

SISTEMA-HALS RELEASES UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR 2009

MOSCOW, RUSSIA – April 30, 2010 - Sistema-Hals (LSE, MICEX, RTS: HALS), a major Russian real estate company, announced today its unaudited consolidated financial results for 2009 in accordance with US GAAP.

In April 2009, AFK Sistema signed an agreement to sell the shares of Sistema-Hals to Bank VTB. According to the agreement, in April 2009 VTB acquired from Sistema a 19.5% share in Sistema-Hals for RUB 30 and received a call option to acquire an additional 31.5% share for RUB 30. As a result of this transaction VTB's ownership amounted to 19.5%. In December, 2009, the option was exercised and VTB increased its share in Sistema-Hals up to 51%.

In April 2009, the share of Sistema in Sistema-Hals' capital decreased from 69.4% to 19.5% as a result of these transactions. Later, in December 2009 Sistema acquired 8.1% of Sistema-Hals' treasury shares, and increased its stake in the Group's capital up to 27.6%.

Key financials for 2009

- The consolidated revenue changed from USD 274.6 million in the year ended 31 December 2008 to USD 64.0 million in the year ended 31 December 2009.
- The operating expenses increased to USD 428.3 million in 2009 compared to USD 423.2 million in 2008.
- OIBDA amounted to a negative value of USD 340.5 million in 2009 as compared with negative value of USD 131.7 million in 2008.
- In 2009, the Group recognized an operational loss in the amount of USD 364.3 compared to USD 148.6 million in 2008.
- The Company recognized a net loss of USD 555.4 million in 2009 in comparison with net loss of USD 381.1 million reported in 2008.
- As of December 31, 2009 total assets decreased by 32.6% to USD 1,278.6 million compared to total assets in the amount of USD 1,895.7 million as of December 31, 2008.

The overview of our financial condition and results following below should be looked at together with our consolidated financial reports based on US GAAP and notes thereto.

In May 2009, Sistema-Hals exchanged its share in Mosdachtrest OJSC (assets included land plots and cottages) and Landshaft CJSC (assets included land plots) to Sistema for the amount of USD 37,2 million, these companies together constituted the Asset Management business segment of the Group, for a 100% stake in Lubyanka Development OJSC which owns the Central Detsky Mir building in Moscow. The transaction resulted in a loss from disposal of USD 13,3 million, net of income tax of USD 2,3 million.

In July 2009, the Company sold a 100% stake in Citi-Hals CJSC to Sistema for the amount of USD 1,8 million. This company constituted the Facility Management business segment, which was mainly focused on the management of AFK Sistema Group's offices, while Sistema-Hals strategy is focused on the development business. The transaction resulted in a loss from disposal of USD 2,2 million, net of income tax of USD 0,4 million.

The financial results of the Asset Management and Facility Management business segments are disclosed in a separate line, discontinued operations, of the audited financial statements for 2009 as a result of terminated activities.

In this connection, the comparable information was adjusted in order to account for discontinued operations, as if the enterprises were retired as of the beginning of the earliest fiscal years mentioned in the reports.

Valuation of Sistema-Hals' share in real estate property and development projects

	01.01.2010	01.01.2009	Change (%)
Projects in portfolio	76	104	(26.9)
Value of the Company's share in projects (USD million)	1,400	2,049	(31.7)

The value of Sistema-Hals' share in properties and projects decreased by 31.7% in the period from January 1, 2009 to January 1, 2010 according to an independent appraisal carried out by Cushman & Wakefield Stiles & Riabokobylko (C&WS&R). C&WS&R determined that the total market value of 100% ownership in 76 projects and properties amounted to USD 1,745 million on January 1, 2010 of which Sistema-Hals' share (after minority interests) amounted to USD 1,400 million.

In its previous report, C&WS&R valued 100% of Sistema-Hals' portfolio of properties and projects at USD 2,576 million as of January 1, 2009, with the share directly owned by the Company valued at USD 2,049 million.

The decrease in the number of projects in the valuation is due to the sale of mostly Mosdachtrest assets.

The above appraisal represents the aggregate current value of various properties and projects in the real estate sector and cannot be seen as an appraisal of the project portfolio within the context of its sale as a whole.

