

**SISTEMA-HALS RELEASES UNAUDITED CONSOLIDATED FINANCIAL RESULTS  
FOR THE FIRST 6 MONTHS OF 2010**

**MOSCOW, RUSSIA – August 31, 2010 – Sistema-Hals (LSE, MICEX, RTS: HALS)**, one of the largest real estate development companies in Russia and the CIS, today announces its unaudited consolidated financial results for the first 6 months of 2010 in accordance with US GAAP\*\*.

**FINANCIAL HIGHLIGHTS FOR THE FIRST 6 MONTHS OF 2010**

- For the 6 months ended June 30, 2010 the revenues of Sistema-Hals and its subsidiaries («the Group») amounted to USD 14.3 mln. compared to USD 37.5 mln. for the 6 months ended June 30, 2009.
- For the 6 months ended June 30, 2010 the operating expenses of the Group increased by 137.4% to USD 152.9 mln. compared to USD 64.4 mln. for the same period last year.
- For the 6 months ended June 30, 2010 the negative OIBDA amounted to USD 127.4 mln. compared to the negative OIBDA in the amount of USD 18.4 mln. for the first half 2009.
- For the 6 months ended June 30, 2010 the operating loss of the Group amounted to USD 138.5 mln. compared to the operating loss of USD 26.9 mln. for the 6 months ended June 30, 2009.
- The net loss of the Group amounted to USD 243.6 mln. for the 6 months ended June 30, 2010 compared to the net loss of USD 110.8 mln. for the same period in 2009.
- As of June 30, 2010 the total assets decreased by 0.5% to USD 1,210.7 mln. compared to the total assets in the amount of USD 1,217.3 mln. as of December 31, 2009.

In July 2009 the Group sold its 100% stake in ZAO City - Hals (the managing company of facility management segment) to AFK Sistema. As a result of this operation as of June 30, 2010 the Group has a single reporting segment - real estate development.

Financial results of the disposed segment are presented separately on the face of unaudited consolidated financial statements for the 6 months ended June 30, 2009 as discontinued operations.

**UNAUDITED CONSOLIDATED INCOME STATEMENTS FOR THE 6 MONTHS ENDED JUNE 30, 2010 AND 2009 ACCORDING TO US GAAP\*\*:**

(USD '000)	Comment	6m 2010	6m 2009*	Change, %
<b>Revenues</b>	<b>1</b>	<b>14 344</b>	<b>37 514</b>	<b>(61,8%)</b>
<b>Operating expenses, incl.:</b>	<b>2</b>	<b>(152 875)</b>	<b>(64 390)</b>	<b>137,4%</b>
Cost of sales	2.1	(10 035)	(41 957)	(76,1%)
Selling, general and administrative expenses	2.2	(10 979)	(6 979)	57,3%
Impairment of real estate	2.3	(120 652)	(6 577)	1734,5%
Allowance for doubtful debts		(97)	(404)	(76,0%)
Depreciation and amortization		(11 112)	(8 473)	31,1%
<b>OIBDA</b>	<b>3</b>	<b>(127 419)</b>	<b>(18 403)</b>	<b>592,4%</b>
<b>Operating loss</b>	<b>4</b>	<b>(138 531)</b>	<b>(26 876)</b>	<b>415,5%</b>
Other (expenses)/income, net	5	(42 782)	5 181	(925,7%)
Interest income		4 130	4 532	(8,9%)
Interest expense, net of amounts capitalised	6	(60 482)	(68 907)	(12,2%)
Loss on foreign currency transactions	7	(8 989)	(19 958)	(55,0%)
Loss from affiliates		(5 594)	(3 930)	42,3%
Gain on sale of a subsidiary		-	8 052	(100,0%)
<b>Loss from continuing operations before income tax and noncontrolling interests</b>		<b>(252 248)</b>	<b>(101 906)</b>	<b>147,5%</b>
Income tax credit		7 617	3 034	151,0%
Net loss/(gain) attributable to the noncontrolling interests		1 056	(16)	6700,0%
<b>Loss from continuing operations</b>		<b>(243 575)</b>	<b>(98 888)</b>	<b>146,3%</b>
Loss from discontinued operations, net of income tax effect		-	(3 058)	100,0%
Loss from disposal of discontinued operations, net of income tax effect		-	(8 845)	100,0%
<b>Net loss</b>		<b>(243 575)</b>	<b>(110 791)</b>	<b>119,9%</b>

\* - The comparative data for the period ended June 30,2009 comprises corrections required as a result of discontinued operations.

