SISTEMAHALS DEVELOPMENT COMPANY

PRESS RELEASE

SISTEMA-HALS ANNOUNCES FINANICIAL RESULTS FOR THE NINE MONTHS OF 2008

MOSCOW, RUSSIA – December 11, 2008 – 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 nine months of 2008 in accordance with US GAAP.

FINANCIAL HIGHLIGHTS FOR 9 MONTHS OF 2008

- For the nine months ended September 30, 2008 revenues increased by 57.0% to USD 325.8 million compared to USD 207.5 million for the nine months ended September 30, 2007.

- For the nine months ended September 30, 2008 operating income increased to USD 26.9 million compared to operating loss of USD 71.8 million for the nine months ended September 30, 2007.

- For the nine months ended September 30, 2008 OIBDA increased to USD 42.9 million compared to the negative OIBDA of USD 63.0 million for the nine months ended September 30, 2007.

- For the nine months ended September 30, 2008 net loss amounted to USD 72.5 million compared to the net loss of USD 77.6 million for the nine months ended September 30, 2007.

- As of September 30, 2008 total assets increased by 21.4% to USD 2,129.9 million compared to total assets in the amount of USD 1,755.1 million as of December 31, 2007.

UNAUDITED CONSOLIDATED PROFIT AND LOSS STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007 ACCORDING TO US GAAP:

(USD '000)	Notes	9m 2008	9m 2007	Change
Revenues, incl.:	**1**	**325,794**	**207,540**	**57.0%**
Real estate development	*1.1*	*247,981*	*142,362*	74.2%
Asset management	*1.2*	*42,041*	*28,899*	45.5%
Facility management	*1.3*	*24,781*	*16,119*	53.7%
Project and construction management	*1.4*	*10,991*	*20,160*	(45.5%)
Operating expenses, incl.:	**2**	**(298,893)**	**(279,301)**	**7.0%**
Cost of sales	2.1	(213,967)	(131,280)	63.0%
Selling, general and administrative expenses	2.2	(68,943)	(139,254)	(50.5%)
Depreciation and amortization		(15,983)	(8,767)	82.3%
OIBDA	**3**	**42,884**	**(62,994)**	**-**
Operating income/(loss)	**4**	**26,901**	**(71,761)**	**-**
Other expenses, net		(9,350)	(1,371)	587.0%
Interest income		10,933	14,538	(24.8%)
Interest expense, net of amounts capitalised	**5**	(31,789)	(7,926)	301.1%
(Loss) / gain on foreign currency transactions	**6**	(37,773)	9,646	-
Gain on sale of a subsidiary		-	55	(100.0%)
Loss before income tax and minority interests	7	**(41,078)**	**(56,821)**	**(27.7%)**
Income tax expense	**8**	(24,369)	(13,882)	75.5%
Minority interests		(7,066)	(6,937)	1.8%
Net loss	**9**	**(72,513)**	**(77,640)**	**(6.6%)**

1. Revenues

For the nine months ended September 30, 2008 revenues increased by 57% to USD 325.8 million compared to USD 207.5 million for the nine months ended September 30, 2007.

1.1 Consolidated revenues from Real Estate Development grew by 74.2% to USD 248.0 million for the nine months of 2008. This growth was driven by several factors including the sale of the Rochdelskaya 22 project; revenues recognized from the sale of a complex of buildings at 8 Marta Street; and continuing sales of units in on-going residential projects including Dnepropetrovskaya, Nahimovskiy, Michurinskiy, and Rublevskoe Highway.

The Real Estate Development division accounted for 76.1% of total revenues for the nine months of 2008.

1.2 Consolidated revenues from Asset Management increased by 45.5% to USD 42.0 million for the nine months of 2008 compared to USD 28.9 million in the nine months of 2007, primarily due to an increase in house sales and rental revenues from single family houses. The Serebryany Bor settlement remained the most significant source of rental revenues in the nine months of 2008.

The Asset Management division represented 12.9% of total revenues in the nine months of 2008.

1.3 Facility Management reported revenue growth of 53.7% to USD 24.8 million in the nine months of 2008 compared to USD 16.1 million in the nine months of 2007. The growth was primarily due to an increase in revenues from services provided to subsidiaries of JSFC Sistema.

