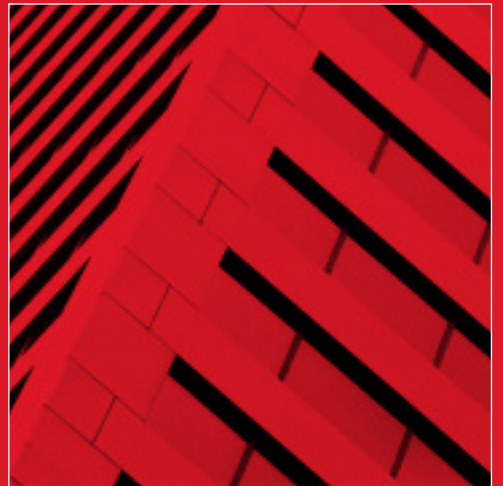


ANNUAL REPORT 2007





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ADDRESS BY THE GENERAL DIRECTOR OF THE JSC OPIN S. BACHIN

DEAR SHAREHOLDERS,

In 2007 the Company showed the best financial performance in its entire history. OPIN demonstrated significant progress in implementing existing projects and expanded its portfolio of new projects in the most attractive segments of the property market. According to the consolidated financial accounts, prepared in accordance with IFRS, the parent company shareholders' capital more than doubled exceeding USD 2.7 billion as of December 31, 2007. The Group total assets have grown 2 times since the beginning of the year and reached USD 3.5 billion as of December 31, 2007. Revenue almost doubled in 2007, reaching USD 165 million, and net profit attributable to the shareholders of the parent company grew 1.5 times in 2007, exceeding USD 86 million.

Growing the land bank is a key direction of OPIN's investment strategy. The Company continued to actively expand its land bank, which amounted to more than 5,700 hectares as of December 31, approximately a 7 times increase in the year. This will allow OPIN the scope to create integrated developments on our land, to build large scale suburban residential communities. It should also provide a pipeline of development projects for years to come. We believe that the construction of large-scale mini-towns with lower population density and a developed public infrastructure, complete with retail and entertainment complexes, kindergartens and schools, located along the major transport routes, represents a new strategic approach in Russian real estate development, with strong potential for the future.

And the facts bear out our belief in the future of this market segment. Surveys tell us that over 40% of Muscovites would prefer to live in their own house, rather than an apartment block. Over 80% of the capital's residents would like to live outside the city centre. The desire for a healthier lifestyle and the overdevelopment of downtown areas is driving demand for out-of-town, single-family homes.

However, the out-of-town housing that OPIN is building is not simply to satisfy demand for high-quality property. It is about a new way of life, a new quality of life, the lack of which is especially acute and which cannot be offered anywhere inside the Moscow Ring Road.

Erecting new-builds around old housing in Moscow becomes not only a burden for an already worn-out infrastructure; it also leads to inevitable social disparity. Furthermore, the rapid growth in the population density in Moscow, acute problems in the municipal transport infrastructure and environment, and an annual fifty-percent growth in single family suburban home construction in the Moscow Region, support our view that Moscow will expand the Moscow Ring Road.

We believe that this expansion will be primarily in the Western and Northern directions, along the most developed transport arteries. Government investment into the infrastructure of the Moscow Region that has already been announced means we can already say that, with time, a 100-kilometre zone beyond the current limits of Moscow, in a North-Western direction, will become an integral part of the metropolitan area, with commensurate land and property values.

I stress that it is in these very areas that a large proportion of OPIN's land plots are already located and the company considers a priority for growing the landbank further. We believe that OPIN is at the forefront of a new investment wave, as significant growth in the quality out-of-town property market segment is forecast for years to come. The magnitude of our existing and future projects should allow us to realize considerable economies of scale. The Company also plans to optimise the ratio between sales of units of suburban housing fully built with its own resources and preliminary sales in the early stages of building.

Development of middle-class residential housing is becoming one of important elements of our growth strategy. Development of this particular market segment has great potential in Russia and particularly in Moscow Region. The growth potential of the segment is confirmed by the significant unsatisfied demand for such projects – according to different sources demand for middle-class housing is met only for 15-30%.

Analysing the way of making the most out of growth in this segment we appreciated the reliability, cost-effectiveness and high quality of prefabricated timber frame home-building systems. To secure access to that technology, which will be used for the development of a substantial part of our land bank, in February 2008 the Company acquired approximately 61% of equity interest in Viceroy Homes Limited, a Canadian manufacturer of prefabricated timber frame houses. Cooperation with Viceroy, a reputable leader in design, engineering and manufacturing of modular house construction systems, will allow us to bring a new type of housing to the developing suburban property market and to offer a high-quality product for the rapidly-growing middle class. We expect that this will allow us to substantially reduce house building time and to sell most of the units in the finished state at a higher margin.

Our company is focusing on real estate development of newly-built properties, as opposed to the acquisition of income-generating properties. This makes it possible to realize much higher returns and to create a high-quality product, which will also hold its value in the future.

OPIN's investment priority is to work in the most attractive segments of the property market, which did not exist in Russia until recently and which are now being created almost "from scratch". We have already discussed our strategy of growing the land bank and development of large-scale residential communities. And now I would like to stress that development of true investment grade Class A offices is another investment priority for us.

In developing office buildings, we favour a "develop and keep" strategy for commercial properties, which allows us to take advantage of the continuing growth of rentals and also to realize capital gains on property value appreciation in the long term.

The regional strategy assumes the presence of the Company in key regions in Russia. In particular, OPIN is working on a multi-use residential complex project in Sochi, on the Black Sea coast.

I would now like to focus in more detail on OPIN's successes in the development of current projects.

- The Company obtained control over about 1,300 hectares of land in the Tver Region for the Large Zavidovo Master-Plan development project. This site has very high potential: it is located next to large expanses of water and there is a unique nature complex within it. The development Master Plan was finalized by the end of 2007. The international Company EDAW (www.edaw.com), a reputable international master planning consultant and architect firm, worked on the project. OPIN also engaged Economic Research Associates (ERA – www.econres.com), a respected leisure and tourism industry consulting firm, to advice on the project concept development and economic analysis.
- The Company significantly increased the size of its land bank, obtaining control over approximately 3,200 hectares of land in the Tver Region. The Company committed and partially prepaid acquisition of up to additional 13,000 hectares of land to the Western and Northern directions of Moscow, which were located along efficient transportation arteries and/or had good recreational potential.
- The Company committed up to 1,000 hectares in the area of the Pestovo community, now under construction. Acquisition of part of this plot approximately 352 hectares in area was completed in 2006-2007.
- The building of the Pavlovo-1 community is entering its final stage. As part of the Pavlovo-1 project 160 plots had been sold, 81% of the total, by the end of 2007.
- Sales are going well in the 128-hectare Pestovo community, now under construction. By the end of 2007 154 plots had been sold, 37% of the total.
- The Pavlovo-2 project has reached the active building stage. Sales of town houses and apartments in low-rise buildings began in the second quarter of 2007. By the end of the year 70 apartments in town houses and 109 apartments in low-rise buildings had been sold, 24% and 29% respectively. At present the building of all blocks of town houses and low-rise buildings is under way.
- The Company started presale of Martemianovo-1 consisting of land plots without a house. 119 land plots, 78% of the total, had been sold as of December 31, 2007.
- In December 2007 the Company acquired a 137-hectare plot in the area of Timonino village on the Kievskoe highway.
- In October 2007 OPIN became a management company for the development and subsequent operation of Mountain Ski Resort Rosa Khutor (Sochi). The project is a development of a four season resort with a comprehensive package of sporting features and tourist attractions built to the best international standards. Development of winter Olympics infrastructure in Sochi creates unique combination of winter sports and beach resort.
- The underground levels were completed and the aboveground reinforced concrete construction works were at advanced stage at Domnikov Class A Business Centre.
- The Company advanced in the development of A.I. Raikin Art, Culture and Leisure Centre Retail and Entertainment Complex. The reinforced concrete erection was completed in the underground section of the Block B. Construction works were in progress on the underground section of the Block A.
- The Company almost fully pre-contracted Pavlovo Podvorye Retail and Entertainment Complex and completed construction of the centre in a 'shell and core' condition.
- The Act of Permitted Use of the site was obtained for the OPIN Plaza Class A Business Centre Development.
- The Company contracted a general architect (PRP Architects Ltd) for the development of Sochi Hotel and Resort Estate.

OPIN consistently adheres to international standards of corporate governance and principles of transparency and responsibility to the shareholders. This policy, combined with a focused development strategy and the high potential of the sector, allows Open Investments to attract external funding.

In May 2007 the Company issued additional shares for approximately USD 325 million, and in October 2007 the Company attracted about USD 591 million as a result of a large-scale additional share offering. In the past year OPIN capitalisation has more than doubled, and reached approximately USD 4.2 billion by the end of 2007. The investment community gave the Company's work its approval. The Company ability to attract capital is our important competitive advantage, which enables us to implement long-term large-scale investment projects and serves as the foundation for OPIN's future success. The proceeds were directed mainly to finance our growth strategy: the purchase of new plots as part of land bank expansion and the development of existing and new projects.

On behalf of the Company management I wish to thank our employees for their professionalism and hard work, our partners for their fruitful cooperation and our shareholders and investors for the confidence they showed in us and for their support. Our wealth of experience, our well-trained team of professionals and the approval of our strategic solutions by our shareholders are laying a firm foundation for dynamic development of Open Investments and for further strengthening of the Company's leading position in the property market.

General Director, JSC OPIN

A handwritten signature in black ink, appearing to be 'S. Bachin', written in a cursive style.

S. Bachin



ADDRESS BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF THE JSC OPIN A. KLISHAS

DEAR SHAREHOLDERS,

In 2007 the OPIN company continued to strengthen its positions in the Russian and international markets. The Company actively expanded the land bank, which amounted to over 5,700 hectares as of December 31, 2007, more than 7 times the similar figure for 2006. The land bank expansion programme enables the Company to carry out integrated land development, to implement megaprojects for residential complexes in the suburban housing market and create a firm foundation for successful development for the years ahead.

OPIN actively pursued additional debt financing in 2007 to finance its growth. We are confident that international capital markets are becoming a reliable source of funds for implementing the growth strategy. We are pleased to note the growing trust and interest in the Company shown by both existing and new investors.

In May 2007 the Company made an additional issue of 1,798,063 shares for a total of approximately USD 325 million, most of the shares (95.85%) was taken up by existing shareholders pursuant to the exercise of their preemptive rights, evidence of their high level of confidence. A large-scale additional placement of 2,038,930 shares for a total of about USD 591 million was completed in October 2007. As a result of the placement the Company increased its capitalisation by almost 1.5 times. The Board of Directors set the price of the placement at USD 290. The issue was about 18% oversubscribed. The SPO results again showed the very high level of investor interest in the Company.