\*\* - ASC 270 Interim Reporting.

## 1. Revenues

For the 6 months ended June 30, 2010 the consolidated revenues of the Group were down by USD 23.2 mln. to USD 14.3 mln. compared to USD 37.5 mln. for the 6 months ended June 30, 2009.

The higher revenue for the first 6 months 2009 was the result of the following non-recurring transactions:

- In the 1st quarter of 2009 the Group reflected sale of 50% shares in "Soyuzkomint", owning an area in the Narvskaya Str. in Moscow (for total revenues of USD 10.0 mln.);
- In July 2009 the Group sold a subsidiary company "Landshaft -2", which primary activity was selling land plots in "Avrora" cottage settlement. Within the 6 months ended June 30, 2009 the Group recognized revenues from the land plots sales of USD 9.9 mln.

Along with the factors described above for the first 6 months of 2010 the revenue from sales in Emerald Valley residential building in Rublyovskoye Highway significantly decreased and amounted to USD 0.2 mln., in comparison with a revenue recognized for the 6 months ended June 30, 2009, of USD 4.6 mln. due to the construction completion level which was estimated at 100% as of June 30, 2010.

## 2. Operating expenses

The operating expenses of the Group increased by USD 88.5 mln. to USD 152.9 mln. for the 6 months ended June 30, 2010 compared to USD 64.4 mln. for the same period 2009. It was caused by an increase in impairment of long-lived assets by USD 114.1 mln. (1,734.5%), reduction of cost of sales by USD 31.9 mln. (76.1%), increase in selling, general and administrative expenses by USD 4.0 mln. (57.3%) and depreciation and amortization charge by USD 2.6 mln. (31.1%).

**2.1** The cost of sales decreased by USD 31.9 mln. to USD 10.0 mln. for the 6 months ended June 30, 2010 compared to USD 41.9 mln. for the same period in 2009, reflecting the reduction in revenues , as well as sold projects mix change.

**2.2** In the first half 2010, the selling, general and administrative expenses increased by USD 4.0 mln. to USD 11.0 mln. compared to USD 7.0 mln. for the 6 months ended June 30, 2009. Such increase was mainly driven by the reversal of expenses on retirement program provided in 2008 made in the first half of 2009 in the amount of USD 7.4 mln., which significantly reduced selling, general and administrative expenses for the first 6 months of 2009. Along with this the regular selling, general and administrative expenses decreased for the first 6 months of 2010 compared to the same period last year.

**2.3** As June 30, 2010 the Group performed the projects valuation as a result of which impairment loss was recognized which amounted to USD 120.7 mln. The loss recognition was mainly driven by changes in concepts of the projects as well as valuation estimates of current conditions and terms of carrying out the projects.

### 3. OIBDA<sup>1</sup>

(USD '000)	6m 2010	6m 2009
Operating loss	(138 531)	(26 876)
Deprecation and amortization	11 112	8 473
<b>OIBDA</b>	<b>(127 419)</b>	<b>(18 403)</b>

OIBDA amounted to a negative USD 127.4 mln. for the 6 months ended June 30, 2010 as compared to a negative OIBDA of USD 18.4 mln. for the first half 2009, due to the factors explained in the notes 1 and 2 above.

### 4. Operating loss

For the 6 months ended June 30, 2010, the operating loss of the Group amounted to USD 138.5 mln. compared to operating loss of USD 26.9 mln. for the first 6 months 2009.

### 5. Other (expenses)/income, net

Other net expenses increased by USD 48.0 mln. to USD 42.8 mln. for the 6 months ended June 30, 2010 compared to the net income of USD 5.2 mln. for the same period in 2009. Such reduction is mainly due to the compensation of expenses incurred to the partners on Kamelia project whose stake in this project was bought out.

