

## **SIGNING OF THE MAJOR TRANSACTION WITH FAIRMONT HOTELS & RESORTS**

**MOSCOW, RUSSIA - October 21, 2011 – HALS-Development (LSE, MICEX, RTS: HALS)**, a major Russian real estate company, announces that on October 19, 2011 its Subsidiary – JSC «Hotel «Peking» has signed the major transaction with Fairmont Hotels & Resorts (owned by FRHI Holdings Limited, a leading global hotel company with over 100 hotels under the Fairmont, Raffles, and Swissôtel brands) in the amount of RUR 650 658 516, including:

- 1) Trademark sub-license agreement for Fairmont Peking, Moscow**, whereby Sub-Licenser grants to Sub-Licensee (JSC «Hotel «Peking»») and Sub-Licensee accepts a limited, non-exclusive, non-transferable, non-assignable and not further-sublicensable right and (sub-) license to use the Trademarks: FAIRMONT Stylized, WILLOW STREAM, FAIRMONT, solely in connection with the exploitation of the Hotel Peking and solely during the validity period of the Trademarks and in the Licensed Territory (Russia).
- 2) Hotel management agreement for Fairmont Peking, Moscow**, whereby Owner (JSC «Hotel «Peking»») engages Operator as the exclusive operator and managing agent of the Hotel Peking during the Operating Term and Operator hereby accepts such engagement. Subject only to the provisions of this Agreement Operator shall have exclusive control, discretion and authority with respect to, and be responsible for, the Operation of the Hotel. Contract validity period - the date following completion of the project, upon which the Hotel opens for business to the general public, which shall be a date mutually determined by the Parties, and ending on December 31 of the twenty-fifth complete calendar year.
- 3) Centralised services agreement for Fairmont Peking, Moscow**, whereby the Services Provider (1) provides Owner (JSC «Hotel «Peking»») with Centralised Services (services which are (i) mandatory for substantially all of the Operator Hotels, and (ii) additional or optional, but which Owner each year approves for the Hotel), (2) provides Owner with access to the Global Reservations System, (3) reviews and approves all Capital Improvements, (4) directs Hotel Purchases. Contract validity period - the date following completion of the project, upon which the Hotel opens for business to the general public, which shall be a date mutually determined by the Parties, and ending on December 31 of the twenty-fifth complete calendar year.
- 4) Technical services agreement for Fairmont Peking, Moscow**, whereby Consultant shall from outside of the Jurisdiction provide Technical Services to Owner (JSC «Hotel «Peking»») and Owner shall pay Consultant for the Technical Services. Contract validity period – not later than January 01, 2019.

**Hals-Development** ("the Company") is one of the leading diversified companies on the Russian 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, the Moscow Stock Exchange and the Russian Trading System Stock Exchange.

Main shareholder of Hals-Development is Bank VTB (51.24%); free float is about 21,16%.

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

Hals-Development is currently developing the SkyLight complex in Moscow; reconstructing the building of the Central "Detsky Mir" on Lubyanka; constructing LETO shopping center in Saint Petersburg; developing the Project «Multi-function complex with a transport terminal as part of the Moscow International Business Center «Moscow-City», and fulfils several other projects.

Hals-Development 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.

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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 those 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.*