



SISTEMA-HALS DELIVERS SOLID 28.8% TOP-LINE GROWTH IN THE FIRST THREE QUARTERS OF 2007

MOSCOW, RUSSIA – December 10, 2007 – Sistema-Hals (LSE, MICEX, RTS: HALS), one of the largest diversified companies on the real estate market in Russia and the CIS, today announces its consolidated unaudited financial results for the first nine months of 2007 in accordance with US GAAP.

Financial Highlights

	9M 2007 (USD '000)	9M 2006 (USD '000)
Revenues	207,540	161,099
Operating expenses, incl.:	(279,301)	(105,391)
Stock-based compensation	(97,966)	-
Operating income/(loss)	(71,761)	55,708
OIBDA¹	(62,994)	59,958
Net income/(loss)	(77,640)	34,349

Sistema-Hals' consolidated revenues for the first nine months of 2007 increased by 28.8% year-on-year to USD 207.5 million, compared to USD 161.1 million in the first nine months of 2006, driven mainly by the strong performance of the Real Estate Development division.

Commenting on the results for the first nine months of 2007, Felix Evtushenkov, President of Sistema Hals, said:

"We are pleased to report strong results for the first three quarters including a 28.8% increase in our revenues in comparison to the prior year period. Our continued efforts towards building a diverse portfolio of attractive projects will add shareholder value. We expect exceeding growth in revenues in the 4th quarter 2007 due to sale of interest in some of our projects."

Real Estate Development:

Sistema-Hals' consolidated revenue from Real Estate Development grew by 29.3 % year-on-year to USD 142.4 million in the first nine months of 2007. This growth was led by several factors including the completion and sale of the Sadovnicheskaya 75 building in Moscow; the sale of the "Camenniy Ostrov" project; higher prices and sales of land plots under the Aurora project in the Moscow region; revenue recognition from "Dnepropetrovskaya" and "Nahimovskiy" residential projects; and the construction of the Yartsevskaya 27v residential building in Moscow.

The Real Estate Development division accounted for 68.6% of total revenues in the first nine months of 2007.

¹ Here and below, please see Appendix 3 to this statement for a full definition of OIBDA.

**Project and Construction Management:**

Project Construction Management revenues amounted USD 20.2 million the first nine months of 2007 compared to USD 28.1 million for same period in 2006.

OIBDA of the Project Construction Management division grew by 13% year-on-year to USD 10.4 million in the first nine months of 2007.

The Project and Construction Management division represented 9.7% of total revenues in the first nine months of 2007.

Asset Management:

Asset Management revenues increased by 82.0% year-on-year to USD 28.9 million in the first 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 first nine months of the year.

OIBDA of the Asset Management division increased by 127.0% year-on-year to USD 19.9 million.

The Asset Management division represented 13.9% of total revenues in the first nine months of 2007.

Facility Management:

The Facility Management division reported year-on-year revenue growth of 129% to USD 16.1 million in the first nine months of 2007. The growth was primarily due to an increase in revenues from services provided to subsidiaries of JSFC Sistema.

This division represented 7.8% of total revenues for the period.

Operating expenses

Total operating expenses for the first nine months of 2007 amounted to USD 279.3 million, compared to USD 105.4 million in the same period last year:

- Cost sales of amounted to USD 131.3 million (USD 75.3 million in the same period last year);
- Sales, general and administrative expenses (SG&A) amounted to USD 139.3 million (USD 25.9 million in the same period last year);
- Depreciation and amortization charges increased to USD 8.8 million from USD 4.3 million the previous year.

The increase in Sales, general and administrative expenses was largely due to the one-off non-cash expense on stock option bonus plan for the Company's management and members of the Board of Directors to the amount of USD 98 million. The increase in SG&A was also caused by increased number of personnel in line with an increase in the number of new development projects.

OIBDA

Consolidated OIBDA represented a negative amount of USD 63.0 million in the first nine months of 2007.

**Income Tax**

Income tax payments increased to USD 13.9 million during the period from USD 7.4 million a year earlier.

Net loss

The Company's consolidated net loss in the first nine months 2007 amounted to USD 77.6 million.

Subsequent events

In October 2007 Sistema-Hals announced the commencement of trading in its ordinary, dematerialized registered shares on the RTS. From 30 October 2007, shares in JSC Sistema-Hals have been included on the exchange's list of 'securities admitted to trading but not officially listed', under the ticker HALS.

Also in October 2007 Sistema-Hals announced the 100% acquisition of two companies: Khamovniki Experimental Factory of Drinks and Prestige. As a result of these transactions Sistema-Hals has acquired control of land with a total area of more than 2.2 hectares located at 23/7 and 23/5 Lev Tolstoy Street, Moscow, formerly the site of the Khamovniki Experimental Factory of Drinks. The plot is currently occupied by about 20 administration buildings now in disrepair. Sistema-Hals is planning to build a mixed use office-residential complex with a total area of approximately 70,000 square metres on the site, which will include luxury apartments, three detached mansions, office accommodation, and underground and ground-level car parking, as well as infrastructure.

In November 2007 Sistema-Hals obtained a credit line from VTB Bank. VTB will provide Sistema-Hals with financing of up to USD 200 million for a period of five years. These credit resources will be used to finance the company's current investment programme.

