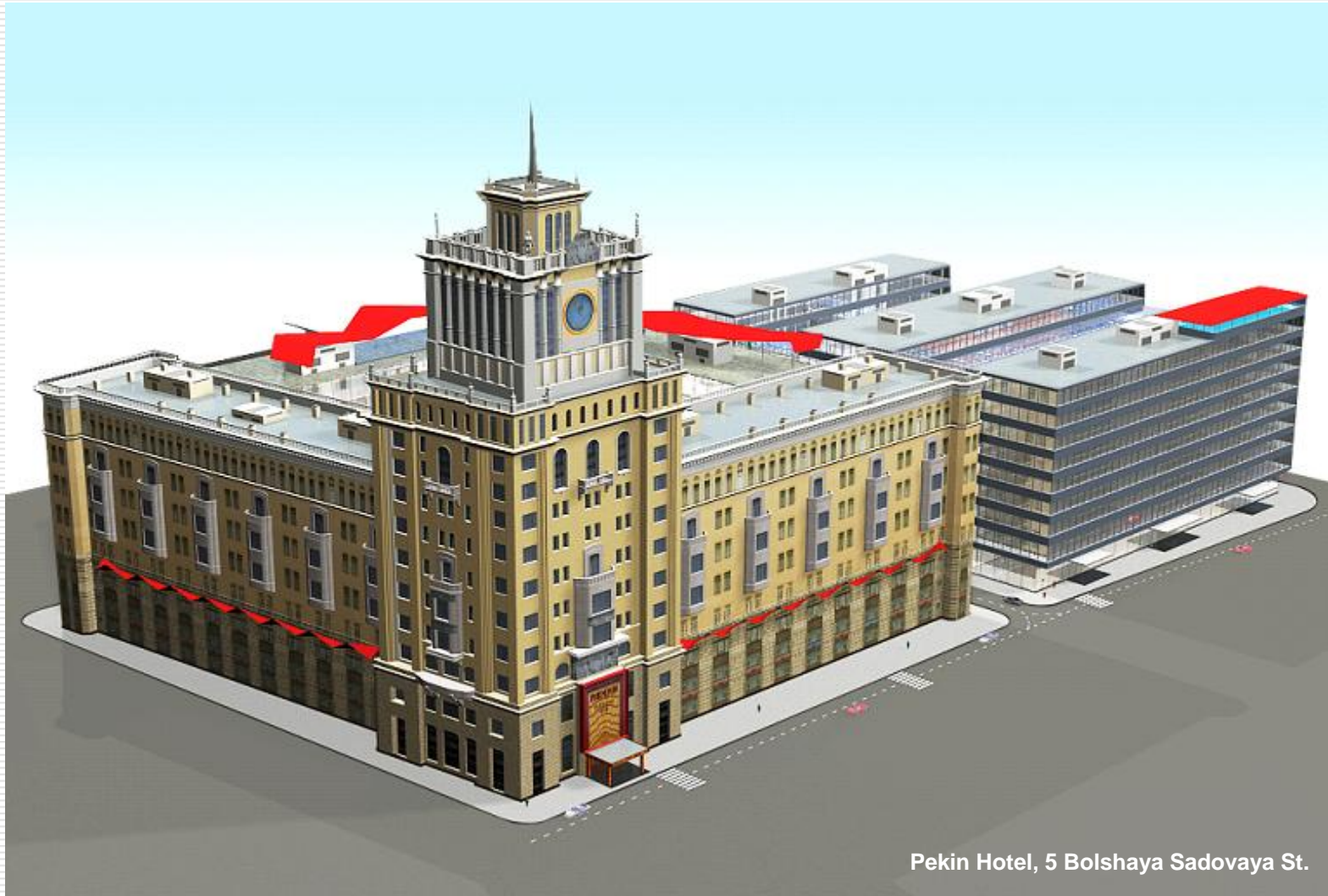
- ◆ Cities where Sistema-Hals is currently present (*italics show cities with population of over 1 million people*)
- ◆ Other cities with population of over 1 million people (*considered for future expansion*)

**High growth potential is the key driver for regional diversification**

# BENEFITS OF GROUP SYNERGIES



**Group-wide commitment to the highest corporate governance practices**



## 2006 PERFORMANCE OVERVIEW

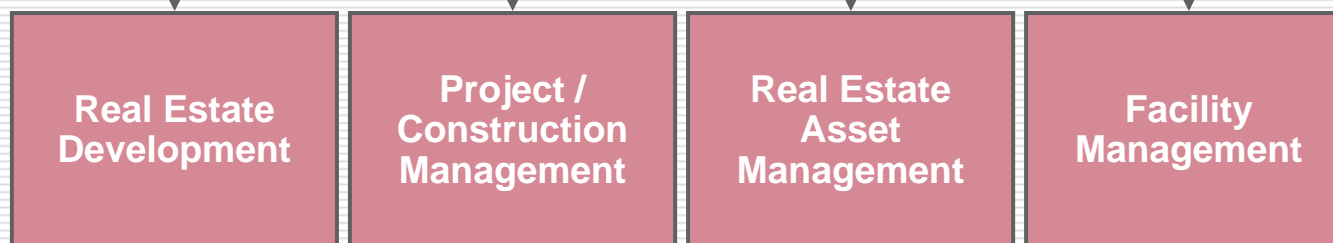
# 2006 FINANCIAL OVERVIEW

(US\$ '000)	2004	2005	2006	CAGR
<b>Revenues</b>	<b>108,977</b>	<b>93,124</b>	<b>282,899</b>	<b>61%</b>
<b>OIBDA</b>	23,366	14,482	90,140	96%
<b>Adjusted OIBDA</b>	23,336	17,263	92,948	99%
<b>Net income</b>	12,878	707	55,574	108%

- Sistema-Hals consolidated revenues increased by 204% y-on-y to US\$283m:
  - Real Estate Development revenues rose by 320% y-on-y to US\$204m
    - According to plan completion of development projects
  - Project/Construction management revenues grew by 86% y-on-y to US\$42m
    - Successful progress within Krasnopresnensky Prospect (including Serebryany Bor tunnel and bridge)
  - Asset Management revenues increased by 80% y-on-y to US\$27m
    - Revenues from the sale of single-family houses increased by 32% primarily due to increase in sale of old houses within assets restructuring program and in rental revenues from single family houses
  - Facility Management revenues grew by 43% to US\$10m
    - Successful growth was primarily due to an increase in revenues from the Sistema group, mainly for the repair and maintenance of MTS offices
  
- The value of the Company's stake in the property and projects increased by more than 35% in the period from June 30, 2006 to January 1, 2007 according to C&W S&R valuation