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS FOR 12 MONTHS ENDED ON 31 DECEMBER 2009 AND 2008 IN ACCORDANCE WITH US GAAP:				
(USD '000)	Note	2009	2008	Change, %
Revenues, incl.:	1	64 028	274 563	(76,7%)
Operating expenses, incl.:	2	(428 278)	(423 200)	1%
Cost of sales	2.1	(112 599)	(209 084)	(46,1%)
Selling, general and administrative expenses	2.2	(21 718)	(79 472)	(72,7%)
Impairment of real estate	2.3	(273 348)	(51 071)	435.2%
Allowance for doubtful debts		3 172	(41 795)	-
Provision for losses on construction contracts			(24 833)	
Depreciation and amortization		(23 786)	(16 944)	40,4%
OIBDA	3	(340 465)	(131 692)	159%
Operating income/(loss)		(364 251)	(148 637)	145,1%
Other expenses, net		(58 483)	(9 728)	501,2%
Interest income		18 957	11 968	58,4%
Interest expense, net of amounts capitalised	4	(162 100)	(82 693)	96,0%
(Loss) / gain on foreign currency transactions	5	(19 310)	(138 513)	(86,1%)
(Loss)/income from affiliates		(3 812)	(11 446)	(66,7%)
(Loss)/ gain on sale of a subsidiary		(24 546)	939	-
(Loss)/income from continuing operations before income tax and minority interests	6	(613 545)	(378 110)	62,3%
Income tax credit/(expense)	7	63 985	(8 979)	-
Net loss/(gain) attributable to the noncontrolling interests		11 685	(1 425)	-
(Loss)/income from continuing operations		(537 876)	(388 514)	38.4%
Income from discontinued operations, net of income tax effect and minority interest		(2 043)	14 142	-
Loss from disposal of discontinued operations, net of income tax effect		(15 507)	(6 725)	130,6%
Net (loss)/income	8	(555 426)	(381 097)	45.7%

1. Revenues

The consolidated revenues of the Group for 2009 amounted to USD 64.0 mln. compared to USD 274.6 mln. in the previous period. Within the period under review the Company recognized proceeds under the following projects:

- sale of land plots in Avrora cottage settlement (USD 10.6 mln.);
- sale of 50% share in Soyuzkomint OOO possessing the land plot in Narvskaya Str. in Moscow (USD 10.0 mln.);
- sale of cottages in Gorki-8 in Rublyovo-Uspenskoye Highway (USD 10.1 mln.);
- sales in Emerald Valley residential building in Rublyovskoye Highway (USD 6.8 mln.);
- sales in Diplomat residential complex in Michurinsky Ave. (USD 12.8 mln.);
- sales in Primavera residential complex in Nakhimovsky Avenue and the residential building in Dnepropetrovskaya Str. (USD 4.0 mln.);
- other sales of residential complexes (USD 2.4 mln.);
- rent income from Marta, 8 project (USD 1.0 mln.);
- other projects within the Development segment (USD 6.3 mln.).

2. Operating Expenses

The operating expenses of the Sistema–Hals Group for the 12 months of 2009 changed by 1.0% to USD 428.3 mln. as compared to USD 423.2 mln. for the same period in the previous year, due to the reduction of the cost of sales (by 46.1%), the reduction of selling, general and administrative expenses (by 72.7%) and increase of impairment loss (by 435,2%).

2.1 The cost of sales for 2009 reduced by USD 96.5 mln. to USD 112.6 mln. as compared to USD 209.1 mln. for the same period in the previous year, reflecting a reduction in revenues as the level of activity has declined, as well as a different mix of sold projects.

2.2 The selling, general and administrative expenses for 2009 reduced by USD 57.8 mln. to USD 21.7 mln. as compared to USD 79.5 mln. for the same period in the previous year. A reduction in expenses was achieved for consulting services, software support, repair of premises and transportation costs.

2.3 The Group recognized an impairment loss in 2009 of USD 273.3 mln. for certain properties.

3. OIBDA¹

(USD thou.)	2009	2008
Operating loss	-364 251	-148 637
Depreciation and amortization	23 786	16 944
OIBDA	-340 465	-131 693

OIBDA increased and amounted to a negative value of USD 340.5 million in 2009 as compared with negative OIBDA of USD 131.4 million in 2008.

4. Interest Expenses

For 2009 the interest expenses increased to USD 162.1 mln. as compared to USD 82.7 mln. for the same period of the previous year. The growth of the interest expenses was due to the termination of accrual of interest previously capitalized for projects the development of which has been suspended, higher interest rates under loan agreements.