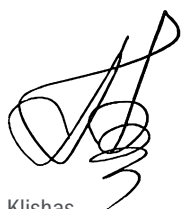
In 2007 the OPIN share price rose almost 35%, capitalisation doubled, reaching USD 4.2 billion as of December 31, 2007.

I would like to stress that the Company aims to achieve the highest standards of corporate governance. OPIN is demonstrating its commitment to openness and transparency. The Company continues reporting in compliance with IFRS standards. The assets are independently evaluated by Jones Lang LaSalle, a reputed international real estate expert. Deloitte, the IFRS auditor of the Company's accounts, audited the OPIN consolidated financial accounts twice in 2007 in accordance with International Auditing Standards. Rosekspertiza, one of the largest audit firms in Russia, is the auditor of the Russian accounts. In addition there is a Company Internal Audit Department independently reporting to the Board of Directors, as well as an Audit Committee within the Board of Directors.

We are satisfied with our results. On the one hand, they represent a convincing evidence that the strategy is right, and on the other hand, they inspire optimism in the Company's future prospects. The Company begins a new phase in its development, switching from from extensive growth (more land acquisition, more construction projects, etc.) to an intensive development of integrated projects, taking full accounts of such important features as providing attractive social infrastructure, ensuring that the projects are ecologically friendly, and that they are properly aligned with interests of local communities. OPIN represents a good example of socially responsible business.

On behalf of the Board of Directors I would like to thank the employees of the Company for their hard work. I would also like to express my appreciation to our shareholders for the support and confidence which they have shown in the Company.

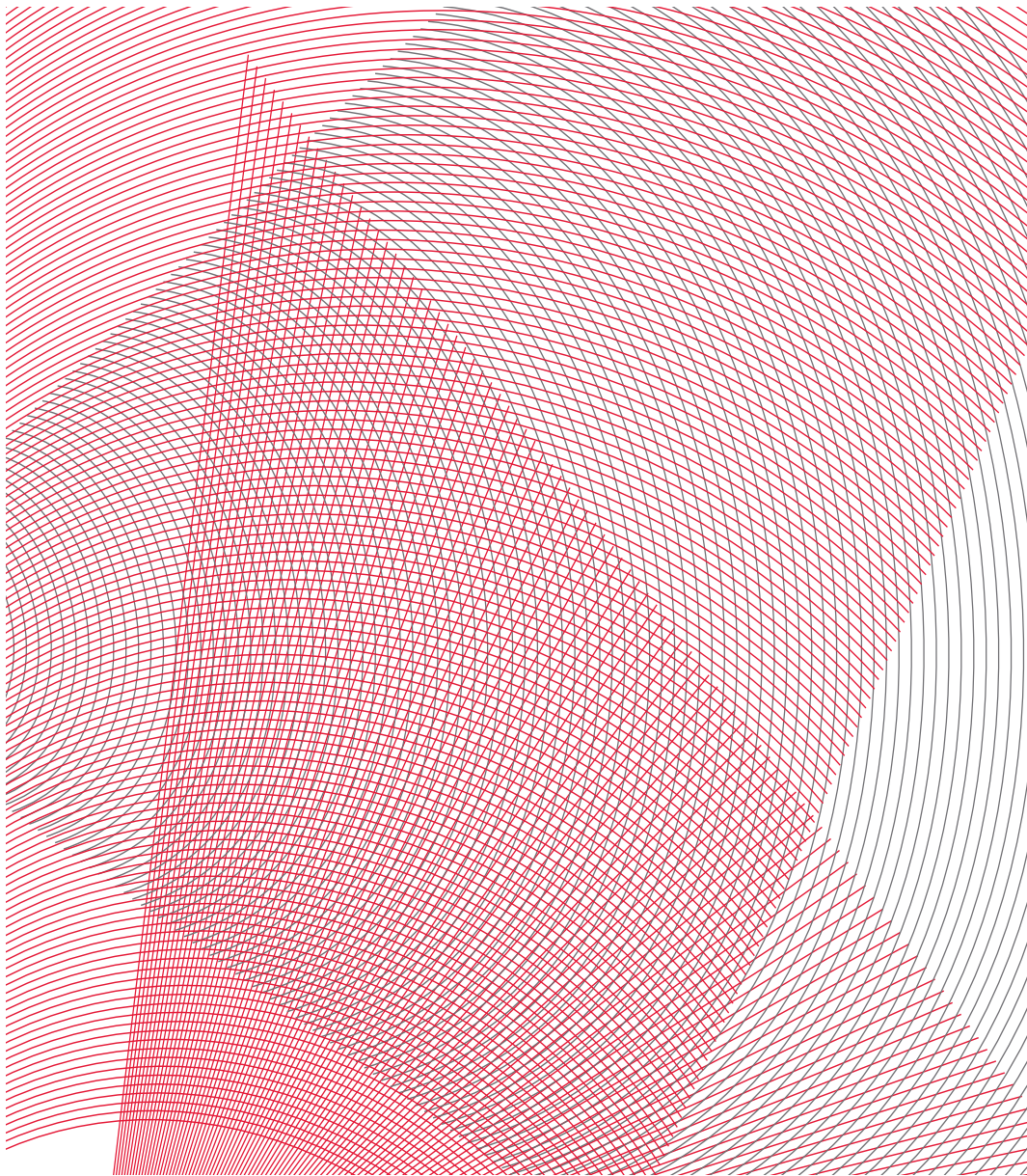
Chairman of the Board of Directors, JSC OPIN



A. Klishas



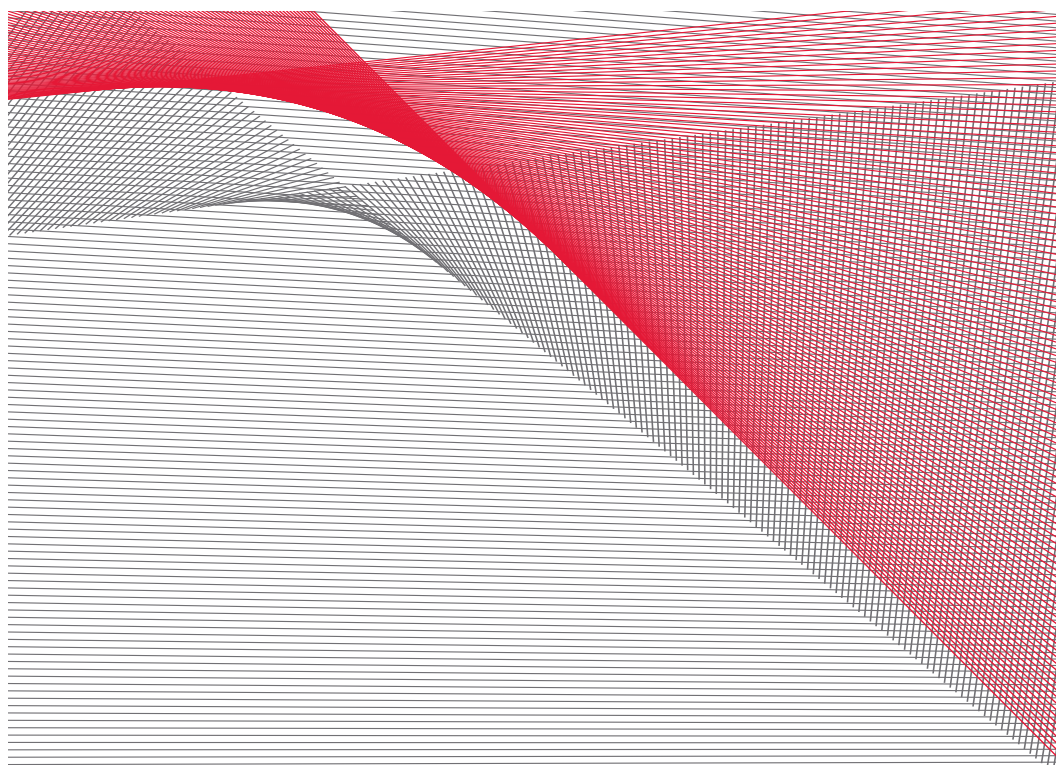
SUMMARY FINANCIAL DATA



SUMMARY FINANCIAL DATA

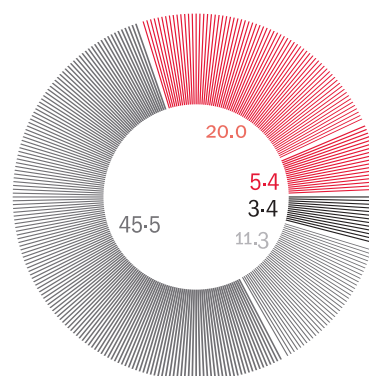
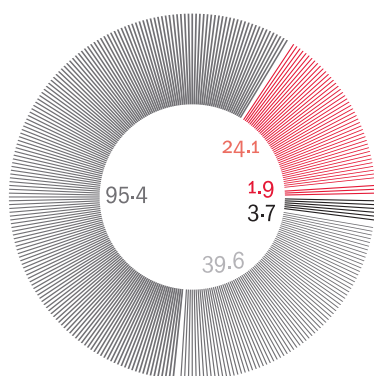
SUMMARY FINANCIAL DATA (USD, thousand; unless otherwise indicated)*			
	2007	2006	2005
Revenue	164,656	85,589	93,128
Gross profit	61,937	34,003	34,718
Net profit attributable to shareholders of the parent company	86,762	58,108	14,094
Investment property	102,656	141,049	49,271
Investment property under development	1,350,810	525,903	294,317
Inventories	482,732	35,017	35,013
Cash and cash equivalents	427,092	313,400	55,428
Total assets	3,498,434	1,655,479	598,762
Long-term loans	92,193	45,590	221,402
Other non-current liabilities	363,681	122,751	68,116
Equity attributable to shareholders of the parent company	2,770,050	1,261,721	244,336
Current liabilities	272,510	225,417	59,007
Total number of issued shares, units	13,587,969	9,750,976	3,590,000
Net asset value per share, in US Dollars	203.87	129.39	68.06
Earnings per share, in US Dollars	7.70	10.07	3.93






* According to consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS)