# INTEGRATED BUSINESS MODEL

## Sistema-Hals



<b><u>2006</u></b>				
Revenue, US\$m	204.1	47.0	27.3	11.8
OIBDA, US\$m	68.2	10.1	13.9	(0.9)
OIBDA margin	33.5%	21.5%	50.8%	(8.0)%
Revenue CAGR 2004-06	52.1%	130.8%	63.2%	114.4%

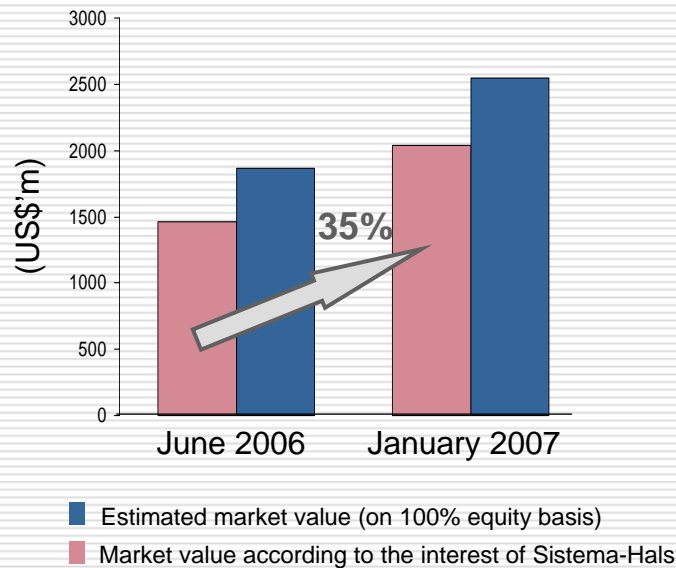
Note: All financial data includes inter-segment activity

**Unique synergies from complementary business model**

# SUM OF THE PARTS VALUATION MATRIX



## CUSHMAN & WAKEFIELD STILES & RIABOKOBYLKO<sup>1</sup>



- Multiples to EBIT
- Premium to market share
- Premium to segment growth
- Multiples to EBITDA
- Premium to segment growth
- Premium to upside potential
- Synergies within Sistema Group
- Highly motivated management team
- Project "Big City"

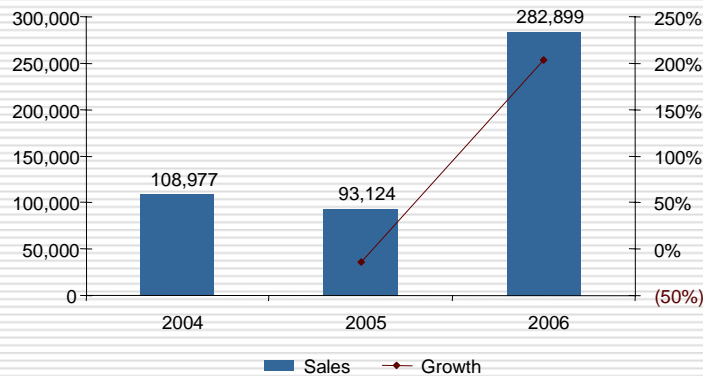
Source: C&WS&R reports as of 30 June 2006 and 1 January 2007

Notes:

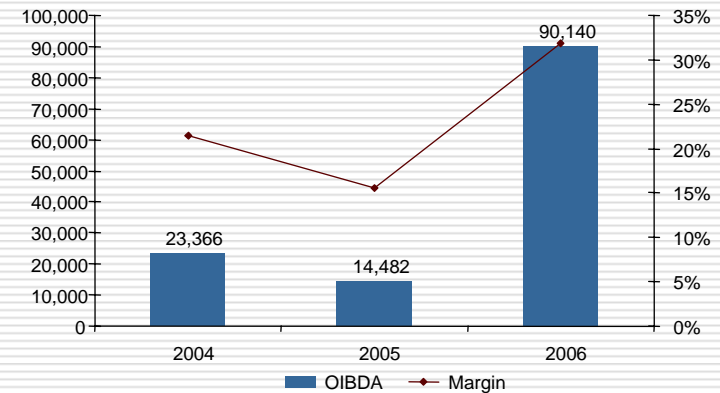
<sup>1</sup> Regulated Purpose Valuation as defined in the "Red Book" valuation standards

# GROUP PERFORMANCE 2004 - 2006

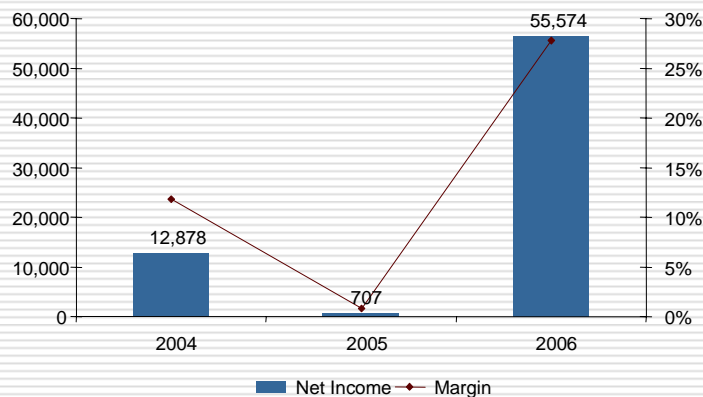
## Sales and Sales growth



## OIBDA and OIBDA margin



## Net Income and Net margin

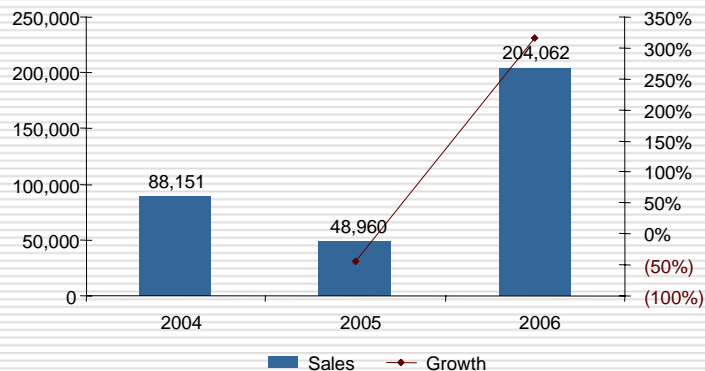


## Comments

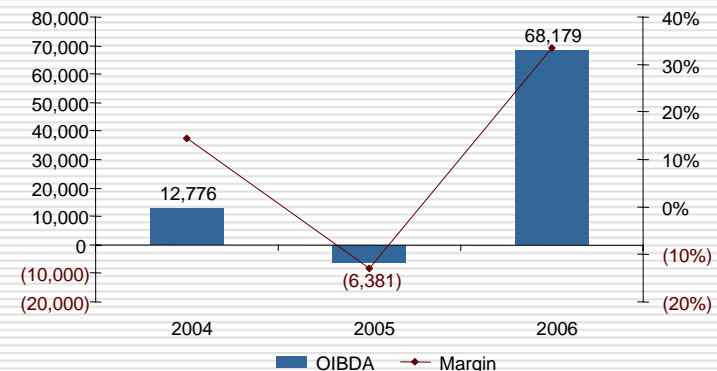
- There was an increase in all segments during 2006.
  - Major portion of increase relates to Development segment
  - More projects were completed in 2006 vs 2005 (Pokrovka 40: Hotel and Office, Aviatorov 9)
  - More projects reached stage of completion to allow us recognize revenues and profits (1<sup>st</sup> Tower Siemens, 27B Yartsevskaya, Avrora Communications)
  - Increase in land and single-family cottages sales.
  - Increase in rental rates

