

## ANNOUNCEMENT

In response to recent media speculation about Sistema-Hals and its potential exposure to the current global credit crisis, the Board of Sistema-Hals wishes to clarify the following:

Sistema-Hals currently has USD1.2 billion of debt of which only around 20% is short-term debt, approximately USD20 million of which falls due for repayment before the end of 2008. Repayment terms for most (c. USD700 million) of the long-term debt extends to 2012.

Sistema-Hals' immediate priority is not servicing its debt but financing its construction programme

The company is currently finalising its strategy, action plan and budget for 2009 developed in response to the current market conditions. The strategy will enable Sistema-Hals to exploit its core competitive advantage, in particular its diversified and high-quality portfolio of residential and commercial real estate projects as an alternative source of financing its construction program.

In addition, Sistema-Hals continues to look at possible strategic partnerships for a number of its most capital-intensive projects in case of further deterioration of the market situation.

The final strategy is due to be announced in November following its approval by the Board of Directors in late October.

### SERGEI SHMAKOV, PRESIDENT OF SISTEMA-HALS, COMMENTED:

"The global liquidity crisis which is affecting markets around the world, including the Russian real estate sector, has necessitated a prudent review of the priorities in our investment programme.

Taking a pragmatic approach, we are analysing different scenarios of further evolution of the market conditions and developing appropriate action plans, based on of the Company's competitive advantages, such as scale of business, diversified portfolio of high quality projects, alternative sources of financing and experience of the new management team.

Given the attractive, long term fundamentals of the Russian real estate market, and Sistema-Hals' key strengths, we believe that the company is well placed to ride out current market turbulence and continue its development in a medium term perspective."



*Sergei Shmakov, President of Sistema-Hals*



*Primavera residential complex, 4 Nakhimovski Prospekt*



*Residential complex, 25 Dnepropetrovskaya*



*Diplomat residential complex, 39A Michurinski Prospekt*



*Kamelia Sochi, 89 Kurortny Prospekt, Sochi*

## PROJECTS UPDATES

### Primavera residential complex

- 4 Nakhimovski Prospekt
- Work underway for acceptance by State Commission
- 75% of the flats have already been sold.
- The building planned to enter into exploitation in November 2008

### Residential complex

- 25 Dnepropetrovskaya
- Work underway for acceptance by State Commission
- All apartments sold
- The project is planned to enter into exploitation in the beginning of 2009

### Diplomat residential complex

- 39A Michurinski Prospekt
- Slab work completed
- Work underway on the facades
- Internal utility works being carried out
- Roof under construction
- Internal apartment walls going up
- Landscaping work underway
- 70% of the apartments are sold
- The building is planned to enter into exploitation in February 2009

### Kamelia Sochi

- 89 Kurortny Prospekt, Sochi
- Selection underway of an international architect to provide overall supervision of the project
- Site delivery of sand/gravel mixture to dry out beach and building materials to start construction work
- Construction work are going to start in the 1 quarter 2009.

## NEWS

### NEW MANAGEMENT APPOINTMENT IN SISTEMA-HALS

Gennady Frolov appointed as Vice-president and Head corporate communications, responsible for investor relations and public relations. Prior to joining Sistema-Hals Mr Frolov was Head of corporate communications at AFK Sistema, its parent company. The main task of the newly formed Corporate communications unit will be to improve the quality of communications and raise the transparency and level of understanding of our strategy and activities among the business and investment communities.

## CONTACTS

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