REVENUE BREAKDOWN FOR 2007
(USD, million)*

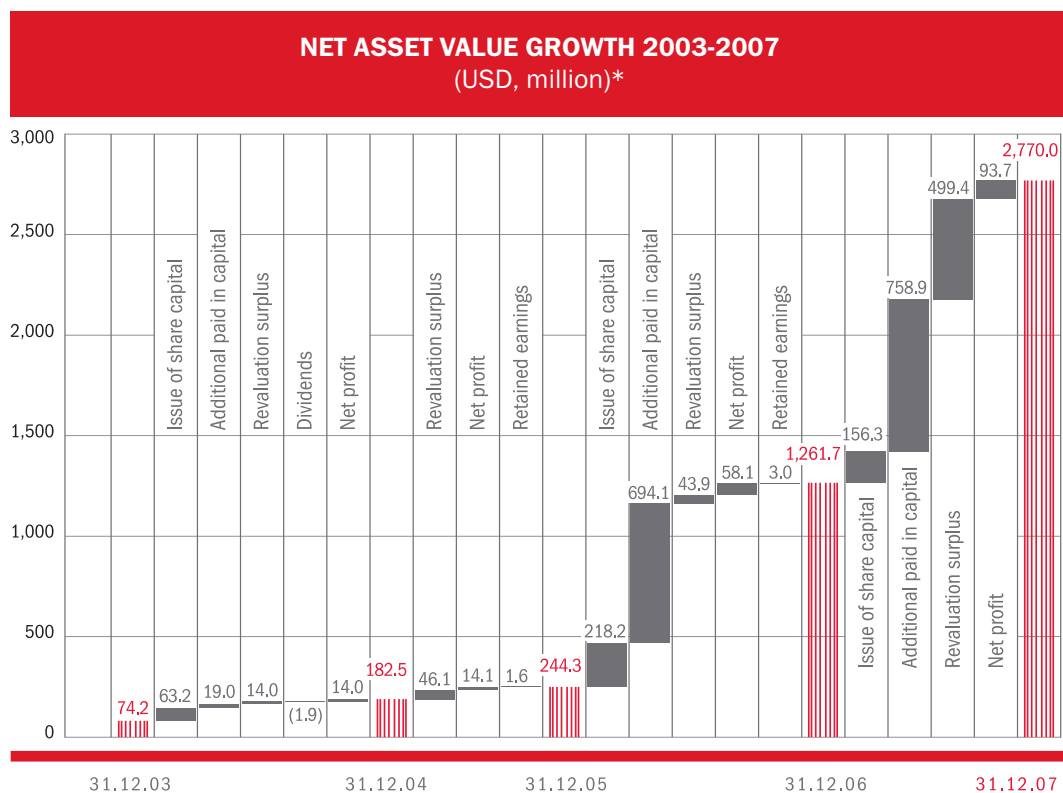
REVENUE BREAKDOWN FOR 2006
(USD, million)*



-  Rental income from investment property
-  Revenue under construction contracts
-  Land sold
-  Hotel revenue
-  Revenue on rendering other services

* According to consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS)

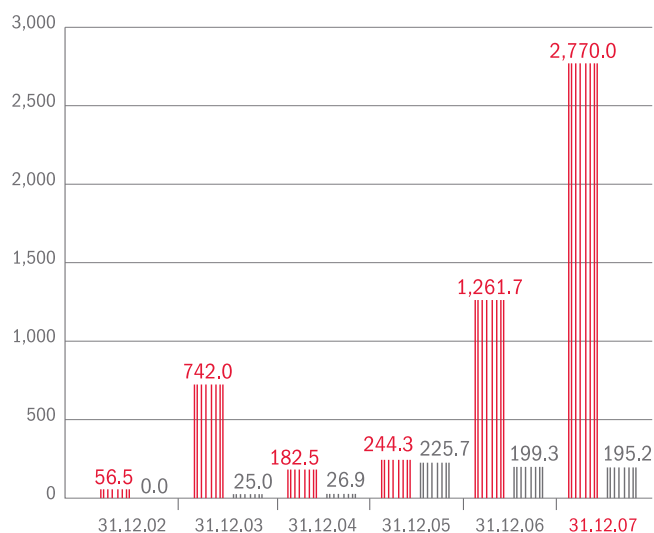
SUMMARY FINANCIAL DATA



* According to consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS)

EQUITY AND DEBT DYNAMICS IN 2002-2007

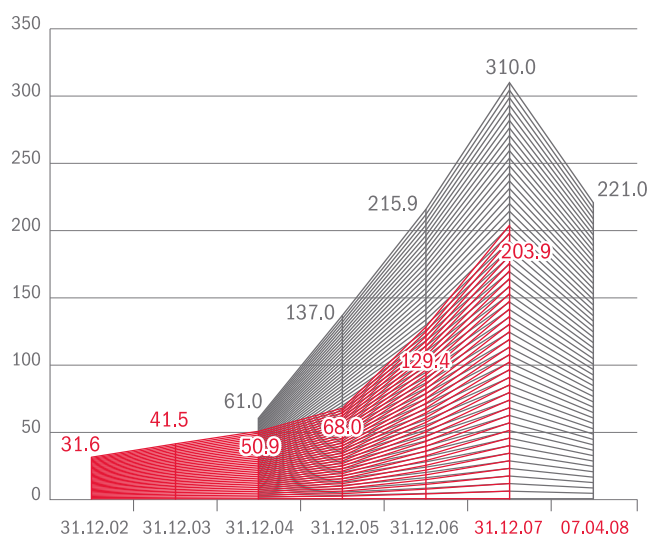
(USD, million)*



█ EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY █ DEBT

NET ASSET VALUE PER SHARE AND SHARE PRICE DYNAMICS IN 2002-2007

(USD)*

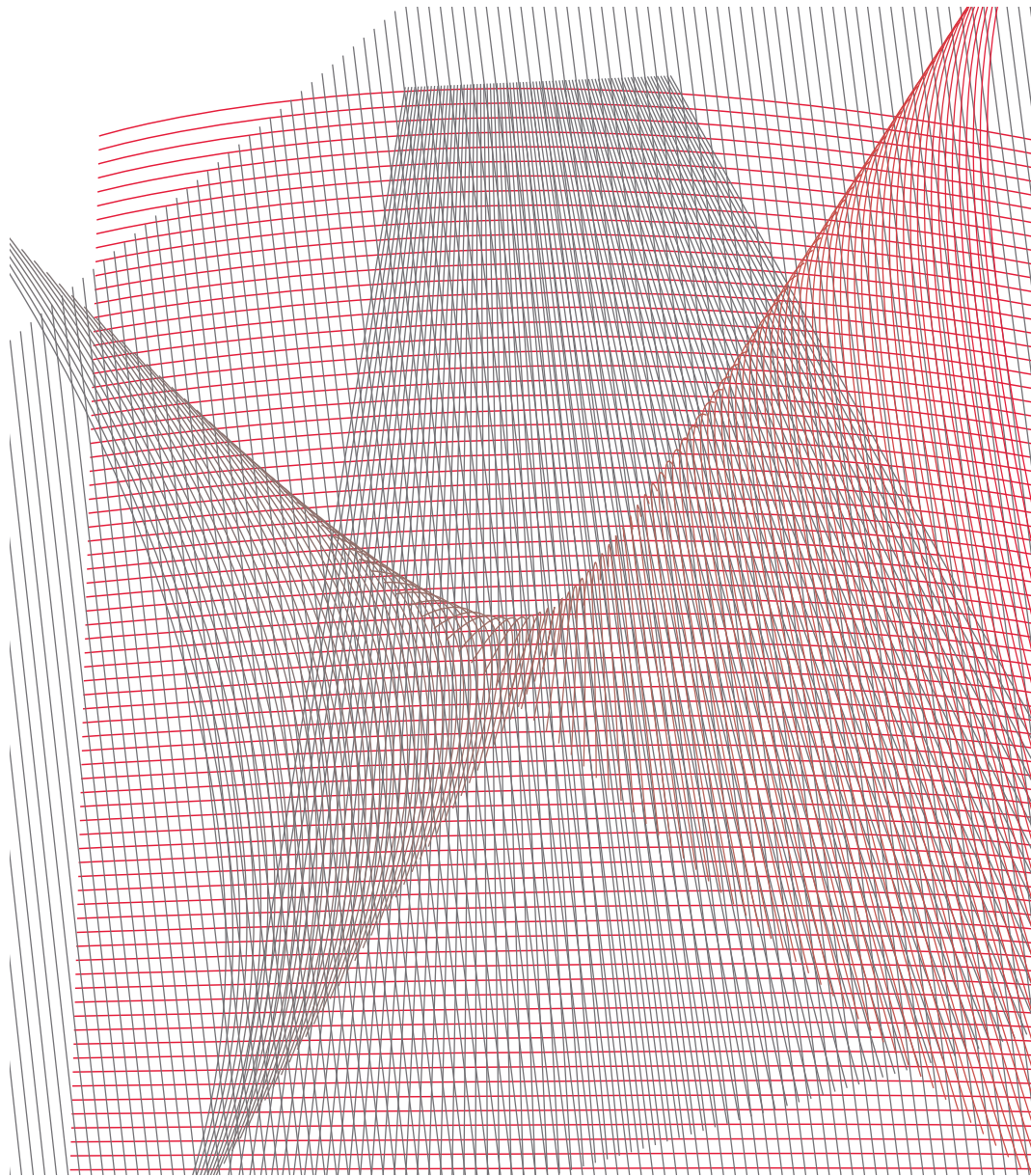


█ NAV PER SHARE (END OF PERIOD) █ SHARE PRICE (END OF PERIOD)

* According to consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS)



MISSION AND STRATEGY OF THE COMPANY



MISSION AND STRATEGY OF THE COMPANY

EXECUTIVE SUMMARY OF COMPANY ACTIVITIES

In September 2002, in order to consolidate its assets and operations related to real estate, Interros set up Joint Stock Company Open Investments (JSC OPIN). The objectives set forth for the management were to make the Company one of the major players in the Russian real-estate market, to maintain a high rate of return on capital employed and to create a liquid and growing market for the Company's shares on the major trading floors of Russia, and subsequently on the international exchanges.

Today OPIN is implementing development projects and manages its own real-estate assets.

The real estate project portfolio includes:

Class A office centres

- Meyerhold Class A business centre;
- Domnikov Class A business centre, being built in Moscow;
- OPIN Plaza Class A business centre, construction planned in the Moscow City International Business Centre district.

Master-Plan developments

- Pavlovo community being built on the Novorizhskoe Highway, which includes the Pavlovo-1 and Pavlovo-2 communities, as well as the Pavlovo Podvorye Retail and Entertainment Complex and the Pavlovo private school;
- Pestovo community being built on the Dmitrovskoe Highway;
- Martemianovo community being built on the Kievskoe Highway;
- Lukino community, construction planned on Novorizhskoe Highway;
- Hotel and Resort estate, construction planned in Sochi;
- Large Zavidovo Master-Plan development;
- Large Pestovo Master-Plan development.