# REAL ESTATE DEVELOPMENT 2004 - 2006

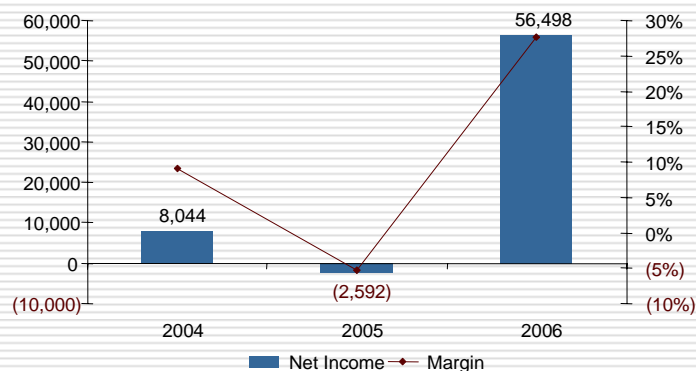
## Sales and Sales growth



## OIBDA and OIBDA margin



## Net Income and Net margin



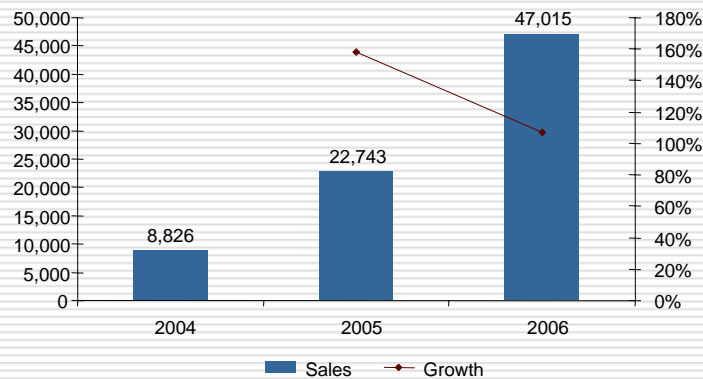
## Comments

- There was significant increase in financial results in 2006 due to increase in project investments
  - More projects were completed in 2006 vs 2005 (Pokrovka 40: Hotel and Office, Aviatorov 9)
  - More projects reached stage of completion to allow us recognize revenues and profits (1<sup>st</sup> Tower Siemens, 27B Yartsevskaya, Avrora Communications)

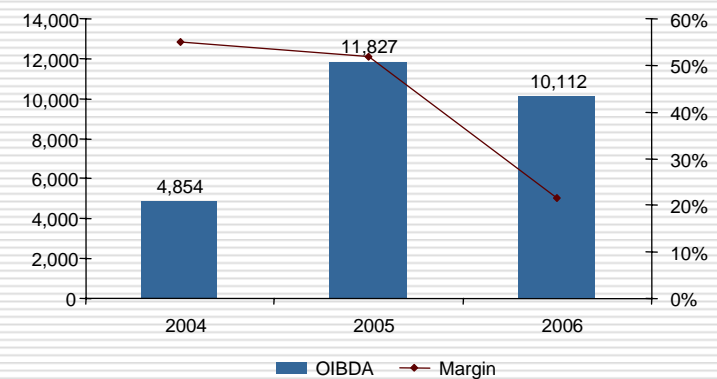
Note: All financial data includes inter-segment activity

# PROJECT/CONSTRUCTION MANAGEMENT 2004 - 2006

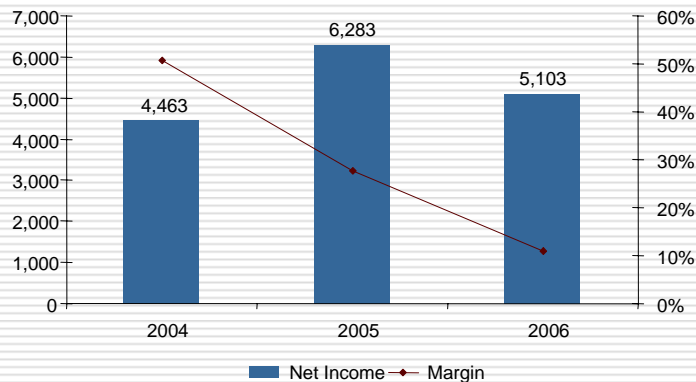
## Sales and Sales growth



## OIBDA and OIBDA margin



## Net Income and Net margin



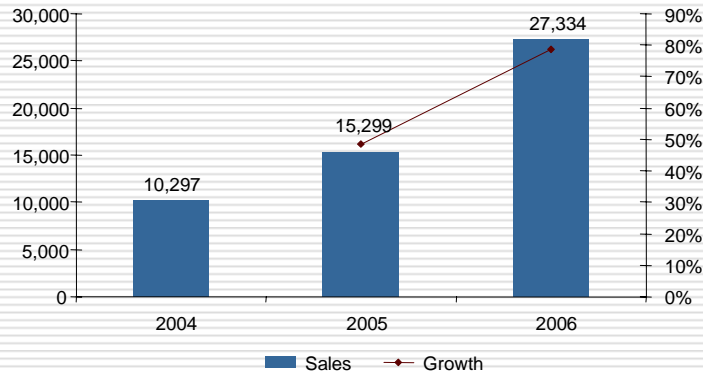
## Comments

- Sales results doubled in 2006 vs 2005
- Key drivers in the increase include:
  - The construction of tunnel and bridge over the Moscow river within "Krasnopresnensky Prospect" project
  - A technical design works for Orlovsky Tunnel in St. Petersburg
  - A feasibility study for the Central Ring Road in the Moscow region
  - New projects: construction design and approval for bridge over Dubna river

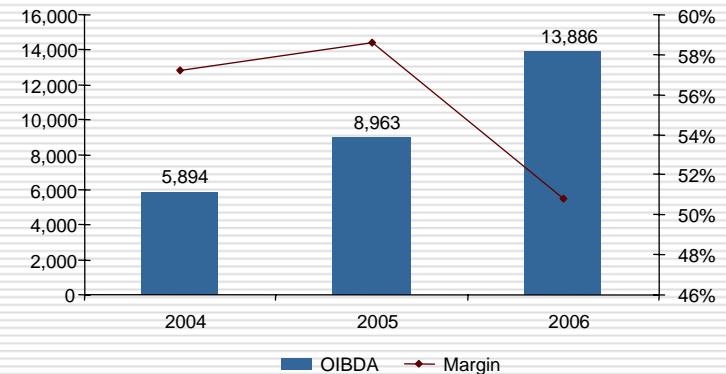
Note: All financial data includes inter-segment activity