5. (Loss)/gain on foreign currency transactions

The currency exchange and translation losses reduced in the 2009 to USD 19.3 mln. as compared to USD 138.5 mln. for the same period of the previous year. Such change was caused mainly by the RUB strengthening against the USD.

6. Loss from Continuing Operations before Income Tax

The loss from continuing operations before income tax amounted to USD 613.5 mln. for 2009 as compared to USD 378.1 mln. in 2008 due to the factors given above.

7. Income tax credit /(expense)

For 12 months ended on 31 December 2009 the income tax credit of Sistema–Hals Group amounted to USD 64.0 mln. as compared to income tax expense in the amount of USD 9.0 mln. for the same period of 2008. The income tax credit for 2009 was due to recognizing deferred tax assets in relation to tax and impairment losses of the current period.

8. Net (loss)/ income

The net loss of the Group in the period amounted to USD 555.4 mln. for the 12 months of 2009 as compared to USD 381.1 mln. for the same period of 2008.

¹ This report includes financial information prepared in accordance with the US GAAP, as well as other financial numbers, which are mentioned as not related to US GAAP. The indicators, which are not US GAAP-based financial numbers, should be considered in addition to the indicators prepared in accordance with US GAAP, not as alternative to them.

OIBDA is defined as operating profit before deduction of depreciated fixed assets and depreciation of intangible assets. We disclose OIBDA, because we see it as an informative tool for the investor, which shows our ability to service the debt in the future, provide requisite amount of capital investment and working capital, as well as efficiency of our business activities. OIBDA does not show US GAAP-compliant financial results and is not an alternative to net revenue as a yardstick for measuring the outcome of operating activities or money generated by operating activities as a measuring stick of liquidity. Whereas the depreciation of fixed assets and amortization of non-tangible assets are viewed by the US GAAP standards as operating expenses, these expenses are, for the most part, noncash distribution of the cost of noncurrent assets acquired or created during previous periods for current expenses. OIBDA is widely used by investors in shares and debt securities and by analysts for assessment of operating indicators. OIBDA calculations may differ from calculations used by other companies; therefore, the ability to compare the numbers may be limited. OIBDA is calculated on the basis of unaudited consolidated reporting by the Company.



UNAUDITED CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2009 AND DECEMBER 31, 2008

(USD '000)	Com ment	31/12/2009	% of total assets	31/12/2008	% of total assets	Change, %
ASSETS						
Cash and cash equivalents		5 216	0,4%	55 798	2,9%	(90,7%)
Trade receivables, net	9	53 901	4,2%	122 834	6,5%	(56,1%)
Taxes receivable		66 104	5,2%	61 617	3,3%	7,3%
Other receivables, net		63 454	5,0%	28 257	1,5%	124,6%
Deposits, loans receivable and investments in debt and equity securities		11 851	0,9%	61 495	3,2%	(80,7%)
Costs and estimated earnings in excess of billings on uncompleted contracts	10	74 433	5,8%	192 327	10,1%	(61,3%)
REAL ESTATE INVESTMENTS, NET, incl.:	11	<u>849 895</u>	<u>66,5%</u>	<u>1 087 627</u>	<u>57,4%</u>	(21,9%)
Real estate developed for sale		683 286	53,4%	849 559	44,8%	(19,6%)
Income producing properties, net		166 609	13,0%	238 068	12,6%	(30,0%)
Buildings used for administrative purposes, plant and equipment, net		5 557	0,4%	7 038	0,4%	(21,0%)
Development rights and other intangible assets, net		15 810	1,2%	29 673	1,6%	(46,7%)
Investments in associates		62 286	4,9%	78 044	4,1%	(20,2%)
Debt issuance costs net of accumulated amortization		840	0,1%	1 680	0,1%	(50,0%)
Deferred tax assets		69 218	5,4%	13 328	0,7%	419,4%
			0,0%	156 025	8,2%	(100,0%)
TOTAL ASSETS		1 278 567		1 895 742		(32,6%)
LIABILITIES AND SHAREHOLDERS' EQUITY						
LIABILITIES						
Payables to suppliers and subcontractors	12	41 097	3,2%	79 529	4,2%	(48,3%)
Billings in excess of costs and estimated earnings on uncompleted contracts		17 456	1,4%	14 387	0,8%	21,3%
Accrued expenses and other liabilities	13	132 375	10,4%	74 677	3,9%	77,3%
Taxes payable		5 516	0,4%	12 559	0,7%	(56,1%)
Loans and notes payable	14	1 301 565	101,8%	1 465 004	77,3%	(11,2%)
Deferred tax liabilities		62 977	4,9%	35 900	1,9%	75,4%
			0,0%	54 262	2,9%	(100,0%)
TOTAL LIABILITIES		1 560 985	122,1%	1 736 317	91,6%	(10,1%)
SHAREHOLDERS' EQUITY						
Share capital		20 492	1,6%	20 492	1,1%	0,0%