Timber-frame house building

- Viceroy Homes Limited.

Development project management and consultancy

- Mountain Ski Resort Rosa Khutor;
- Central Ring Road of Moscow Region (TSKAD).

Other projects

- Novotel Moscow Centre Hotel;
- A.I. Raikin Art, Culture and Leisure Centre Retail and Entertainment Complex, being built in Moscow;
- Multi-use complex in central Moscow in the Neglinnaya Street District.

Additional land plots

- Land plots to the northern and western directions of Moscow;
- Land plots along the Kievskoe Highway.

In September 2004 the Company's ordinary shares were listed on the B list of RTS Stock Exchange in order to maximise the access to potential investors prior to its initial public offering (IPO). In November 2004 the Company successfully completed the IPO, raising a total of USD 68.8 million from a wide circle of international and Russian investors. This move meant that the Company became the first ever public corporation in the Russian real-estate market and allowed it to raise funds in order to finance its commercial and residential real-estate projects. The Company's shares are included in the RTS and RTS-2 index baskets.

The second share issue to the value of approximately USD 90 million was successfully completed by the Company in April 2006. In October 2006 the Company announced the completion of the third additional share placement (SPO). The offer comprised 4,875,488 shares with a total value of about USD 881 million.

In May 2007 the Company completed an additional issue of 1,798,063 shares with a total value of about USD 325 million. In October 2007 the Company completed the fifth additional share placement (SPO). The offer was of 2,038,930 shares with a total value of about USD 591 million. In mid-April 2008 the market capitalisation of the Company was approximately USD 3 billion.

The investment strategy of the Company is based on diversification of its projects across the most attractive real-estate segments in Moscow and surrounding area, in Central and Southern Russia, while maintaining an optimum balance between investments in development projects and management of income-generating properties. The Company plans to expand the land bank by acquisition of high-quality plots suitable for residential construction and developing other projects with high recreation potential (such as proximity to water and forests) and good transport links with Moscow.

According to consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS), as of December 31, 2007 the total assets of OPIN more than doubled compared with the beginning of the year, reaching USD 3.5 billion, and equity attributable to the shareholders of the parent company also more than doubled, to over USD 2.7 billion. Revenue in 2007 grew by almost 1.5 times relative to 2006, reaching USD 165 million. The net profit attributable to the shareholders of the parent company in 2007 increased almost 1.5 times relative to 2006 and exceeded USD 86 million.

MISSION

To provide a wide audience of investors with a continuous access to attractive investment opportunities in the Russian real-estate market assets, to develop and sell in the market investment-grade real estate, and operate in accordance with international standards of transparency and corporate governance.

The Company's main objective is to become one of the largest real-estate corporations in Russia and to provide good return on invested capital.

Over the next three to five years, Open Investments is planning for a significant increase in its assets and net asset value (the key valuation benchmark for real-estate companies). To attain this objective, OPIN seeks to increase the number of projects implemented and to expand its land bank, as well as to create a portfolio of high-return development projects by continuing to seek new investment opportunities.

The Company regards public capital markets as the its principal source of capital. With this in view, OPIN is seeking to improve the liquidity of its shares on major Russian trading floors and in the long term on international stock exchanges.

STRATEGIC GOALS OF THE COMPANY

The major strategic goals of OPIN are:

- to ensure strong commitment to quality;
- to significantly increase the asset base and net asset value – the key valuation benchmark for real estate companies;
- to increase the number of implemented projects and to grow the land bank;
- to search continuously for new investment opportunities and to create a high-return development projects pipeline.

THE BUSINESS STRATEGY OF THE COMPANY

OPIN's strategic objective is to continue to be a leading real estate development, management and investment group in Russia, at the same time maximizing shareholder value. To achieve this objective, the Company intends to pursue a business strategy built on the following key elements:

Focus on development

OPIN intends to continue to focus primarily on real estate development and plans to invest between 50% and 70% of its capital in the development of new projects with the remainder (e.g. between 30% and 50%) of its capital to be used in existing income-generating properties in order to provide a stable and predictable cash flow to cover working capital requirements and debt payment obligations of the Company.

Target the most attractive segments of the market

The Company aims to concentrate its strategic focus on real estate market segments that it believes may yield the highest investment returns, affording at the same time adequate risk management, and in which OPIN has management expertise.

Among its priority segments, OPIN considers Class A offices, master plan developments within large-scale residential communities (mini towns and resorts) and middle-class out-of-town residential housing. These segments are characterised by relatively high barriers to entry, such as the significant capital investment required and the often complex government approval process involved, high customer demand, insufficient supply and a scarcity of suitable land plots.

Residential housing

In the Company's view, residential housing in the immediate vicinity of Moscow is the most attractive segment of the real-estate market. Large-scale projects combining such factors as prime sites, good accessibility, contemporary low-density housing and the availability of infrastructure make it possible to offer clients high quality lifestyle, not typically found within the city limits.

In the suburban housing segment the Company is planning an increase in the sales of finished units, built from its own resources. Compared to early pre-sale, this approach gives a substantially increase in margins, due to the higher price of completed houses. This approach brings an additional bonus of having accurate construction schedules planning and obtaining better rates from general contractors. This approach is especially valid in combination with advanced frame-and-panel building technologies.

The Company has two areas of priority:

Deluxe residential housing

This market segment is now producing a high yield on investment. OPIN is actively developing premium-class projects with a unique location, for example, by the proximity of "major lakes and rivers", being built in a favourable natural environment in close proximity to lakes and reservoirs with well-developed infrastructure and good accessibility.

Affluent middle and mass-middle class residential housing

The Company believes that the development of the middle-market residential housing segment with

single-family houses costing less than USD 1 million shows promise in Russia, especially in the Moscow Region. The potential of this segment is based both on a general growth of prosperity and on the expansion of mortgage credit in Russia. In the Company's opinion, this segment includes affluent middle class housing with house costing from USD 600,000 to 1 million and a mass-middle class housing in the USD 300,000-600,000 bracket. In this segment OPIN plans to follow a project development concept similar to that in the premium-class segment: high-quality housing with full infrastructural provision as part of large-scale residential complexes. The middle class will be offered houses smaller in area, and accommodation in terraces and small apartment buildings. The Company also plans to use new construction technology in this market sector, such as high-efficiency frame-and-panel technology from leading international manufacturers, which will speed up construction, cut costs and improve profitability in this market segment.

OPIN plans to allocate between approximately 40% and 50% of its capital to the residential housing projects of deluxe class as well as affluent middle and mass-middle class.

Class A office buildings

The Company considers class A office premises to European standards to be one of the most attractive segments of the Russian real-estate market. It remains a priority segment for the Company. According to OPIN's estimates, the supply of class A office buildings meeting international quality standards in Moscow continues to lag behind the growth in demand over the medium term. The Company plans to continue building high-quality office space, attractive to major tenants and international investors. The Company plans to allocate from 20% to 40% of its investment portfolio to building office premises of the highest category.

Retail centres, hotels and other projects

In view of the existing demand for new retail centres and hotels in Russia, the Company assumes that from 10% to 20% of the investment portfolio can be allocated to this type of project.

OPIN may consider expanding its activity into other real estate market segments such as warehousing and infrastructure projects. In addition the Company constantly monitors changes in the market and legislation. The allocation of resources in a particular segment may be reviewed, if it becomes more or less attractive.

Grow the land bank

OPIN is continuing to pursue active land bank growth in key areas in the Moscow Region and in other highly promising regions, through the acquisition of large land plots undervalued at the time. There is a unique opportunity for building up large land holdings, which will be an important factor in the Company's success in the future. The land bank will be used for residential and commercial developments, as well as for capital appreciation purposes.

Retain investment grade properties upon completion for capital appreciation

Upon completion of construction of its commercial real-estate projects, OPIN plans to keep them in its portfolio for up to 5-7 years in order to receive stable cash flow from leasing and also to take full advantage of the increase in the value of office buildings as a result of the reduced return expected by investors. An optimum portfolio of tenants will be formed under Company control, making it possible to stabilise the flow of leasing returns. As a result, a property will have the highest market value and can be sold at the highest price, including sales to major international institutional investors. In addition, as projects in the commercial real-estate sector are completed the Company will attempt to refinance its investments efficiently by bringing in loan capital, which increases the return on its investments.

Focus on large-scale projects

The Company is focusing on large projects to make efficient use of its management and financial resources and to achieve economies of scale. In addition, this helps to increase the value of the assets under management and market capitalisation, as well as net asset value (the main financial benchmarks for the assessment of real-estate companies). This strategy is applicable both in the offices sector and in house-building.

In the residential housing segment the Company is planning to continue large-scale project development, offering the customers high-quality modern communities located in areas with good transport prospects with all necessary infrastructures. This approach is aimed at creating an attractive lifestyle that has value beyond each individual land plot, and increases the value of the projects.

Secure and cost-effective supply of prefabricated housing

To maintain growth in future Company earnings and the implementation of its middle-market residential community projects, the Company strives to ensure the reliability, profitability and high quality of the proposed timber-frame-and-panel houses. This technology was used for the first time to build homes in Martemianovo Community. The Company considers that producing such houses will substantially reduce construction times and costs compared with the traditional technology used by the Company in projects such as Pavlovo-1, Pavlovo-2 and Pestovo Communities. To obtain access to these technologies, in February 2008 the Company acquired about 61% of the equity of Viceroy Homes Limited (Viceroy), a Canadian producer of timber-frame houses.

Expand outside Moscow Region

The Company operates primarily in Moscow and Moscow Region, where traditionally the highest real-estate returns can be achieved. However, OPIN may also consider projects in other regions of Russia if attractive investment opportunities arise and it has the necessary managerial and other resources for developing such projects. In particular, OPIN is treating the real-estate market in Sochi, at present one of the most dynamic in Russia as the venue for the 2014 Winter Olympics, as a priority. Furthermore, particular interest is being taken in the north-west as part of the land bank development programme.