### 6. Interest expense

The interest expense reduced to USD 60.5 mln. for the 6 months ended June 30, 2010 compared to USD 68.9 mln. for the 6 months ended June 30, 2009. This reduction was mainly caused by buy-back of long and short-term interest bearing notes from AFK Sistema in 2009, repayment of interest bearing notes to EWUB in December, 2009 and interest rates decrease on interest bearing loans and borrowings in 2010.

### 7. Loss on foreign currency transactions

The loss on foreign currency transactions amounted to USD 9.0 mln. for the 6 months ended June 30, 2010 compared to the loss of USD 20.0 mln. for the same period last year. This change was mainly due to the repayment of foreign currency promissory notes issued by the Group to Alfa-bank totaling to USD 90.0 mln.

<sup>1</sup> This results statement includes financial information prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP\*\*), as well as other non-GAAP financial information. The non-GAAP financial information should be considered as an addition to, but not as a substitute for, information prepared in accordance with US GAAP\*\*.

OIBDA is operating income before depreciation and amortization, and the OIBDA margin is defined as OIBDA as a percentage of net revenues. These measures are included in this results statement in order to provide additional profitability. OIBDA is not a measure of financial performance under US GAAP\*\*, and is not an alternative to operating income as a measure of operating performance, or to cash flows from operating activities as a measure of liquidity. While depreciation and amortization are considered operating costs under US GAAP\*\*, these items primarily represent the non-cash current period allocation of costs arising from the acquisition or development of long-term assets in prior periods. OIBDA is commonly used as a criterion for evaluation of operating performance by credit and equity investors and analysts. The calculation of OIBDA may be different from the calculation used by other companies and comparability may therefore be limited.

\*\* - ASC 270 Interim Reporting.



**UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2010 AND DECEMBER 31, 2009 ACCORDING TO US GAAP\*\*:**

(USD '000)	Comment	30.06.2010	% of total assets	31.12.2009	% of total assets	Change, %
<b>ASSETS</b>						
Cash and cash equivalents		21 765	1,8%	5 216	0,4%	317,3%
Trade receivables, net		56 994	4,7%	53 901	4,4%	5,7%
Taxes receivable		63 024	5,2%	66 104	5,4%	(4,7%)
Other receivables, net	9	87 608	7,2%	63 454	5,2%	38,1%
Deposits, loans receivable and investments in debt and equity securities		10 315	0,9%	11 851	1,0%	(13,0%)
Costs and estimated earnings in excess of billings on uncompleted contracts		54 324	4,5%	67 999*	5,6%	(20,1%)
<i>REAL ESTATE INVESTMENTS, NET, incl.:</i>	10	<u>763 190</u>	<u>63,1%</u>	<u>840 062</u>	<u>69,0%</u>	(9,2%)
Real estate developed for sale		656 040	54,2%	727 727*	59,8%	(9,9%)
Income producing properties, net		107 150	8,9%	112 335	9,2%	(4,6%)
Buildings used for administrative purposes, plant and equipment, net		5 204	0,4%	5 557	0,5%	(6,4%)
Development rights and other intangible assets, net		9 020	0,7%	15 810	1,3%	(42,9%)
Investments in associates	11	105 005	8,7%	62 286	5,1%	68,6%
Debt issuance costs net of accumulated amortization		422	0,0%	843	0,1%	(49,9%)
Deferred tax assets		33 780	2,8%	24 201	2,0%	39,6%
<b>TOTAL ASSETS</b>		<b>1 210 651</b>	<b>100%</b>	<b>1 217 284</b>	<b>100%</b>	<b>(0,5%)</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
<b>LIABILITIES</b>						
Payables to suppliers and subcontractors	12	58 685	4,8%	41 097	3,4%	42,8%
Billings in excess of costs and estimated earnings on uncompleted contracts		17 786	1,5%	17 456	1,4%	1,9%
Accrued expenses and other liabilities	13	182 944	15,1%	132 375	10,9%	38,2%
Taxes payable		4 406	0,4%	5 516	0,5%	(20,1%)
Loans and notes payable	14	1 451 052	119,9%	1 301 565	106,9%	11,5%
Deferred tax liabilities		64 138	5,3%	62 977	5,2%	1,8%
<b>TOTAL LIABILITIES</b>		<b>1 779 011</b>	<b>146,9%</b>	<b>1 560 986</b>	<b>128,2%</b>	<b>14%</b>
<b>SHAREHOLDERS' EQUITY</b>						
Share capital		20 492	1,7%	20 492	1,7%	-