# ASSET MANAGEMENT 2004 - 2006

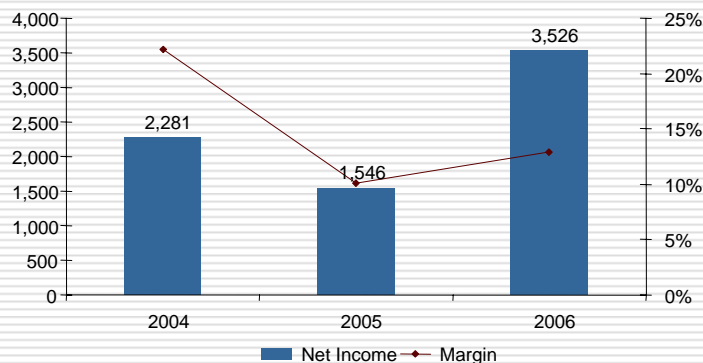
## Sales and Sales growth



## OIBDA and OIBDA margin



## Net Income and Net margin



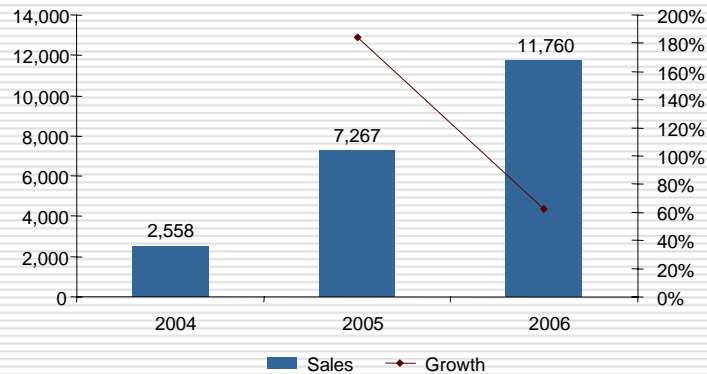
## Comments

- ▣ Asset Management revenues increased by 78.7% in 2006, which was attributable to:
  - ▣ Rental rates increased by 153.7%
  - ▣ An increase in number of sales of single-family houses by 73 cottages
- ▣ Rental revenues from single family houses increased by 32.3% compared to 2005, which accounted for 34.6% of total revenues
  - ▣ Of which the Serebryany Bor settlement comprised 71.3% of total rental revenues

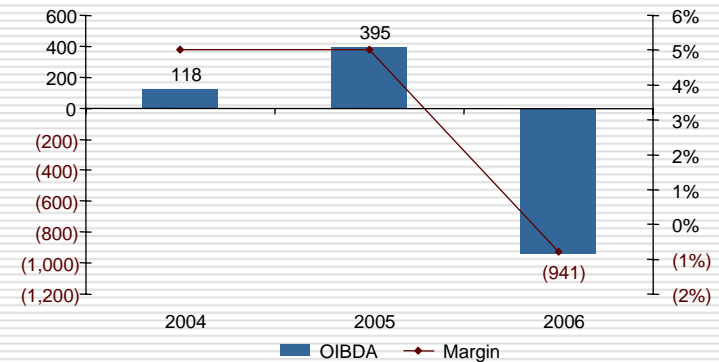
Note: All financial data includes inter-segment activity

# FACILITY MANAGEMENT 2004 - 2006

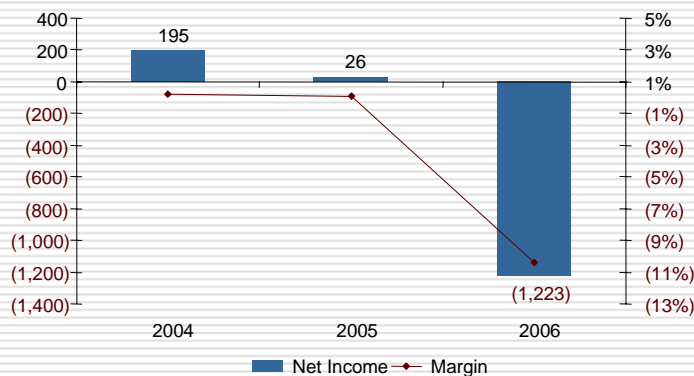
## Sales and Sales growth



## OIBDA and OIBDA margin



## Net Income and Net margin



## Comments

- Sales grew 61.8% in 2006
- The growth was attributable to an increase of US\$5.9m in revenues from the Sistema group
  - This consisted of primarily repairs and maintenance of MTS offices, which resulted in revenues of US\$4.5m

Note: All financial data includes inter-segment activity



## KEY COMPLETED PROJECTS FOR 2006

# 2006: RESIDENTIAL PROJECTS

## Projects completed

### Elninskaya Street, 15



**Location:**  
Moscow, Russia

**Land plot:**  
2.2 hectares

**GBA:**  
14,200 sqm

**Total investments:**  
US\$40.6m

### Aviatorov, 9

**Location:**  
Moscow, Russia

**Land plot:**  
1.3 hectares

**GBA:**  
25,592 sqm

**Total investments:**  
US\$17m



# 2006: COMMERCIAL PROJECTS

## Projects completed

### The retail-entertainment complex in Kazan



**Location:**  
Kazan, Russia

**Land plot:**  
0.6 hectares

**GBA:**  
29,000 sqm

**Total investments:**  
US\$37.6m

### Mixed-use Class A office and hotel complex Pokrovka 40/3

**Location:**  
Moscow, Russia

**Land plot:**  
0.6 hectares

**GBA:**  
Office 14,170 sqm  
Hotel 9,459 sqm

**Total investments:**  
US\$52.0m





## PIPELINE FOR 2007

# 2007: RESIDENTIAL PROJECTS

## Key ongoing projects

- Michurinsky Prospect, 39A
- Dnepropetrovskaya 25A
- Nakhimovsky Prospect, 4
- Rublevskoe sh., 111
- Yartsevskaya Street, 28V
- Serebryanny Bor, 2