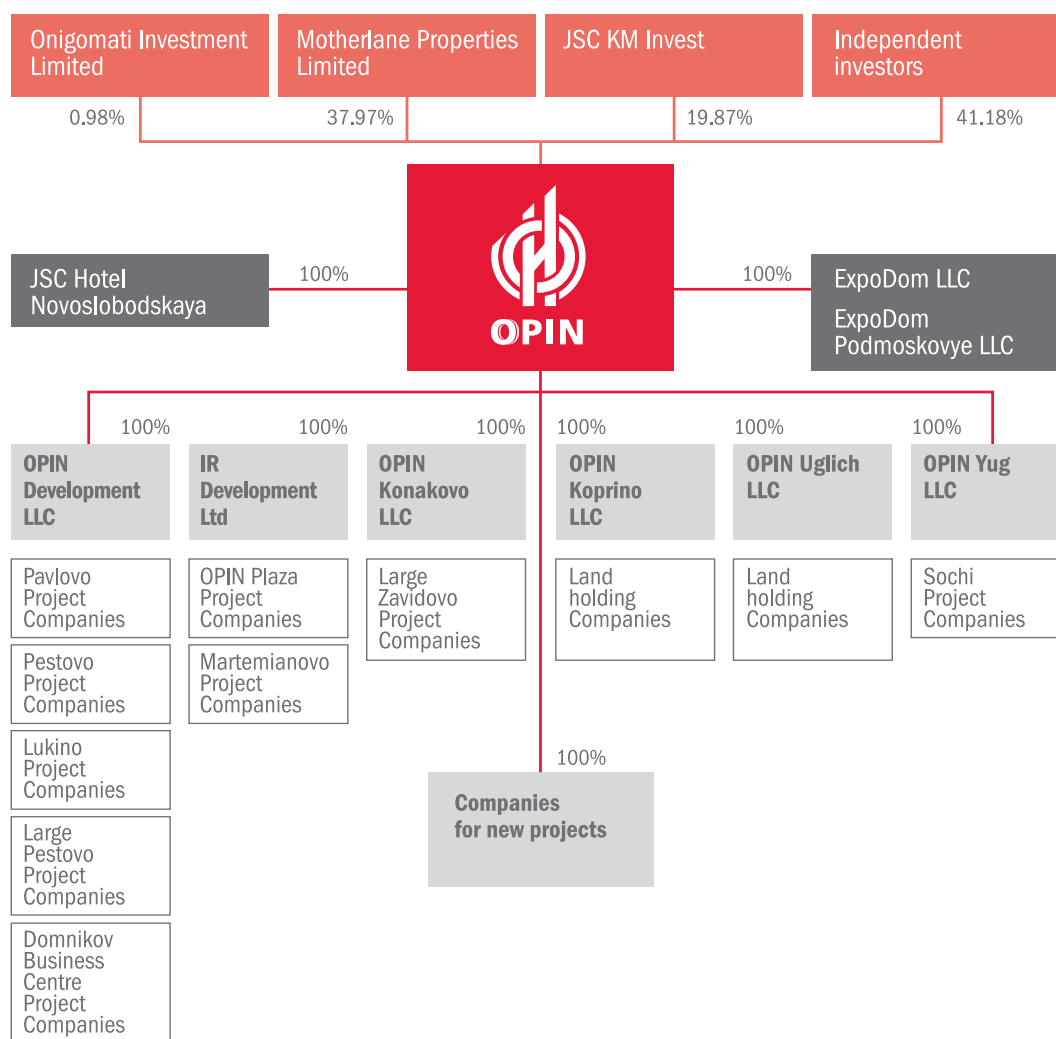
Optimise capital structure

OPIN considers a debt-to-equity ratio of at least 50:50 as the optimum. The Company intends to favour the use of equity capital over debt capital primarily to give it the flexibility to make acquisitions of land to support its future developments. As more projects commence development, OPIN plans to balance the level of equity and debt capital.

Maintain high level of transparency

For OPIN to achieve its primary objectives it is vital to maintain a high level of transparency in terms of ownership structure, corporate governance, project preparation and management, financial reporting and investor relations. Transparency in these areas is a key to accessing Russian and international capital markets, to obtaining loans and to developing long-term relationships with business partners who have financial resources, expertise and knowledge in the real-estate field.

GROUP CORPORATE STRUCTURE CHART



As of January 1, 2008

SENIOR MANAGEMENT OF THE COMPANY



Sergey Bachin
General Director

Sergey Bachin graduated from the M. V. Lomonosov Moscow State University with an Honours degree in physics. He has an MBA from the University of Hartford (USA) specializing in corporate finance, and CMA and CPA professional certifications. Before joining the Interros, he was a regional Finance Director for Mars in Russia for two years and for three years was a financial analyst for Pratt and Whitney United Technologies. Sergey Bachin led the Company's development projects on Novoslobodskaya Street, the construction of the Meyerhold Office Centre and Theatre and the Novotel Moscow Centre Hotel.



Sergey Belikov
First Deputy General Director

Sergey Belikov graduated from the Moscow Institute of Radio Engineering, Electronics and Automation, specializing in automated control systems. He has extensive experience in real-estate business management and has held the posts of Commercial Director of Olympic Complex Luzhniki OJSC, deputy General Director of the GAO All-Russian Exhibition Centre and General Director of the Hotel Novoslobodskaya OJSC.



Denis Davidko
First Deputy General Director,
Chief Operating Officer and
Chief Financial Officer

Denis Davidko graduated with Honours as a Bachelor of Economics and Master of Economics from the M. V. Lomonosov Moscow State University. He completed a one-year exchange programme at the University of Virginia (USA), where he studied business administration and finance. He has extensive experience in banking, specializing in corporate finance and the organization of equity and loan financing. He was Chief Financial Officer of Ilyushin Finance Co. OJSC, the largest Russian aircraft leasing company.



Arkadiy Kalachnikov
First Deputy General Director

Arkadiy Kalachnikov graduated from the Moscow Chemical Engineering Institute. He was invited to join the Interros from Svyatoi Istochnik company. He has been actively involved in development projects at Interros, including the Meyerhold Office Centre and the construction of the Novotel Moscow Centre Hotel. He has extensive experience in commercial real-estate business management.



Aleksander Kartsev
First Deputy General Director

Aleksander Kartsev graduated from the Moscow State Institute of Physics and Engineering and the Moscow State Institute of International Relations and he gained an MBA degree at the Moscow State Institute of Civil Aviation Engineers. He has held management posts in Mars and in Aeroflot OJSC and has extensive experience in business organisation in Russia.



Aleksey Kostin
Executive director

Aleksey Kostin graduated from the Moscow State Institute of Physics and Engineering, completed a management course at the Warwick University Business School in the UK and was awarded an MBA degree from the Russian Federation Government Academy of National Economics. He has been involved in commercial real-estate and development projects of the Interros since 2000.



Sergey Trubin
Deputy General Director
for Regional Projects

Sergey Trubin graduated from the Kuibyshev Polytechnic Institute and the Moscow International Business Institute. He has also attended over 20 management training courses in Stockholm and with Ernst & Young, Achieve Global, Arthur Andersen, Mars, R.J. Reynolds, and JTI. He has extensive experience in business organization in Russia and the CIS countries. Before joining the Company, Mr. Trubin worked at international corporations including Mars, JTI, R.J. Reynolds and World Finance & Investments, a Gallagher Group company.



Andrey Repin
Deputy General Director
for Commercial Property
Management and Maintenance

Andrey Repin graduated with Honours from the A.S. Popov Naval Radio and Electronics Academy, specialising in automated control system software and from the Moscow State Institute of International Relations, specialising in international economic relations. He has extensive management experience and, before joining Interros, was General Director of the Mars North-West regional office in St Petersburg. Since 1999, he has been involved with Interros divisions specializing in development and commercial real estate.

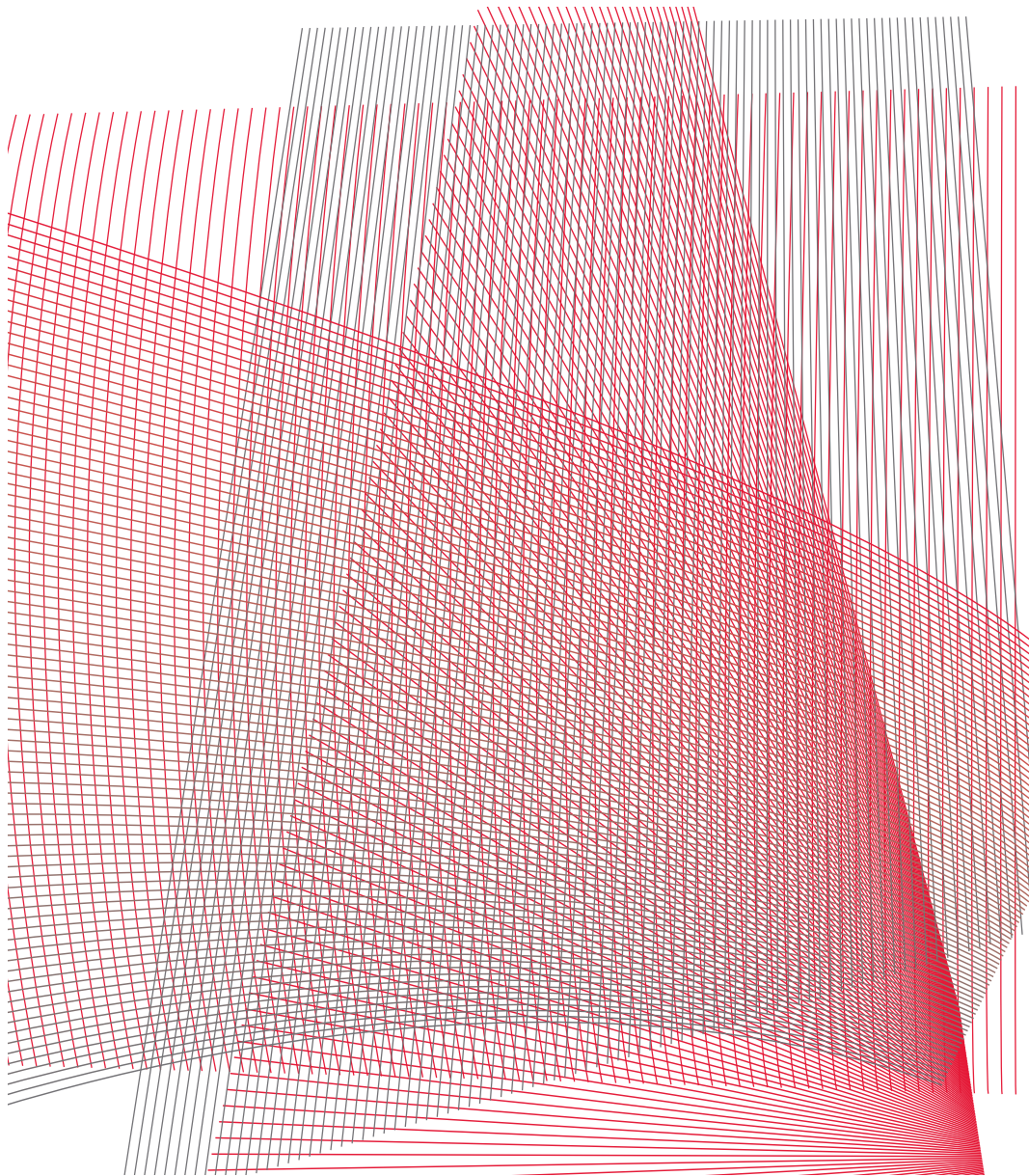


Valentin Porzhenko
Director - Legal Department

Valentin Porzhenko graduated from the Moscow State Law Academy. He has extensive experience of legal support for development projects, and in devising consumer and mortgage credit programmes. He held management positions in DC Mortgage Finance Netherlands BV, Russkiy Standard Bank CJSC, the managing company of the SBS-AGRO Banking Group, and the Urban Institute, USA (a private research institute). He has been involved in legal support for the Meyerhold Centre and Novoslobodskaya Hotel construction projects.