Treasury stock		0,0%	(1 600)	(0,1%)	(98,9%)
	(18)				
Additional paid-in capital	15	670 951	52,5%	527 280	27,2%
Accumulated other comprehensive income		(33 218)	(2,6%)	(12 446)	(0,7%)
(Accumulated deficit) / Retained earnings		(931 223)	(72,8%)	(375 798)	(19,8%)
NONCONTROLLING INTEREST		(9 401)	(0,7%)	1 497	(728,1%)
TOTAL SHAREHOLDERS' EQUITY		(282 418)	(22,1%)	159 425	(277,1%)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1 278 567		1 895 742	(32,6%)

The total value of the Company's assets as of 31 December 2009 reduced by 32.6% to USD 1,278.6 mln. as compared to USD 1,895.7 mln. as of 31 December 2008.

Of the total assets of USD 1,278.6 mln., as at 31 December, 2009 USD 849.9 mln. consists of real estate assets under development (USD 683.3 mln) and income producing properties real estate assets (USD 166.6 mln.).

9. Accounts Receivable, Net

The net accounts receivable decreased as of 31 December 2009 by 56.1% as compared to 31 December 2008 – down to USD 53.9 mln. This item has been reduced mainly by reversing the accounts receivable under the 8 March project (USD 45.5 mln.).

10. Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts

The costs and estimated earnings in excess of billings on uncompleted contracts as of 31 December 2009 reduced by 61.3% to USD 74.4 mln. as compared to USD 192.3 mln. as of 31 December 2008. Such reduction was due to terminating the agreement with Siemens – currently this project is accounted for in the Real Estate Investments line.

11. Real estate investments, net

The real estate investments in the US dollar equivalent decreased by 21.9% to USD 849.9 mln. as of 31 December 2009 against USD 1,087.6 mln. as of 31 December 2008.

The real estate assets held for development and sale are at various stages of completion. A significant percentage of the portfolio is "greenfield" projects without construction having commenced. Given the difficulties in obtaining real estate financing, uncertainty as to completion dates, rental rates and exit yields the valuation of such properties requires a considerable degree of subjectivity and hence uncertainty as to value. The value of income producing properties is also difficult to estimate in such markets but these assets remain, in management's opinion, more liquid and saleable.

Management has taken the independent valuations as mentioned above by Cushman & Wakefield Stiles & Riabokobylko's as at January 1, 2010 .

12. Payables to Suppliers and Subcontractors

Despite the challenges in the real estate market, the Company's management was able to reduce the payables to suppliers and subcontractors by 48.3% to USD 41.1 mln. as of 31 December 2009 against USD 79.5 mln. as of 31 December 2008. The reduction of the payables was mainly on the Primavera (Nakhimovsky Avenue), Leningradsky Towers (Leningradsky Avenue) and Kuntsevo projects.

13. Accrued Expenses and Other Liabilities

The accrued expenses and other liabilities increased by 77.3% to USD 132.4 mln. as of 31 December 2009 against USD 74.7 mln. as of 31 December 2008. The main reasons for the increase was recognizing interest accrual under debt instruments.

14. Loans and notes payable

The loans and notes payable reduced by USD 163.4 mln. to USD 1,301.6 mln. as of 31 December 2009 against USD 1,465.0 mln. as of 31 December 2008.