## Projects due for completion in 2007

### Yartsevskaya Street, 27V



**Location:**  
Moscow, Russia  
Kuntsevo district

**GBA:**  
29,910 sqm

**Total investments:**  
US\$34m

### Serebryanny Bor, 2



**Location:**  
Moscow, Russia  
Kuntsevo district

**GBA:**  
14,650 sqm

**Total investments:**  
US\$38m

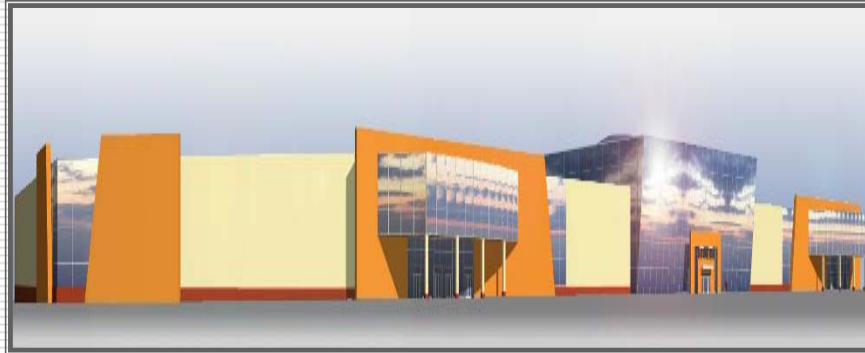
**In the course of the year 2007 over 13 properties are planned to be under construction of which 2 are to be completed**



# 2007: COMMERCIAL PROJECTS

## Key ongoing project

### Regional mall Hals Mart ("LETO")



**Location:**  
St. Petersburg, Russia

**Land plot:**  
17.7 hectares

**GBA:**  
103,489 sqm

**Total investments:**  
US\$151m

## Project due for start in 2007

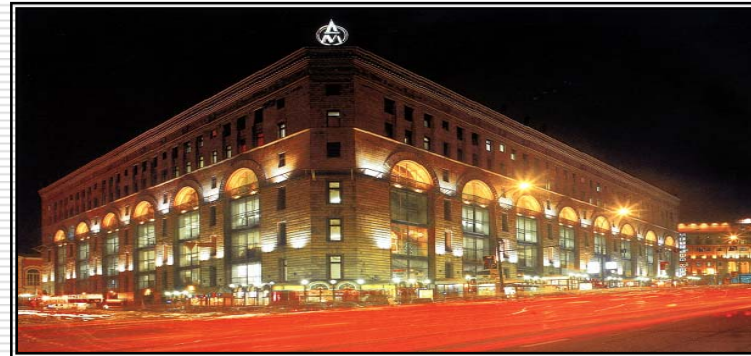
### The retail-entertainment complex in Moscow

**Location:**  
Moscow, Russia

**Land plot:**  
1.2 hectares

**GBA:**  
74,117 sqm

**Total investments:**  
US\$136m



In 2007 we plan to start reconstruction of a flagship store "Detsky Mir" located in the centre of Moscow on Lyubyanka Square

# 2007: OFFICE BUILDINGS

## Key ongoing project

### Leningradsky towers

- Valued by C&WS&R at US\$159.3 million<sup>1</sup>
- GBA: 110.070 sqm
- Siemens Towers will consist of two class A office towers
  - the first tower is will be Siemens Russian headquarters
  - Siemens has agreed to a forward purchase of one tower as well as a development fee
  - the second tower is intended for rental on the commercial office market and includes underground parking
  - the two towers will include 739 secure parking spaces
- Estimated completion: Q3 2008



<sup>1</sup> Source: C&WS&R report as of 1 January 2007

**In 2007 we plan to start renovation and development of more than eight MGTS projects**



# 2007: INFRASTRUCTURE AND TRANSPORTATION PROJECTS

## Key ongoing project

### Moscow's largest radial highway "Krasnopresnensky Prospect"

- This project is essential for the development of Moscow's transport infrastructure as the portion of Krasnopresnensky Prospect connecting the city center with the MKAD.
- **The aggregate cost:** approximately US\$1.3 billion
- **The Krasnopresnensky Prospect involves the construction of:**
  - sophisticated tunnel system able to accommodate automobile traffic, as well as the metro system.
  - bridge over the Moscow river
  - transport intersection with the Third Transport Ring and a rail road
- **Our role:** We act as the construction manager and technical supervisor for the construction work



# 2007: LAND DEVELOPMENT

## Project due for completion in 2007

### Avora

- Estimated value of US\$48.4m
- Location: 18th kilometre of Dmitrovskoe<sup>1</sup> highway, Mitishinsky district, village Stepan'kovo, Moscow region, Russia
- The total property comprises a 93.05 ha land site. Currently vacant land, which is being divided into 147 separate land plots, provided with access and utilities, for residential development by the individual purchasers.
- Riverside land plot with a total area of 14.55 ha is held for development of a yacht-club



<sup>1</sup>Source: C&WS&R report as of 1 January 2007





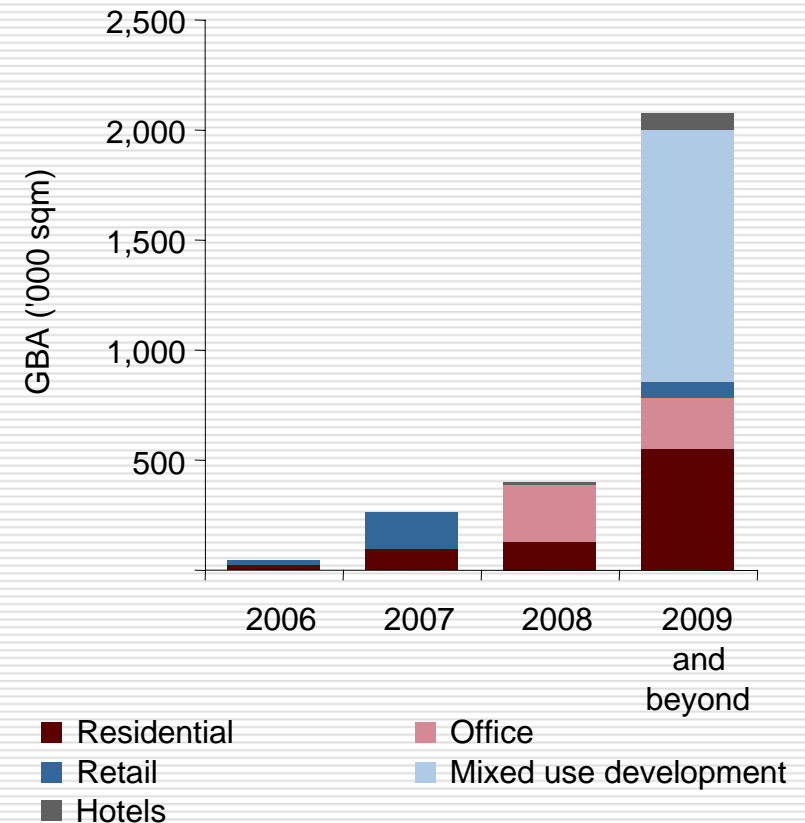
50 3<sup>rd</sup> Tverskaya-Yamskaya

# SUMMARY

# RAPID GROWTH

- 29 properties currently in development
  - over 700,000 sqm to be constructed in 2006 – 2008
- 34 projects in the near term pipeline
- Constant monitoring of opportunities within target markets
- Strong management resource, established internal procedures and vigorous discipline enable to handle planned number of projects at various stages simultaneously