The Facility Management division represented 7.6% of total revenues for the period.

1.4 Consolidated revenues from Project and Construction Management generally consist of fees from municipal governments, including the Moscow and St. Petersburg city governments. Project and Construction Management revenues amounted to USD 11.0 million for the nine months of 2008 compared to USD 20.2 million for the same period of 2007 due to a decrease in government orders.

The Project and Construction Management division represented 3.4% of total revenues for the nine months of 2008.

2. Operating expenses

For the nine months ended September 30, 2008 operating expenses increased by 7.0% to USD 298.9 million compared to USD 279.3 million for the nine months ended September 30, 2007 due to the following reasons.

2.1 Cost of sales increased by 63.0% to USD 214.0 million for the nine months ended September 30, 2008 compared to USD 131.3 million for the nine months ended September 30, 2007, which is in line with the corresponding increase in revenues.

2.2 Selling, general and administrative expenses decreased by 50.5% to USD 69.0 million for the nine months ended September 30, 2008 compared to USD 139.3 million for the nine months ended September 30, 2007. The change is due to a one-off non-cash expense on a stock option bonus plan for the Company’s management and members of the Board of Directors in the amount of USD 98.0 million for the nine months of 2007.

Selling, general and administrative expenses (exclusive above-mentioned one-off non-cash expense on a stock option bonus plan) increased by 67.1% mainly due to an increase in payroll expenses for the nine months of 2008.

3. OIBDA

(USD '000)	9m 2008	9m2007
Operating income / (loss)	26,901	(71,761)
Add: Depreciation and amortization	15,983	8,767
OIBDA	**42,884**	**(62,994)**
OIBDA margin	**13.2%**	**(30.4%)**

OIBDA[1] increased to USD 42.9 million for the nine months ended September 30, 2008 compared to negative OIBDA in the amount of USD 63.0 million for the nine months ended September 30, 2007 due to the factors explained above.

4. Operating income

For the nine months ended September 30, 2008, operating income amounted to USD 26,901 million compared to operating loss of USD 71,761 million for the nine months ended September 30, 2007.

5. Interest expense

Interest expense increased to USD 31.8 million for the nine months ended September 30, 2008 compared to USD 7.9 million for the nine months ended September 30, 2007. The increase is in line with the increase in interest rates and the amount of the Group's borrowings for the nine months ended September 30, 2008.

6. Loss on foreign currency transactions

Loss on foreign currency transactions amounted to USD 37.8 million for the nine months ended September 30, 2008 compared to the gain in the amount of USD 9.6 million for the same period last year. This is due to appreciation of value of the Group's borrowings denominated in USD from Bank VTB, Merrill Lynch International, Gazprombank, Alfabank, East-West United Bank, etc.

7. Loss before income tax and minority interests

Loss before income tax and minority interests decreased to USD 41.1 million for the nine months ended September 30, 2008 compared to USD 56.8 million of loss for the nine months ended September 30, 2007, as a result of the factors mentioned previously.

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[1] 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 amortisation, 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 information regarding the Group's ability to meet future debt service payments, capital expenditure and working capital requirements, and as a metric to evaluate 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.

8. Income tax expense

Income tax expense totaled USD 24.4 million for the period ended September 30, 2008 compared to USD 13.9 million for the nine months of 2007 mainly due to increase in deferred income tax expense and increase in current income tax accrued by profitable subsidiaries of the Group.

9. Net loss

Net loss amounted to USD 72.5 million for the nine months ended September 30, 2008 compared to USD 77.6 million for the nine months ended September 30, 2008.

CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2008 (UNAUDITED) AND DECEMBER 31, 2007 ACCORDING TO US GAAP:

(USD '000)	Notes	September 30, 2008	December 31, 2007	Change
ASSETS				
Cash and cash equivalents	**10**	30,669	45,398	(32.4%)
Trade receivables, net		187,328	216,024	(13.3%)
Taxes receivable	**11**	95,998	55,770	72.1%
Other receivables, net		53,800	33,460	60.8%
Deposits, loans receivable and investments in debt and equity securities	**12**	65,134	129,613	(49.7%)
Costs and estimated earnings in excess of billings on uncompleted contracts		141,094	119,040	18.5%
REAL ESTATE INVESTMENTS, NET, incl.:	**13**	1,399,268	1,012,619	38.2%
Real estate developed for sale		1,027,728	856,883	19.9%
Income producing properties, net		371,540	155,736	138.6%
Buildings used for administrative purposes, plant and equipment, net		13,578	10,702	26.9%
Development rights and other intangible assets, net		35,105	33,229	5.6%
Investments in associates		49,816	51,355	(3.0%)
Debt issuance costs net of accumulated amortization		32,111	36,866	(12.9%)
Deferred tax assets		26,009	11,014	136.1%
TOTAL ASSETS		**2,129,910**	**1,755,090**	**21.4%**
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Payables to suppliers and subcontractors	**14**	88,633	58,229	52.2%
Billings in excess of costs and estimated earnings on uncompleted contracts		29,333	31,664	(7.4%)
Accrued expenses and other liabilities	**15**	105,442	67,092	57.2%
Taxes payable		19,411	11,937	62.6%
Loans and notes payable	**16**	1,262,078	977,837	29.1%
Deferred tax liabilities		60,290	32,324	86.5%
TOTAL LIABILITIES		1,565,187	1,179,083	32.7%
MINORITY INTERESTS		47,838	27,060	76.8%
SHAREHOLDERS' EQUITY				
Share capital		20,492	20,492	
Treasury stock		(1,600)	(1,576)	
Additional paid-in capital		527,280	529,910	
Accumulated other comprehensive income		43,950	-	
(Accumulated deficit) / Retained earnings		(73,237)	121	
TOTAL SHAREHOLDERS' EQUITY		516,885	548,947	(5.8%)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,129,910**	**1,755,090**	**21.4%**

As at September 30, 2008 total assets increased by 21.4% to USD 2,129.9 million compared to total assets in the amount of USD 1,755.1 million as at December 31, 2007.

10. Cash and cash equivalents

Cash and cash equivalents decreased by 32.4% to USD 30.7 million as of September 30, 2008 compared to USD 45.4 million as of December 31, 2007. The decrease is mainly explained by the closure of the Group's short-term deposits in MBRD which were used for operational activities.

11. Taxes receivable

Taxes receivable increased by 72.1% to USD 96.0 million as of September 30, 2008 compared to USD 55.8 million as of December 31, 2007. The increase is mainly due to increase in VAT receivable on expenses incurred on construction projects.

12. Deposits, loans receivable and investments in debt and equity securities

Deposits, loans receivable and investments in debt and equity securities decreased by 49.7% to USD 65.1 million as of September 30, 2008 compared to USD 129.6 million as of December 31, 2007. The decrease is explained by closure of the trust management fund in Renaissance Capital in the amount of USD 22.1 million as well as a decrease in loans provided to MGTS project companies.

13. Real estate investments, net

Real estate investments, net increased by 38.2% to USD 1,399.3 million as of September 30, 2008 compared to USD 1,012.6 million as of December 31, 2007. The increase is mainly due to acquisitions of a land plot in Rublevo-Uspenskoe highway, premium segment suburbs of Moscow, and a building at Novodanilovskaya Naberezhnaya (Moscow).

14. Payables to suppliers and subcontractors

Payables to suppliers and subcontractors increased by 52.2% to USD 88.6 million as of September 30, 2008 compared to USD 58.2 million as of December 31, 2007. The increase is mainly due to increase in payables for the building at Novodanilovskaya Naberezhnaya (Moscow) as well as overall increase in payables to suppliers and subcontractors.

15. Accrued expenses and other liabilities

Accrued expenses and other liabilities increased by 57.2% to USD 105.4 million as of September 30, 2008 compared to USD 67.1 million. The increase is mainly due to advances received by the Group for two MGTS projects – MGTS-Aviaczionnaya and MGTS-Lomonosovsky in the amount of USD 20.0 million as well as increase in interest payables of USD 14.9 million.