CORPORATE GOVERNANCE



CORPORATE GOVERNANCE

Corporate governance

The policy of Joint-stock Company Open Investments (referred to hereafter as “the Company”) is aimed at maintaining a high degree of transparency with respect to ownership structure, rules of corporate governance, financial statements and investor relations. The Company maintains high standards of corporate governance, including the full disclosure of information in accordance with current legislation of the Russian Federation. In particular, the Company is fully compliant with the Corporate Governance Code, as recommended by the Russian Federal Securities Commission (Order dated April 4, 2002 No. 421/R “On Application of the Corporate Governance Code”), and regularly submits corporate governance compliance reports to the RTS stock exchange.

Board of Directors

Andrei Klishas

Chairman of the Board of Directors since 2007.
Not a shareholder of the Company.

Born in 1972, a citizen of the Russian Federation. Since March 2008 Mr. Klishas has been General Director of KM Invest CJSC and Deputy Chairman of the Board of Holding Company Interros (ZAO). From 2001 to March 2008 he was General Director of Holding Company Interros (ZAO).

Since 2007 he has been a member of the Board of Directors of KM Invest CJSC. Since 2001 he has been Chairman of the Board of Directors of GMK Norilsk Nickel OJSC, since 2002 he has been a member of the Board of Directors of APK Agros CJSC; since 2004 he has been Chairman of the Board of Directors of AKB ROSBANK OJSC and a member of the Board of Directors of Holding Company Interros (ZAO).

Mr. Klishas is a member of the Expert Committee of the Russian Federation Interior Ministry, a member of that Ministry's Social Committee, and a member of the Advisory Committee of the Association of Russian Lawyers.

Mr. Klishas holds the degree cum laude of Master of Jurisprudence from the Russian International Friendship University. He is a Candidate of Legal Sciences, Reader in the Russian International Friendship University department of constitutional and municipal law and Reader in the department of constitutional and municipal law, Moscow Russian Interior Ministry University.

Elena Anikina

Member of the Board of Directors since 2007.
Not a shareholder of the Company.

Born in 1961, a citizen of the Russian Federation. Since 2007 she has held the position of Vice-President of ONEKSIM Group LLC. Since 2005 she has chaired the Board of the “Sochi – 2014” ANO; and since 2006 she has chaired the board of the “Sochi – 2014” Bid Committee Fund and been General Director of Sochi Sport Development Management Group CJSC.

From 2001 to 2007 she was the director of the department of administration of Holding Company Interros (ZAO); she is a member of the board of Holding Company Interros (ZAO). From 2006 to 2007 she was chairman of the Board of Directors of Rosa Khutor LLC. Mrs. Anikina is a graduate of the M. Thorez Moscow State Pedagogical Foreign Languages Institute, specializing in foreign languages, and also of the G.V. Plekhanov Russian Economic Academy (REA) MBA Programme (specializing in finance and credit).

Sergey Bachin

Member of the Board of Directors since 2005.
Holds 186,693 ordinary shares in the Company
1.37% of the charter capital¹.

Born in 1963, a citizen of the Russian Federation. In 2003-2004 he was General Director of the LLC OI Management Company, managing organization of the Company; from January 1, 2005 to date he has been General Director of the Company.

From 2001 to date he has been a member of the Board of Directors of Novoslobodskaya Hotel OJSC.

Mr. Bachin is a graduate of the M.V. Lomonosov Moscow State University and of the University of Hartford (USA).

Olga Voytovich

Member of the Board of Directors since 2004.
Not a shareholder of the Company.

Born in 1969, a citizen of the Russian Federation. Since 2007 she has been Deputy Head of the legal department of Holding Company Interros (ZAO), a member of the Board of Directors of KM Invest CJSC; she chairs the Board of Directors of Park LLC. Since 2006 she has chaired the Board of Directors of Invest Garant LLC.

In 2006 Mrs. Voytovich also held office as General Director of Invest Garant LLC. From 2006 to 2007 she was a member of the Board of Directors of Rosa Khutor LLC.

Mrs. Voytovich is a graduate of the M.V. Lomonosov Moscow State University and has completed the "Executive MBA. Strategic management" programme of the Institute of Business and Business Administration, Russian Federation Government Academy of the National Economy.

Gert Tiivas

Member of the Board of Directors since 2006.
Not a shareholder of the Company.

Born in 1973, a citizen of the Estonian Republic. From 2007 to date he has been a member of the Board of Directors of East Capital Power Utilities Fund AB (publ.), a member of the Board of Directors of East Capital Explorer Investments AB.

From 1998 to 2002 he was President and General Director of the Tallinn Stock Exchange; from 2002 to 2005 he was President for the Baltic Region, and from 2005 to 2006 President for Developing Markets at OMX Exchanges; from 2006 to date he has been CEO of East Capital International AB.

Mr. Tiivas is a graduate of George Washington University (Washington, D.C.) specializing in international economics, banking and finance, of Bentley College (Waltham, Massachusetts) specializing in international relations and economics and of Vesalius College (Vrije Universiteit Brussel, Brussels), specializing in economic policy and institutional development in the EC.

John Sleeman

Member of the Board of Directors since 2006.
Not a shareholder of the Company.

Born in 1949, a citizen of the United Kingdom and Northern Ireland.

From 2007 to date Mr. Sleeman has been a member of the Board of Directors of PV Crystalox Solar plc, since 2006 a partner of S.P. Angel Corporate Finance LLP. From 1998 to 2003 he was a General Director of HSBC Bank he was Managing Director of HSBC Bank. From 2000 to 2003 he was Director for securities and capital markets at HSBC (India) and HSBC Investment Company (Egypt). From 2000 to 2003 he was a member of the executive committee of HSBC Financial Services (Middle East). From 2003 to 2005 Mr. Sleeman was consultant to EMG Suisse SA, a Swiss corporate finance consultancy, and from 2003 to 2007 he was a member of the Board of Directors of Silovye Mashiny OJSC. Mr. Sleeman is a graduate of the University of Durham, and is a qualified Chartered Accountant (Institute of Chartered Accountants in England and Wales) and Chartered Banker (Chartered Institute of Bankers).

¹ As of April 20, 2008.

Dmitriy Kostoev**Member of the Board of Directors since 2004.****Not a shareholder of the Company.**

Born in 1973, a citizen of the Russian Federation. From 2007 to date he has been a member of the Board of Directors of Holding Company Interros (ZAO).

From 2005 to early 2007 he held office as Deputy Director of the Finance Department for financial analysis and corporate finance, and since January 2007 as Managing Director for investments of Holding Company Interros (ZAO).

Since 2004 he has been a member of the Board of Directors of Agribusiness Agros CJSC; since 2005 he has been a member of the Board of Directors of RUSIA Petroleum OJSC and of Prof-Media Management LLC; since 2006 he has been a member of the Board of Directors of Soglasie Insurance Company LLC.

Mr. Kostoev is a graduate of the Russian Federal Government State Finance Academy; he has completed an educational course on the "Valuation" programme at the G.V. Plekhanov Russian Economics Academy and at the University of Kent (UK).

Kirill Parinov**Member of the Board of Directors since 2005.****Not a shareholder of the Company.**

Born in 1967, a citizen of the Russian Federation. From 2007 to date Mr. Parinov has been a member of the Board of Directors of Polyus Zoloto OJSC, and since 2000 a member of the Board of Holding Company Interros (ZAO).

From 2002 to 2004 he was Director of Legal Department, and since 2004 Deputy General Director of Holding Company Interros (ZAO).

In 2006 Mr. Parinov held office as General Director of Holding Company Invest CJSC.

Mr. Parinov is a graduate of the M.V. Lomonosov Moscow State University specializing in jurisprudence, and is an LL.M. (Master of Law) in international and comparative Law of the Southern Methodist University, Dallas, USA.

Vladimir Tyurenkov**Member of the Board of Directors since 2006.****Not a shareholder of the Company.**

Born in 1963, a citizen of the Russian Federation. From 1996 to date Mr. Tyurenkov has been Managing Director of Hansberger Global Investors, Inc.

Mr. Tyurenkov is a graduate of the N.E. Bauman Moscow State Technical University and of the Institute for the Study of the USA and Canada, Academy of Sciences of the USSR. He gained an MBA at Pepperdine University (USA), specializing in international and corporate finance.

In accordance with the requirements of the Federal law on Joint-Stock Companies and the Company's Charter, the Board of Directors of the Company is elected by the Annual General Meeting of Shareholders for a period of one year. There are nine Board members.

As of 01.01.2007 the members of the Board, elected at the Extraordinary General Meeting of Shareholders on October 25, 2006 (Minutes of the meeting of 26.10.2006):

1. Bachin Sergey Viktorovich;
2. Bugrov Andrey Evgenevich;
3. Voytovich Olga Valerevna;
4. Kostoev Dmitriy Ruslanovich;
5. Parinov Kirill Yurevich;
6. Salnikova Ekaterina Mikhaylovna;
7. Tyurenkov Vladimir Alexandrovich;
8. Gert Tiivas;
9. John Keith Sleeman.

The Board was elected twice during 2007.

By resolution of an Extraordinary General Meeting of shareholders, called by the Board at the request of the main shareholder and held on April 25, 2007, the powers of the existing Board were terminated early and a new Board was elected:

1. Bachin Sergei Viktorovich;
2. Klishas Andrei Alexandrovich;
3. Voitovich Olga Valerievna;
4. Kostoev Dmitriy Ruslanovich;
5. Parinov Kirill Yurevich;
6. Anikina Elena Ramelevna;
7. Tyurenkov Vladimir Alexandrovich;
8. Gert Tiivas;
9. John Keith Sleeman.

All Board members were re-elected at the Annual General Meeting of Shareholders held on June 29, 2007.

The independent members of the Board are: Voitovich Olga Valerievna, Tyurenkov Vladimir Alexandrovich, Gert Tiivas and John Keith Sleeman.