## Properties planned to be substantially completed

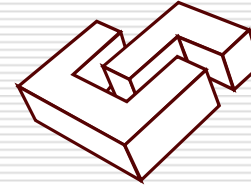


Source: Company data

**Development pipeline contains high growth potential**

# SUMMARY

## SISTEMAHALS



**Leading real estate  
developer and investor**

**Fast growing  
Russian market**

**Clear vision and  
strategy**

**Highly motivated  
management team**

**Strong pipeline**

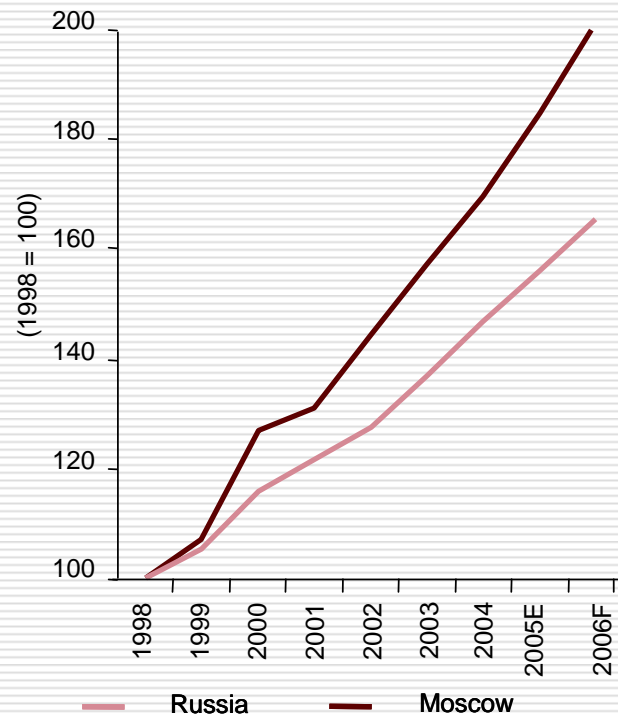
**Synergies within  
Sistema Group**



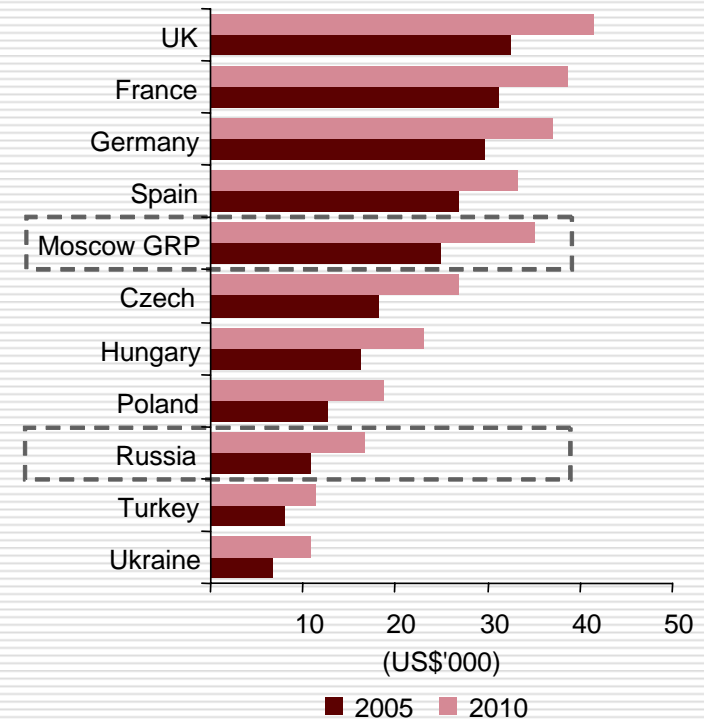
## APPENDIX I – MARKET OUTLOOK

# FAVOURABLE MACROECONOMIC ENVIRONMENT

Russian Gross Domestic Product vs. Moscow City Gross Regional Product



Gross Domestic Product per capita based on purchasing power parity (PPP)



Note: Real terms  
Sources: Rosstat, City of Moscow, Economist Intelligence Unit, 2004

Sources: Rosstat, City of Moscow, Economist Intelligence Unit, 2004

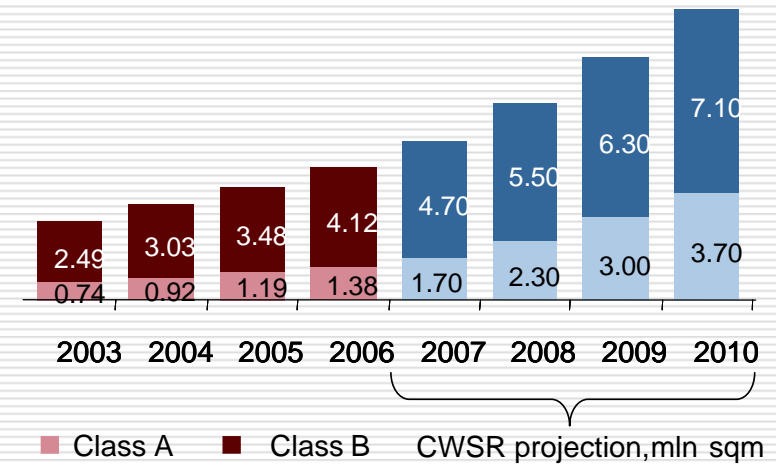
**Moscow is approaching Western European consumer spending levels**

# DYNAMIC RUSSIAN OFFICE MARKET

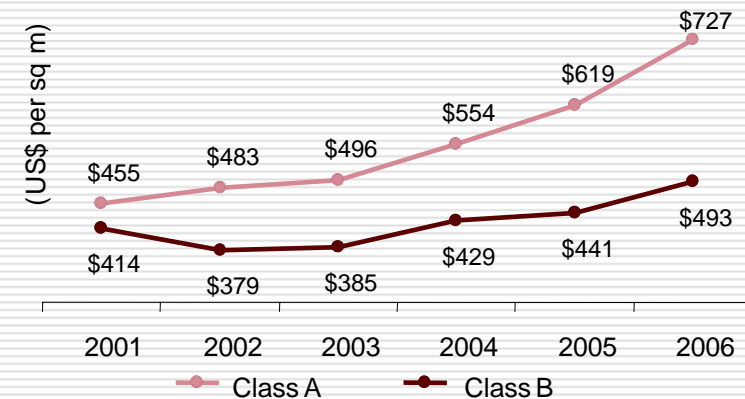
## Office market forecast

	2006	2007F	2008F
Quality stock, (mln sqm)			
Class A and B	5,5	6,4	7,8
Take-up, (mln sqm)			
Class A and B	1,175	1,500	1,800
Vacancy rate, (%)			
Class A	1.9%	3%	5%
Class B	2.7%	5%	7%
Rental rate, (US\$/sqm per annum)			
Class A	\$727	\$840	\$930
Class B	\$493	\$540	\$570