16. Loans and notes payable

Loans and notes payable increased by 29.1% to USD 1,262.1 million as of September 30, 2008 compared to USD 977.8 million as of December 31, 2007.

The increase is mainly due to the following:

- The Group obtained a credit line in the amount of USD 90.0 million from Merrill Lynch International for the financing of the acquisition of the building at Novodanilovskaya

Naberezhnaya (Moscow). The loan is repayable in 36 months. The effective interest rate of the credit facility is LIBOR + 11.4%.

- The Group signed a loan agreement with GazPromBank for a loan facility of USD 26.0 million to finance acquisition of the building at Novodanilovskaya Naberezhnaya (Moscow) and refinance the loans from MBRD. The interest rate under the loan facility is 12.5%, and the loan is repayable in 36 months.
- The Group obtained credit in the amount of USD 40.7 million from Raiffeisen Bank for refinancing of existing loans as well as for corporate developments.
- The Group obtained two tranches in the amounts of USD 35.0 million and USD 41.5 million, respectively, under a loan facility from Alfabank. The maximum amount of the loan facility is USD 88.8 million. The loan facility is repayable within 12 months and bears fixed interest rate of 13%.

UNAUDITED CONSOLIDATED CASH FLOW STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007 ACCORDING TO US GAAP:

	Notes	9m 2008	9m 2007	Change
OPERATING ACTIVITIES:				
Net loss		(72,513)	(73,801)	
Adjustments to reconcile net loss to net cash used in operations:				
Depreciation and amortization		15,984	8,767	
Loss / (gain) on disposal of plant and equipment		49	(96)	
Minority interests		7,066	6,937	
Gain on sale of a subsidiary		-	(53)	
Equity interest in net income of investees		2,247	-	
Gain on sale of real estate investments		(20,472)	(35,149)	
Stock-based compensation		(422)	98,482	
Deferred tax		12,213	1,056	
Foreign currency transactions loss / (gain) for non-operating activities		39,666	(615)	
Changes in operating assets and liabilities:				
Costs and estimated earnings in excess of billings on uncompleted contracts		(29,417)	(25,060)	
Trade receivables		2,960	(15,504)	
Taxes receivable		(43,852)	(31,512)	
Other receivables		(7,757)	(24,517)	
Payables to suppliers and subcontractors		39,606	(29,101)	
Accrued expenses and other liabilities		20,870	26,711	
Taxes payable		8,191	6,290	
Net cash used in operating activities	**17**	**(25,581)**	**(87,165)**	**(70.7)%**
INVESTING ACTIVITIES:				
Payments for real estate investments		(370,196)	(284,699)	
Proceeds from sale of real estate investments		126,506	71,952	
Payments for plant and equipment and intangible assets		(4,357)	(1,701)	
Issuance of loans and notes receivable		(39,462)	-	
Repayment of loans and notes receivable		44,303	34,141	
Repayments of short-term deposits		22,606	-	
Payments for shares in associates		(1,383)	(7,238)	
Proceeds from sale of subsidiary, net of cash disposed		-	(362)	
Proceeds from sale of shares in associate		-	25	
Net cash used in investing activities	**18**	**(221,983)**	**(187,882)**	**18.2%**
FINANCING ACTIVITIES:				
Reimbursement of initial public offering costs		-	3,514	
Payments for repurchasing own shares		(2,232)	(2,791)	
Principal payments on long-term borrowings		(4,059)	(9,214)	
Proceeds from long-term borrowings		139,989	403,890	
Principal payments on short-term borrowings		(66,582)	(247,147)	
Proceeds from short-term borrowings		167,327	37,193	

Cash transfers to Sistema		-	(4,526)	
Dividends paid to minority shareholders of subsidiaries		(1,019)	(4,633)	
Net cash provided by financing activities	**19**	**233,424**	**176,286**	**32.4%**
Effects of foreign currency translation on cash and cash equivalents		(589)	2,591	
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(14,729)**	**(96,170)**	
CASH AND CASH EQUIVALENTS, beginning of the period	**20**	**45,398**	**261,952**	**(82.7)%**
CASH AND CASH EQUIVALENTS, end of the period	**20**	**30,669**	**165,782**	**(81.5)%**
SUPPLEMENTAL INFORMATION:				
Income taxes paid		(17,329)	(2,224)	
Interest paid, net of amounts capitalized		(8,200)	(11,085)	

17. Net cash used in operating activities

Net cash used in operating activities amounted to USD 25.6 million for the nine months ended September 30, 2008 compared to USD 87.2 million for the nine months of 2007 mainly due to increase in cash received for flats and summer houses.