(USD '000)	Comment	30.06.2010	% of total assets	31.12.2009	% of total assets	Change, %
Treasury stock		(6)	(0,0%)	(18)	(0,0%)	(67,3%)
Additional paid-in capital		652 751	53,9%	652 243	53,6%	0,1%
Accumulated other comprehensive income		(10 898)	(0,9%)	(29 145)	(2,4%)	(62,6%)
Accumulated deficit		(1 197 640)	(98,9%)	(954 065)	(78,4%)	25,5%
NONCONTROLLING INTEREST		(33 059)	(2,7%)	(33 209)	(2,7%)	(0,5%)
<hr/>						
TOTAL SHAREHOLDERS' EQUITY		(568 360)	(46,9%)	(343 702)	(28,2%)	65,4%
<hr/>						
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1 210 651</b>	<b>100%</b>	<b>1 217 284</b>	<b>100%</b>	<b>(0,5%)</b>

\* - The comparative data for the period ended December 31, 2009 includes reclassification from «Costs and earnings in excess of billings on uncompleted contracts» to «Real estate developed for sale» on Bolshoy City in the amount of USD 6.3 mln.

\*\* - ASC 270 Interim Reporting.

As of June 30, 2010 the total assets decreased by 0.5% to USD 1,210.7 mln. compared to the total assets of USD 1,217.3 mln. as of December 31, 2009.

### 9. Other receivables, net

As of June 30, 2010, other receivables increased to USD 87.6 mln. compared to USD 63.5 mln. as of December 31, 2009. The main reason for the increase is the realization of project LETO financing scheme during the 6 months ended June 30, 2010.

### 10. Real estate investments, net

The real estate investments decreased by USD 71.7 mln. to USD 656.0 mln. as of June 30, 2010 compared to USD 727.7 mln. as of December 31, 2009. The reduction is mainly caused by impairment recognition in the amount of USD 116.2 mln., offset by an increase in capital expenditure incurred on Gorki – 8 – USD 21.4 mln and acquisition of Kamelia project in the total USD 21.3 mln.

The book value of income producing property as of June 30, 2010 decreased by USD 5.2 mln. to USD 107.2 mln. compared to USD 112.3 mln. as of December 31, 2009. This reduction was due to amortization of the real estate assets at Novodanilovskaya, 8 and Marta, 8 on USD 5.0 mln. and USD 0.3 mln., respectively.

### 11. Investments in associates

Investments in associates as of June 30, 2010 increased by USD 42.7 mln. to USD 105.0 mln. compared to USD 62.3 mln. as of December 31, 2009 as a result of 50% share purchase in ZAO Ekvivalent for the amount of USD 80.0 mln. and reclassification of Dolores Investments Ltd (previously Sistema Saraya) and Astanda Investments Ltd interest to investments in subsidiaries as a result of purchase of the remaining 50% interest. As a result of the transaction the Group received full control over Kamelia project in Sochi, held by Astanda.

## 12. Payables to suppliers and subcontractors

Payables to suppliers and subcontractors as of June 30, 2010 increased by USD 17.6 mln. to USD 58.7 mln. compared to USD 41.1 mln. as of December 31, 2009. Payables increased in relation to the works on the following projects: Gorki - 8 – by USD 12.5 mln., Leningradsky, 39 – by USD 2.4 mln. and Novodanilovskaya, 8 – by USD 1.5 mln.

## 13. Accrued expenses and other liabilities

The accrued expenses and other liabilities increased by USD 50.5 mln. to USD 182.9 mln. as of June 30, 2010 compared to USD 132.4 mln. as of December 31, 2009. The increase is mainly due to the accrued interest expenses under the credit facilities.

## 14. Loans and notes payable

The loans and notes payable in USD increased by USD 149.5 mln. and amounted to USD 1,451.1 mln. as of June 30, 2010 compared to USD 1,301.6 mln. as of December 31, 2009.