## Stock, Class A and B



## Net Rental Rates

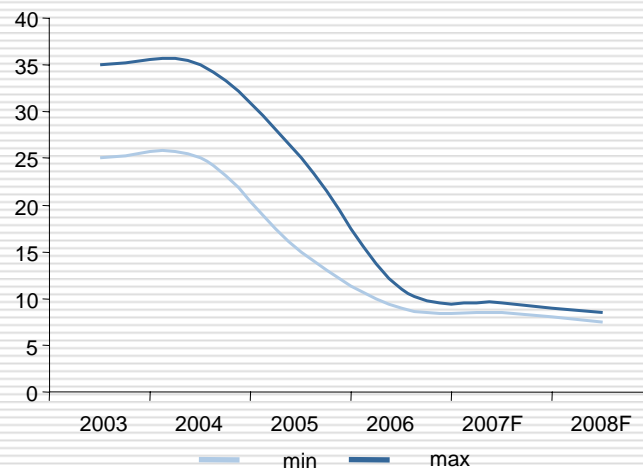


# DYNAMIC RUSSIAN RETAIL MARKET

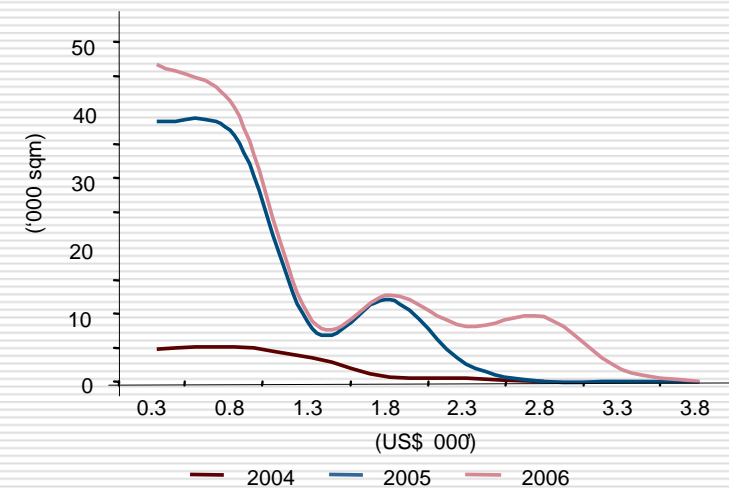
## Retail market forecast

	2007	2008F	2009F
Rental rate indicator (CBD) <sup>1</sup>	2,100	2,000	1,950
Quality stock	2,179	2,500	2,800
SC vacancy rates <sup>2</sup>	0.8%	1.1%	1.5%

## Yields, EOY (%)



## Distribution curves rental rates analysis



Note:

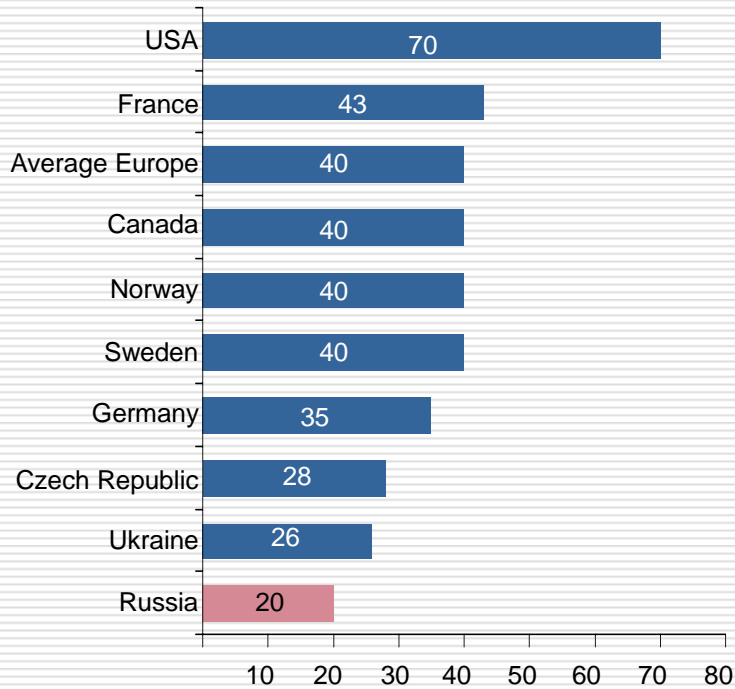
- 1 Rental rate indicator (USD/sqm per annum) represents equivalent rental rate payable in order to lease in an average shop in a retail gallery within a quality shopping center in CBD
- 2 SC vacancy rates – Average monthly vacancy rate in quality shopping centers

Source: C&WS&R quarterly report as of 31.12.2006

"Russian Real Estate Market: Amplius, altius, melius, longius"

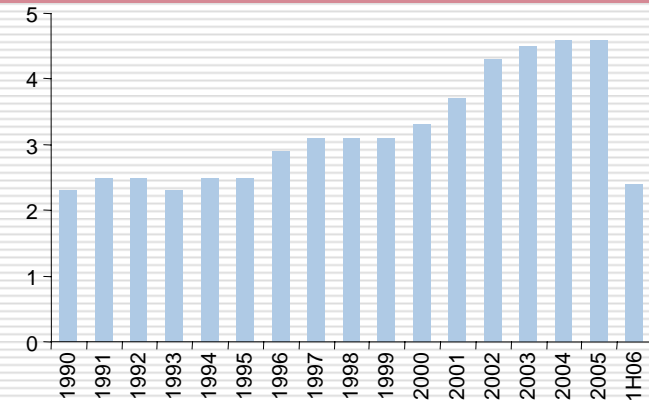
# DYNAMIC RUSSIAN RESIDENTIAL MARKET

Housing stock per capita, Russia vs peers, 2003



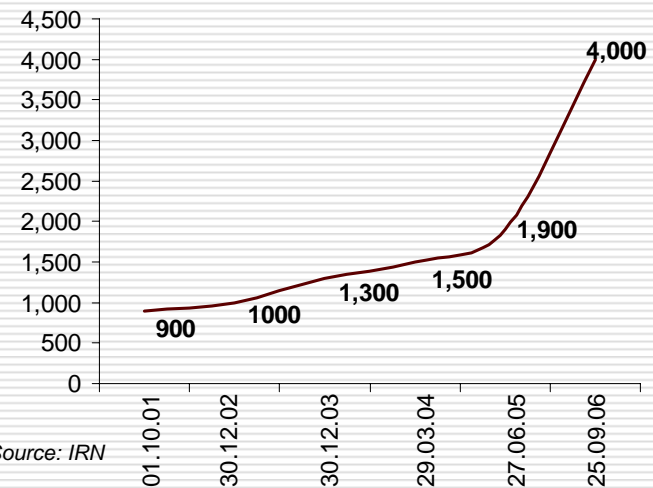
Source: Rosstat, national statistic agencies