Meetings and decisions of the Board of Directors

In the financial year the Board of Directors held 19 meetings, at which the following issues were considered:

- preliminary approval of the results of the Company activities for 2006 financial year;
- acquisition/disposal of holdings and changes in participation in the charter capital of commercial companies;
- approval of transactions with conflicts of interests;
- increases in the charter capital of the Company;
- other issues of a procedural nature within the jurisdiction of the Board in accordance with the Federal law on Joint-stock Companies and the Company's Charter.

A brief description of the issues considered by the Board and the decisions taken is given below.

Preliminary approval of the results of the Company activities for 2006 financial year

At the Board meeting held on May 25, 2007:

- the Annual Report and full accounts of the Company for 2006 financial year were provisionally approved;
- the Company Audit Committee Report on the Auditor's Report on financial accounts for 2006 was taken into consideration.

Acquisition/disposal of holdings and changes in the participation in the charter capital of commercial companies

The Company Board meetings were held in 2007 to take decisions about the participation/cease of participation or changes in participation in the charter capital of commercial companies as part of the corporate structure modernization. In particular, the following decisions were taken:

- to change the Company participation in the charter capital of PAVLOVO PODVORYE LLC;
- to cease the Company participation in the charter capital of SAKHAROV OFFICE PARK LLC;
- to cease the Company participation in the charter capital of Pestovskiy Yacht Club LLC, Stroy Invest Group LLC, Stroy Group LLC and Pestovo LLC;
- to cease the Company participation in the charter capital of OPIN Plaza LLC;
- on the Company participation in the charter capital of OPIN Development LLC;
- on the Company participation in the charter capital of IR Development Ltd;
- on change of the Company participation in the charter capital of Novorizhskiy LLC.

During the financial year the Board also took the following decisions within the framework of existing investment projects implementation:

- to cease the Company participation in the charter capital of Krasnaya Gorka LLC;
- to cease the Company participation in the charter capital of Stroy Service Group LLC;
- to change the Company participation in the charter capital of Invest Nedvizhimost LLC;
- to cease the Company participation in the charter capital of Proekt Story LLC;
- to cease the Company participation in the charter capital of Capital Industry LLC.

Approval of transactions with conflict of interests

During 2007 the Company Board meetings were held to take decisions on approving transactions with conflict of interests as part of the corporate governance system modernisation, namely:

- an additional contribution by the Company to the charter capital of PAVLOVO PODVORYE LLC;
- an additional contribution by the Company to the charter capital of OI-Management Company LLC;
- an additional contribution by the Company to the charter capital of Estate Management LLC;
- a contribution to the charter capital of OPIN Development LLC;
- a contribution to the charter capital of IR Development Ltd;
- an agreement for the purchase and sale of a holding in the charter capital of Novorizhskiy LLC.

Within the framework of existing investment projects implementation in the financial year the Board also took decisions to approve the following transactions with conflict of interests:

- an additional contribution to the charter capital of Eko-Center LLC;
- sale of part of the holding in the charter capital of Proekt Story LLC;
- sale of part of the holding in the charter capital of Capital Industry LLC.

In addition, in 2007 the Company Board of Directors took a number of decisions approving intra-corporate transactions.

Increase in the charter capital of the Company

In the course of 2007 the Board of Directors took two decisions to increase the charter capital of the Company by issuing additional ordinary shares of nominal value 1,000 (one thousand) roubles by open subscription, in particular:

- for 1,798,063 (one million seven hundred ninety-eight thousand and sixty-three) shares on January 22, 2007. The decision on the additional issue and the Prospectus were approved on January 22, 2007, and the price was set on April 16, 2007 at 4,668.51 roubles (four thousand six hundred and sixty-eight roubles fifty-one kopecks) for each additional share;
- for 2,038,930 (two million thirty-eight thousand nine hundred and thirty) shares on May 31, 2007. The decision on the additional issue and the Prospectus were approved on June 18, 2007, and the price was set on September 28, 2007 at 7,238.95 roubles (seven thousand two hundred and thirty-eight roubles ninety five kopecks) for each additional share.

In the course of 2007 the Company Board of Directors also took decisions on electing the Chairman of the Board and the Company Secretary as well as on procedural issues connected with the preparation for annual and extraordinary general meetings of the Company shareholders.

Report on payment of declared (accrued) dividends on Company shares

In the financial year no decisions were taken by the authorised organ of the Company (the general meeting of shareholders) to pay (declare) dividends based on the results of 2006 financial year, as well as first, second and third quarters of 2007.

Directors' report on results of Company development in priority areas

Company financial results

In 2007 the Company demonstrated excellent financial results. According to consolidated financial statements prepared in accordance with IFRS, compared with the beginning of 2007 equity attributable to shareholders of the parent company more than doubled and was in excess of USD 2.7 billion on December 31, 2007. Group assets reached USD 3.5 billion on December 31, 2007, more than twice the figure at the beginning of the year.

The growth in assets and capital in 2007 was mainly due to:

- an increase in asset market value as a result of dynamic project development and improved market conditions, in particular in respect of the Domnikov Class A business centre project;
- profit from current projects, including the Pavlovo and Pestovo communities, the Meyerhold Class A business centre and the Novotel Moscow Centre hotel, as well as from the sale of a 16.9-hectare land plot in Samara;
- the additional share issues in May and October.

Revenue almost doubled compared with 2006, reaching USD 165 million, and the net profit attributable to the shareholders of the parent company increased by 1.5 times, exceeding USD 86 million in 2007. The effective gross margin in 2007 remained at the 2006 level of about 43%.

Sales in the Martemianovo community and sales of apartments in town houses and low-rise buildings in the Pavlovo-2 community began in 2007. Contracts with clients in these communities were concluded for a total of about USD 96 million. Cash received from customers was not recognized as revenue as of December 31, 2007 in accordance with accounting policy principles. Revenue from apartments in town houses and low-rise buildings is recognized upon completion of construction and transfer of title to the relevant property to customers after signature of an act of acceptance. Revenue from the sale of land plots are recognized on transfer of ownership to the buyer.

The key achievements of the Company in 2007 were:

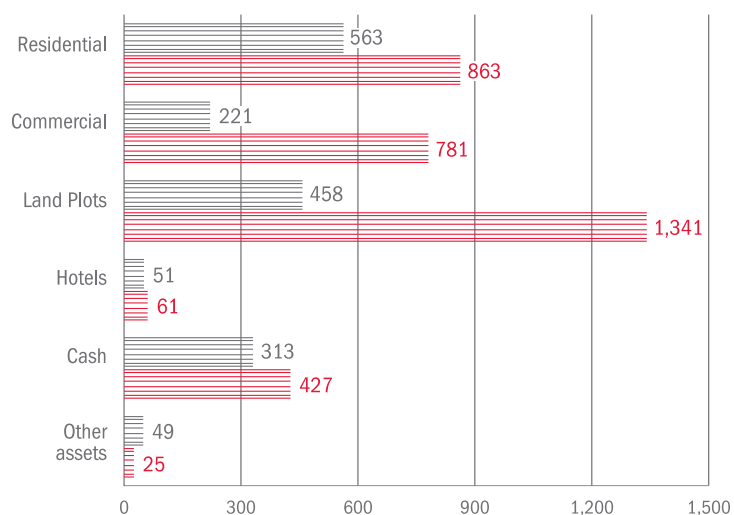
- Continuing active expansion of the land bank, which as of December 31, 2007 was over 5,700 hectares, more than 7 times the figure for 2006.
 - Price-fixing agreements have been concluded for the purchase of additional 13,000 hectares to the north and west of Moscow, which are located in the most efficient transport corridors and/or have high recreational potential. Part payment has been made to the contracting parties as part of these agreements.
 - The site development concept has been produced as part of the Large Zavidovo Master-Plan development. The international company EDAW (www.edaw.com), a reputable international master planning consultant and architect firm, worked on the project. OPIN also engaged Economic Research Associates (ERA – www.econres.com), a respected leisure and tourism industry consulting firm, to advise on the project concept development and economic analysis.
 - Currently the underground construction works have been completed at the Domnikov Class A business centre. The aboveground reinforced concrete construction and works to connect the building to the local utility infrastructure are in process.
 - Building is actively continuing on the A.I. Raikin Art, Culture and Leisure Centre. Currently, construction work is in progress on the underground section of the Block A. The reinforced concrete erection has been completed in the underground section of the Block B.
- “Shell and core” finishing work on the Pavlovo Podvorye Retail and Entertainment Complex is practically complete. Most of the areas have been provisionally let.
 - The Act of Permitted Use of the site for the OPIN Plaza class A business centre construction project has been received.
 - In October 2007 the Company became the management company for the development and subsequent operation of the Mountain Ski Resort Rosa Khutor.
 - PRP Architects has been selected as general project manager for the Company to build the Sochi Hotel and Resort Estate.
 - Sales and construction have begun in the Pavlovo-2 and Martemianovo communities.

2 Gross margin adjusted for cumulative revaluation gains related to land plots disposed during the period, including without limitation the following: 1) direct transfer from revaluation reserve to retain earnings in the equity statement, 2) revaluation gains previously recognized in the profit and loss statement.

The Group substantially increased its investment portfolio in 2007, as part of the implementation of its strategy.