Also in November 2007 Sistema-Hals acquired a 4.42% stake in the KAMELIA Health Spa. JSC Sistema-Hals had already acquired 95.58% of the shares in KAMELIA Health Spa in July 2007, resulting in a present-day holding of 100%.

In December 2007 Sistema-Hals announced the launch of the second phase in construction of a mega villa community, situated between two other Sistema-Hals developments (Landschaft and Gorki-8). The development is located on the Rublevo-Uspenskoye Highway (10-17 km from the MKAD ring road), on an area obtained by Gorki-8 Ltd. (a subsidiary of Sistema-Hals) totalling 61 hectares. Sistema-Hals has issued a commercial paper worth RUB 3,781,000,000 to finance the purchase of the land.

Conference call

Sistema-Hals will host a conference call today (10 December) at 5.00 PM Moscow local time, 14.00 PM London local time and 9.00 AM New York local time to present and discuss these results. Participants may dial into the call on the following numbers:

Participant Telephone Number: **+44 (0)20 7138 0835**
PIN: **2259417**

The webcast of Sistema-Hals' first nine months 2007 results conference call will be available both live and for replay purposes on December 10, 2007 beginning at 9 AM (Eastern US) / 2 PM (London) / 5 PM (Moscow), on the Company's web site <http://www.sistema-hals.ru> in the "Investor relations" section.

**Appendices:**

1. Consolidated balance sheets as of December 31, 2006 and June 30, 2007 according to US GAAP
2. Consolidated profit and loss statements for the first half of 2007 and the first half of 2006 according to US GAAP
3. Non-GAAP financial measures

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. Many factors could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, general economic conditions, our competitive environment, risks associated with operating in Russia, rapid technological and market change in our industries, as well as many other risks specifically related to Sistema-Hals and its operations. Many of these factors are beyond the Company's ability to control or predict. Given these and other uncertainties, readers are cautioned not to place undue reliance on any of the forward-looking statements contained herein or otherwise. The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements (which are made as of the date hereof) to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as may be required under applicable laws.

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**Appendix 1**

OJSC "Sistema-Hals"

Unaudited consolidated profit and loss statements for the first nine months of 2007 and the first nine months of 2006 according to US GAAP

(USD '000)	9M 2007	9M 2006
Revenues	207,540	161,099
Real estate development	142,372	110,105
Project and construction management	20,160	28,086
Real estate asset management	28,889	15,870
Facility management	16,119	7,038
Operating expenses, incl.:	(279,301)	(105,391)
Cost of sales	(131,280)	(75,264)
Sales, General and Administrative (excluding stock-based compensation)	(41,288)	(25,876)
Stock-based compensation	(97,966)	-
Depreciation and amortization	(8,767)	(4,250)
Operating income	(71,761)	55,708
Other income (expenses):		
Other income/(expenses), net	(1,372)	(3,162)
Interest income	14,538	1,608
Interest expense, net of amounts capitalised	(7,926)	(4,845)
Gain/(loss) on foreign currency transactions	9,645	(6,257)
Gain/(loss) on sale of shares in associates	55	3,136
Income/(loss) before income tax and minority interests	(56,821)	46,188
Income tax expense	(13,882)	(7,372)
Minority interests	(6,937)	(4,467)
Net income/(loss)	(77,640)	34,349

**Appendix 2**

OJSC "Sistema-Hals"

Unaudited consolidated balance sheets as of September 30, 2007 and December 31, 2006
according to US GAAP

(USD '000)	Sep. 30, 2007	Dec. 31, 2006
ASSETS		
Cash and cash equivalents	165,782	261,952
Trade receivables, net	42,361	34,741
Taxes receivable	70,056	38,855
Other receivables, net	50,263	9,771
Deposits, loans receivable and investments in debt and equity securities	121,384	164,855
Costs and estimated earnings in excess of billings on uncompleted contracts	50,066	13,081
REAL ESTATE INVESTMENTS, NET		
Real estate developed for sale	513,796	270,892
Income producing properties, net	83,792	59,541
Total	597,588	330,433
Buildings used for administrative purposes, plant and equipment, net	6,479	5,477
Deferred tax assets	10,218	
Development rights and other intangible assets, net	34,888	40,035
Investments in associates	17,043	2,799
TOTAL ASSETS	1,166,128	901,999
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Payables to suppliers and subcontractors	27,368	33,477
Billings in excess of costs and estimated earnings on uncompleted contracts	41,143	25,363
Accrued expenses and other liabilities	81,029	25,130
Taxes payable	10,890	3,899
Construction obligations	-	2,232
Loans and notes payable	521,757	377,967
Deferred tax liabilities	32,539	21,504
TOTAL LIABILITIES	714,726	489,572
COMMITMENTS AND CONTINGENCIES	-	-
MINORITY INTERESTS	19,970	18,681
SHAREHOLDERS' EQUITY		
Share capital	20,492	20,492
Treasury stock	(1,576)	(2,322)
Additional paid-in capital	528,586	430,126
Accumulated deficit	(116,070)	(54,550)
TOTAL SHAREHOLDERS' EQUITY	431,432	393,746
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,166,128	901,999

**Appendix 3****Non-GAAP financial measures**

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 amortisation 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. OIBDA can be reconciled to the Company's consolidated statements as follows:

	9M 2007 (USD '000)	9 M 2006 (USD '000)
Operating profit	(71.8)	55.7
Add: Depreciation and amortization	8.8	4.3
OIBDA	(63.0)	60.0