Within the period from 1 January to 31 December 2009, Sistema-Hals Group has been implementing a program of reducing its indebtedness, and has taken the following actions:

- redeemed long-term and short-term notes from AFK Sistema JSC totaling USD 120.7 mln. at a price less than their par value – for USD 532;
- completely repaid debts to Alfa Bank JSC equal to USD 90.0 mln.;
- completely repaid debts to East-West United Bank S.A. equal to USD 70,5 mln.;
- completely repaid debts to MBRD JSC equal to USD 37.4 mln.;
- repaid debts to Investtorbank equal to USD 22,3 mln., through pledged real estate assets transfer;
- completely repaid debts to MGTS equal to USD 16,7 mln.;
- partially repaid RUB borrowings to Raiffeisenbank CJSC equal to USD 12.0 mln.

Within the period from 1 January 2009 to 31 December 2009, the Group was able to raise additional debt in RUB by way of:

- placing in April 2009 a loan on debentures of the first and second series by open subscription equivalent to USD 165.3 mln., with the coupon rate of 15% and 12%, respectively, and maturity in 2014;
- receiving in June 2009 new credit lines from Bank VTB JSC of which USD 49.7 mln. was disbursed as of the date under review;
- issuing notes equivalent to USD 5.9 mln.

The Company agreed that interest payments were deferred under the credit lines extended to the Group by Bank VTB JSC, for that period from February 2009 to February 2010. The Company has also agreed terms with Raiffeisenbank CJSC to extend the period of repaying the remaining balance due until December 2010.

Under the VTB Bank loan arrangements Sistema-Hals has to comply with certain covenant ratios at December 31, 2009 and to meet the interest payments accrued through calendar 2009 year, which are due on February 10, 2010. Sistema-Hals is in constructive negotiations with VTB Bank to renegotiate the overall loan agreements, and Sistema-Hals management believes on the basis of discussions held to date that successful outcome will be reached, but no guarantees can be made.

As of 31 December 2009 the Group's short-term debt amounted to USD 494.0 mln., while the long-term debt was USD 807.60 mln. Therefore, the short-term to gross debt ratio is 38%.

Repayment year	Amount (USD thou.)	% to Total
2010	493 996	38,0%
2011	96 000	7,4%
2012	646 690	49,7%
2013	0	0,0%
2014	63 317	4,9%
2015	1 561	0,1%
Total	1 301 565	100,0%

The table below shows our debt by bank which provided credit facilities as of December 31, 2009:

Lender	Amount (USD thou.)	% to Total
Bank VTB JSC	938 471	72,1%
Merrill Lynch	70 000	5,4%
Vneshekonombank	63 187	4,9%
Gazprombank JSC	26 000	2,0%
Raiffeisenbank CJSC	20 665	1,6%
Other	183 242	14,1%
Total	1 301 565	100

The table below shows our debt by type of currency as of December 31, 2009.

Currency	Amount (USD thou.)	% to Total
RUB	1 117 682	85,9%
USD	183 882	14,1%
Total	1 301 565	100

15. Additional paid-in capital

Additional paid-in capital increased 27.2% to USD 671.0 mln of 31 December 2009. Those increases resulted from an agreement between the Company and AFK Sistema JSC on redemption of long-term and short-term notes with total par value of around USD 120.7 mln held by AFK Sistema and 8% share sale to AFK Sistema which amounted to USD 47,3 mln. Pursuant to the agreement the Company bought back notes at a price below their par value - RUB 16,000 (USD 532). The interest rate under such notes ranged from 0 to 20.5% per annum.

Subsequent events

During January and February 2010, the Group agreed with VTB Bank the following changes to the credit terms of the agreements signed with the Bank in 2007 – 2008 as follows:

- Interest rate decreases from 15% to 9.5%; and

- VTB provided the Group with a grace period for outstanding from February - March 2009 interest payments till the loans maturity dates.

In April 2010 the Group signed a credit agreement with VTB Bank and purchased a 50% share in Ekvivalent for USD 80,000.

In April 2010, the Russian bonds series 1 and 2 were fully redeemed. The redemption was financed by a loan obtained from VTB.

In April 2010, the Group signed an agreement for 50% investment purchase in Kamelia project.

In April 2010, Sistema-Hals started to sell apartments in the new business class residential estate Sun at 28, Elninskaya Str., Moscow.

From the beginning of 2010 Sistem-Hals has signed leasing agreements with retailers Inditex, BNS and H&M for LETO shopping center

Sistema-Hals management has evaluated subsequent events through April 30, 2010, the date when its unaudited financial statements were issued.

The Group plans to disclose the audited financial statements for the period ended December, 31, 2009 till May, 12, 2010.

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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.