18. Net cash used in investing activities

Net cash used in investing activities amounted to USD 222.0 million for the nine months ended September 30, 2008 compared to USD 187.9 million for the nine months of 2007 mainly due to increase in payments for real estate investments.

19. Net cash provided by financing activities

Net cash provided by financing activities amounted to USD 233.4 million for the nine months ended September 30, 2008 compared to USD 176.3 million for the nine months of 2007 mainly due to increase in the Group's borrowings.

20. Cash and cash equivalents

Cash and cash equivalents decreased to USD 30.7 million as of September 30, 2008 compared to USD 165.8 million as of December 31, 2007.

SUBSEQUENT EVENTS

In December 2008, the Group announced changes to the terms of its credit agreements with Bank VTB. Under the new terms, the five-year credit facilities for the amounts of USD 500 million and USD 200 million granted by Bank VTB in 2007 were converted into roubles at the rate of the Russian Central Bank as of December 2, 2008. The effect of the conversion is loss in the amount of USD 96.8 million. The credit interest rate is 15% per annum both for the USD 500 million credit (the previous rate was 8.5% per annum) and for the USD 200 million credit (the previous rate was LIBOR+5.43% per annum). The requirement for covenants (financial indicators) for FY2008 is cancelled and will take effect in FY2009.

In October 2008, after expiration of the terms of bank guarantee (issued by Deutsche Bank, in the amount of 64 million euro) for the advance payment by Siemens in favour of Sistema-Hals for construction works, Siemens requested Deutsche Bank to return the advanced payment. Hereinafter Sistema-Hals compensated the sum equal to the paid bank guarantee on Deutsche Bank demand. At the moment Siemens and Sistema-Hals has negotiated to sign new financial agreement and are working on the details of the agreement now.

In December 2008, a credit facility agreement was signed with Bank VTB for the amount of RUR 7.0 billion repayable in 2 years. The drawdown period is 10 months.

Also in December 2008 the Group sold interests in two of its subsidiaries - Organizator and PSO Sistema-Hals, which represented the Project and Construction Management segment of the Group.

In light of the rapidly deteriorating market situation, especially since October 2008, in December 2008 the Company completed a major strategic review of all its operations to take adequate measures to overcome the current challenging market conditions and to reposition the Company for growth in the medium and long term as the economic situation improves in Russia and globally. **The outcome of this review is outlined in a separate release issued today together with the 9M 2008 release.**

As part of the strategic review Sistema-Hals has undertaken its own internal valuation of the projects and assets portfolio independently valued twice a year by C&WS&R, an independent valuation agency, the most recent of which was taken as at 1 July 2008. Due to the rapidly deteriorating market conditions especially since October 2008, Sistema-Hals is aware that this is not an accurate reflection of the current value of the portfolio. According to the preliminary management assumptions and estimates, the value of primary projects in the Company's portfolio is likely to have devalued by 15-20% to date compared with the valuation of C&WS&R. The rest of the portfolio might have been affected to a significantly larger extent. However, internal estimates carry a significant amount of uncertainty to the unprecedented depth of the financial crisis and due to the current absence of transaction experience in Russia. A revised valuation by C&WS&R will be undertaken in early 2009 as part of the regular valuation reports accompanying semiannual and annual results releases.

CONFERENCE CALL

Sistema-Hals will held a conference call on December 11, 2008 at 5:00 pm Moscow time (2:00 pm London, 9:00 am NY) on 9m 2008 US GAAP financial results and plans for 2009.

All the materials will be available since December 11, 2008 at 3:00 pm Moscow time (12:00 am London, 7:00 am NY) at the Company's web site: http://www.sistema-hals.ru/en/investor_relations/

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The information 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.