Since January 1, 2010 through June 30, 2010 the Group has taken the following steps on debt restructuring:

- fully redeemed the Russian bonds series 1,2 in the total amount of USD 165.3 mln. bearing the interest rates of 15% and 12%, respectively.;
- partially paid down the credit facility with VTB Bank in the amount of USD 24.5 mln.;
- fully repaid the credit facilities with ZAO Ferro - Stroy in the amount of USD 7.7 mln.
- reclassified interest payable on credit facility received from Vneshekonombank from loans and notes payable to accrued expenses and other liabilities in the amount of USD 7.2 mln.

In the first half 2010 the Group successfully obtained credit facilities denominated in RUR in the form of credit loans granted by VTB Bank in the total amount of USD 354.7 mln.

As of June 30, 2010 the short-term debt of the Group equaled to USD 308.4 mln., whereas the long-term debt was USD 1,142.6 mln. The short-term portion to total debt ratio was 21.3%.

### Loans payable by terms of repayment

Repayment Year	(USD '000)	% to Total
2010	197 185	13,6%
2011	111 239	7,7%
2012	651 220	44,9%
2013	349 813	24,1%
2014	57 929	4,0%
2015	83 666	5,7%
<b>Total</b>	<b>1 451 052</b>	<b>100,0%</b>

The table below shows the Group's debt by main lenders as of June 30, 2010.

### Loans payable by lenders

Lender	(USD '000)	% to Total
Bank VTB JSC	1 268 661	87,4%
Merrill Lynch	70 000	4,8%
Vneshekonombank	56 000	3,9%





Gazprombank JSC	26 000	1,8%
Raiffeisenbank CJSC	20 035	1,4%
Other	10 356	0,7%
<b>Total</b>	<b>1 451 052</b>	<b>100,0%</b>

The table below shows the Group's debt by type of currency as of June 30, 2010.

**Loans payable by currency**

<b>Currency</b>	<b>(USD '000)</b>	<b>% to Total</b>
RUB	1 176 816	81,1%
USD	274 236	18,9%
<b>Total</b>	<b>1 451 052</b>	<b>100,0%</b>

**SUBSEQUENT EVENTS**

In July 2010 the Group entered into a credit agreement with VTB Bank for financing of Gorki - 8 project for the total amount of USD 102.0 mln.

**For further information, please contact:**

Anna Zavialova  
Tel. +7 (495) 662-6624  
[zavialova@sistema-hals.ru](mailto:zavialova@sistema-hals.ru)

**Sistema-Hals** ("the Company") is one of the leading diversified company in the Russian and CIS real estate market.

The Company was the first Russian property developer to list its shares on the main market of the London Stock Exchange. The Company's shares are also listed on the Moscow Interbank Currency Exchange and the Moscow Stock Exchange and the Russian Trading System Stock Exchange.

Main shareholders of Sistema-Hals are Bank VTB (51.24%) and AFK "Sistema" (27.6%); free float is about 18%.

Starting operations in 1994, Sistema-Hals has successfully completed about 40 projects with a total area over 450,000 square metres, including several residential complexes in Kuntsevo, the headquarters of the DaimlerChrysler company, the Hals Tower office building, the headquarters of the Trubnaya Metallurgical Company, the hotel for the MaMaison chain (Orco Property Group).

Sistema-Hals implements the development of the Leningradsky Towers complex in Moscow; carries out the complex program of redeveloping the facilities of the Moscow City Telephone networks; reconstructs the building of the Central "Detsky Mir" on Lubyanka, constructs LETO shopping center in Saint Petersburg and fulfils several other projects.

Sistema-Hals has assembled a balanced and diversified portfolio of assets in fast-growing sectors of the market. The Company's strategy is focused on building Class A and B office space, multifunctional retail and office complexes, business-class residential buildings.

\*\*\*

*The information contained in the press release may contain forward-looking statements regarding future events or the future financial performance of Sistema-Hals. You can identify forward looking statements by terms such as "expect", "believe", "anticipate", "estimate", "intend", "will", "could", "may" or "might" the negative of such terms or other similar expressions. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not intend to update these statements to reflect events and circumstances occurring after the date thereof or to reflect the occurrence of unanticipated events.*