Moscow residential real estate construction, million sqm per annum



Source: Goskomstat

Price per sqm, Moscow residential apartments, 2001-2006



Source: IRN



Kievsky Highway, 2004

## APPENDIX II - STRATEGY

# VALUE CHAIN DRIVEN BUSINESS MODEL



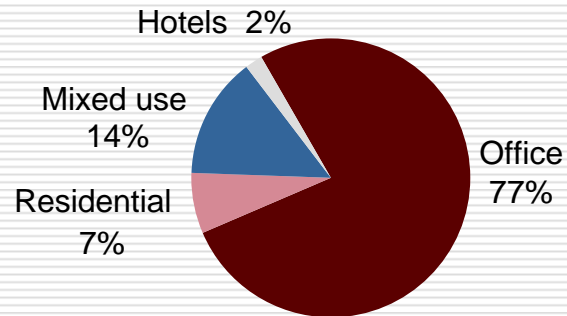
Development process timeline	Idea and Concept	Design	Construction	Completed project
<b>Real Estate Development</b>	<ul style="list-style-type: none"> <li>Sourcing new properties for development</li> <li>Investments</li> </ul>	<ul style="list-style-type: none"> <li>Project management</li> <li>Feasibility studies <sup>1</sup></li> <li>Financing</li> <li>Technical design <sup>1</sup></li> <li>Statutory approvals</li> </ul>	<ul style="list-style-type: none"> <li>Project management</li> <li>Financing</li> <li>Appointment of general contractor</li> </ul>	<ul style="list-style-type: none"> <li>Transfer to Asset Management / Investments for holding or for sale</li> </ul>
<b>Project / Construction Management</b>	<ul style="list-style-type: none"> <li>Sourcing new projects for construction</li> <li>Preliminary design</li> </ul>	<ul style="list-style-type: none"> <li>Technical design documentation <sup>1</sup></li> <li>Statutory approvals</li> </ul>	<ul style="list-style-type: none"> <li>General contractor for construction</li> <li>Technical supervisor</li> </ul>	
<b>Asset Management / Investments</b>				<ul style="list-style-type: none"> <li>Purchase/sale of properties</li> <li>Property rental</li> <li>Portfolio monitoring and optimization</li> </ul>
<b>Facility Management</b>				<ul style="list-style-type: none"> <li>Cleaning</li> <li>Site repairs and maintenance</li> <li>Security</li> </ul>

Note:

<sup>1</sup> Commissioned from third party contractors

# GROUP-WIDE SYNERGIES: MGTS PROJECTS

## Planned primary use (per sqm)



## Realization split in several stages

	Stage I - III				Total
	2008	2009	2010	2011	
Estimated completion					
Number of properties	14	18	-	1	33
GBA, '000sqm	161	378	-	29	568

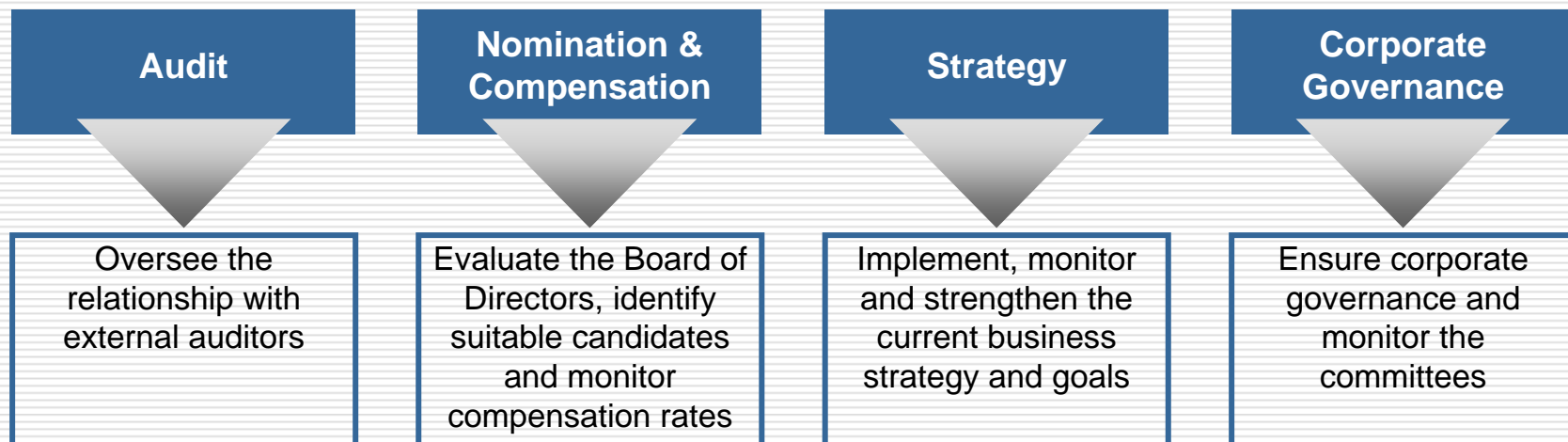
Source: C&WS&R report as of 1 January 2007



**Redevelopment of prime locations to be completed by 2008–2011**

# COMMITTED TO BEST CORPORATE GOVERNANCE PRACTICE

- Adopted the FSFM Code of corporate conduct
- Related/Interested Party Transactions
  - To be performed with openness and transparency
  - To be approved by non-interested persons (e.g. independent directors) to ensure transaction is at arm's length (i.e. normal commercial terms)
- Shareholders
  - Receive detailed corporate information in a timely and regular manner
  - Have access to annual general meetings
- Board of Directors
  - 9 members including 2 independent directors
  - 4 committees:



# COOPERATION WITH LEADING MARKET EXPERTS

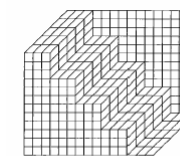
## Real estate specialists



## Construction companies



## Architects



Buro Happold



# KEY COMPLETED PROJECTS



**40/37 Bolshaya Ordynka St.**  
Completed in 1996  
9,011sqm



**Hals Tower**  
Completed in 2001  
14,155 sqm



**30, Kadashevakaya Emb.**  
Completed in 2003  
6,513 sqm



**7, Nastasinsky Lane**  
Completed in 2005  
7,496 sqm



**15, Elninskaya Street**  
Completed in 2006  
178 apartments of  
55 to 250 sqm



**12, Petrovsky Boulevard**  
Completed in 1999  
15,000 sqm