ASSETS STRUCTURE BY MAJOR CATEGORIES

(USD, million)

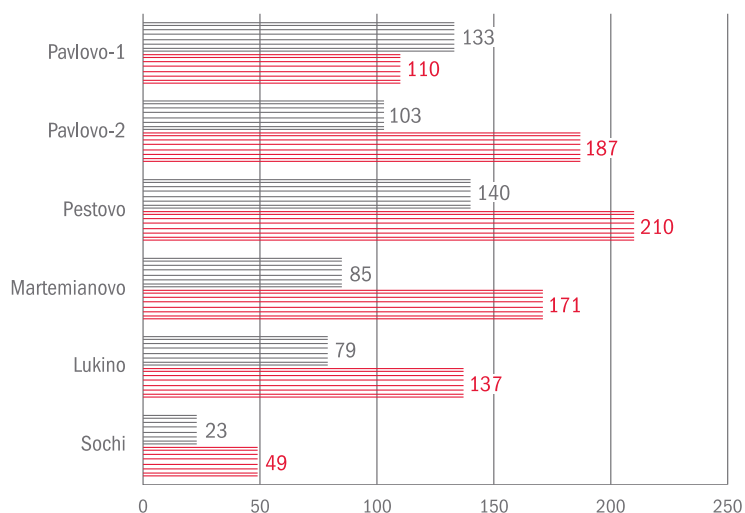


ASSETS AS OF 31 DECEMBER 2006

ASSETS AS OF 31 DECEMBER 2007

RESIDENTIAL PORTFOLIO

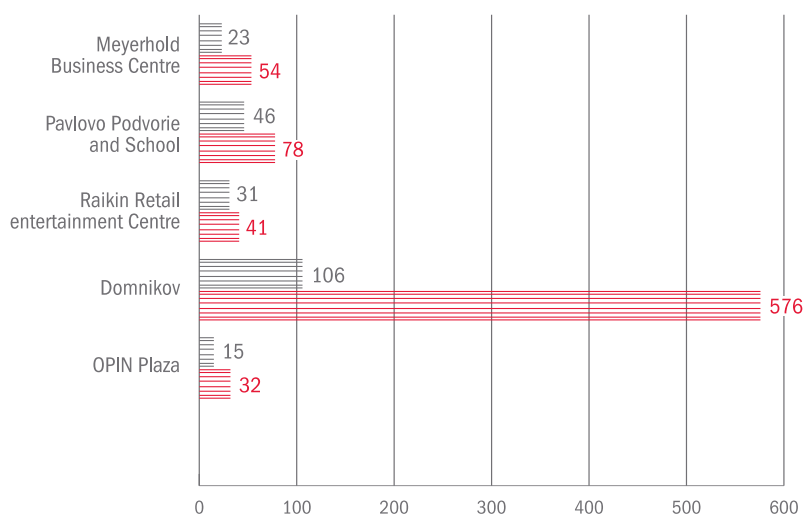
(USD, million)



ASSETS AS OF 31 DECEMBER 2006

ASSETS AS OF 31 DECEMBER 2007

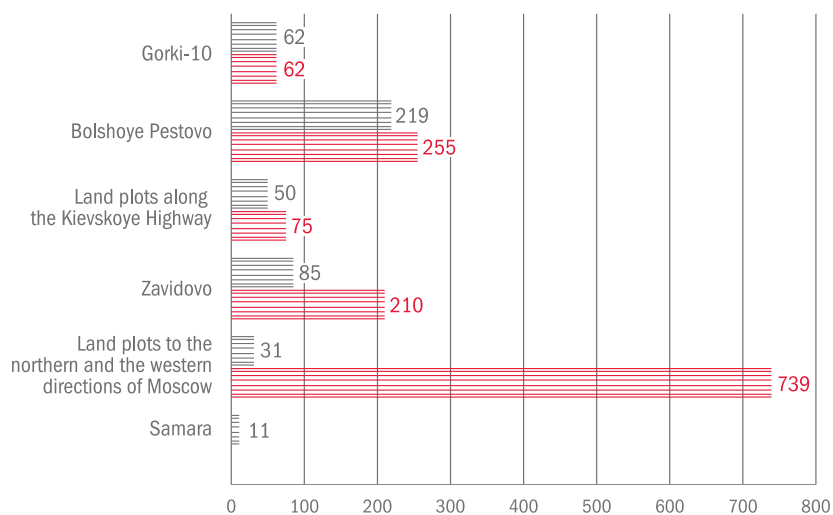
COMMERCIAL REAL ESTATE PORTFOLIO (USD, million)



ASSETS AS OF 31 DECEMBER 2006

ASSETS AS OF 31 DECEMBER 2007

LAND PLOTS (USD, million)



ASSETS AS OF 31 DECEMBER 2006

ASSETS AS OF 31 DECEMBER 2007

Individual executive body

The post of individual executive of the Company – General Director – has been held by Sergey Viktorovich Bachin since 1 January 2005; information about him can be found in the details of members of the Board of Directors.

The Company General Director's remuneration is determined by the Board of Directors and embodied in the contract of employment with the General Director signed by the Chairman of the Board on behalf of the Company.

Information disclosure

The Company adheres to the principle of maximum transparency, limited only by the scope of current legislation and the requirements of confidentiality prescribed by law or by contract.

The Company has provided and continues to provide its shareholders and investors with equal and prompt access to information susceptible to disclosure.

In accordance with the Federal Law "On the securities market" and with enforceable enactments by the federal executive relating to the securities market, the Company disclosed information in the financial year in Interfax and AK&M news bulletins, in print in the mass media and on the Company's Internet site.

The Company has published notices on significant facts and other information in periodicals, in the Tribuna newspaper and subsequently, from March 2006 to February 2007, in "Biznes. Ezhednevnyaya delovaya gazeta". Since February 2007 notices for publication in periodicals have appeared in "Nezavisimaya gazeta".

Information required by the Federal Law "On the securities market" and by enforceable enactments by the federal executive on the securities market, financial statements prepared in accordance with Russian Accounting Standards (RAS) and International Financial Reporting Standards (IFRS), share prospectuses and decisions on issues (additional issues) of securities are placed on the Company's Internet site, address www.opin.ru.

Audit of the financial accounts in accordance with RAS

The Company's financial accounts for 2007, prepared in accordance with Russian Accounting Standards, were audited by Rosekspertiza LLC.

Audit of the consolidated financial accounts in accordance with IFRS

The annual consolidated financial accounts of the Company were compiled in accordance with IFRS. Deloitte and Touche SNG CJSC were appointed to audit the consolidated financial accounts for 2002-2007.

Valuation of assets by independent appraisers

The Company's real estate was valued in 2007 by an independent firm, Jones Lang LaSalle LLC.

List of transactions by the Company in the financial year classifiable in accordance with the Federal Law "On joint-stock companies" as major transactions, as well as other transactions to which the Company Articles extend the procedure for major transaction approval, indicating the principal conditions for each transaction and the Company management body that took the decision to approve it

In 2007 the Company concluded no transactions classifiable in accordance with the Federal Law "On joint-stock companies" as major transactions.

The Company Charter contains no provisions limiting the powers of the individual executive body to enter into any transactions subject to approval under the procedure laid down for approval of major transactions.

List of transactions by the Company in the financial year classifiable in accordance with the Federal Law "On joint-stock companies" as transactions with conflict of interests, indicating the person (persons) concerned, the principal conditions for each transaction and the company management body that took the decision to approve it

In 2007 the Company concluded 69 transactions with conflict of interests, including:

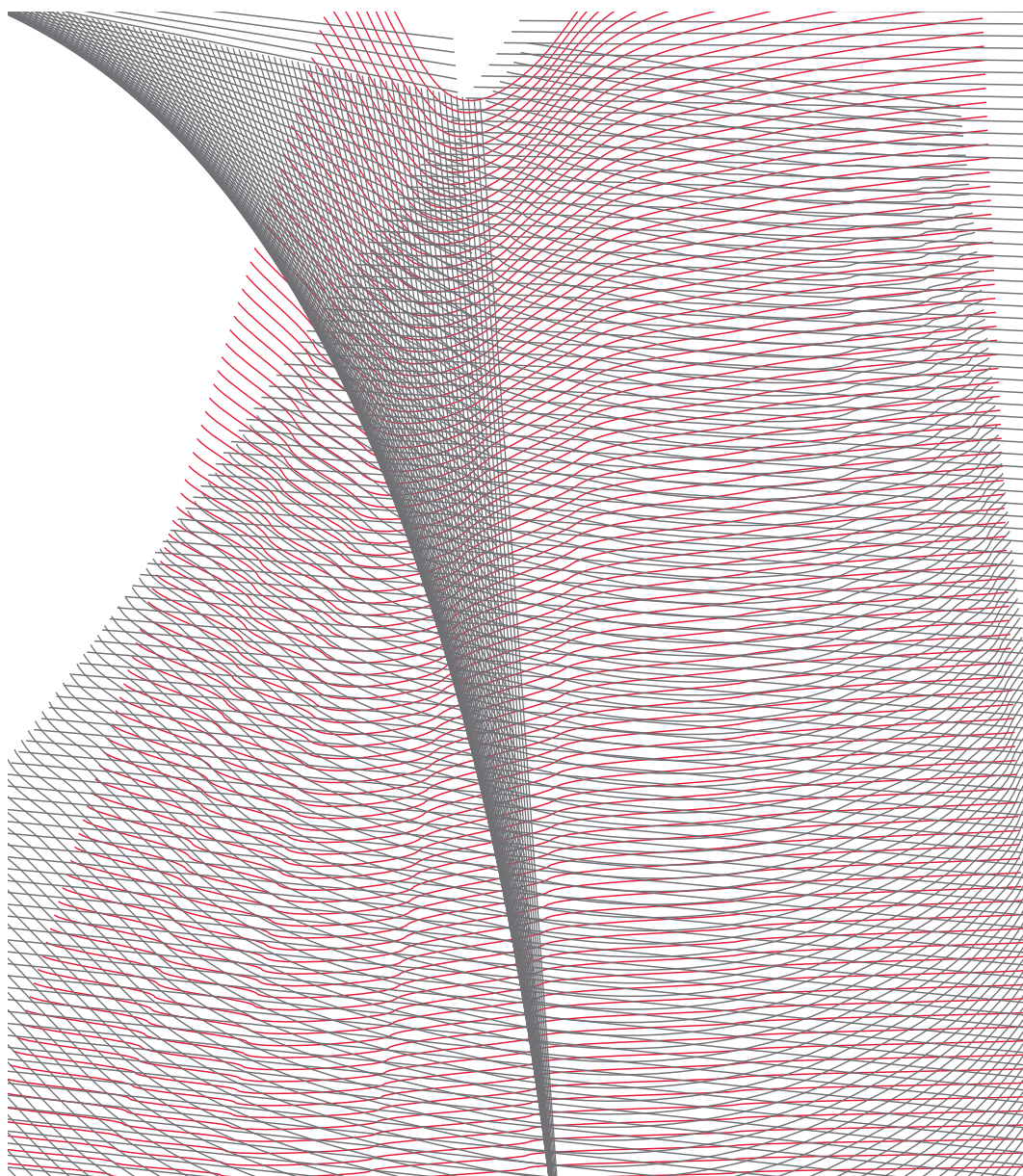
- 60 transactions for the grant of loans to subsidiaries (approved at meetings of the Board of Directors on 14 November 2006, 9 June and 14 November 2007);
- 3 transactions for the purchase and sale of shares in subsidiaries (approved at meetings of the Board of Directors on 29 October and 21 December 2007);
- 5 transactions for investment/additional investment in the charter capital of subsidiaries (approved at meetings of the Board of Directors on 29 October, 7 December and 21 December 2007);
- 1 transaction for liability insurance for members of the Board of Directors of the Company and its individual executive body (approved by an Extraordinary General Meeting of Shareholders on 14 September 2007).

Information on Company compliance with the Corporate Governance Code

The Company complies with the requirements of the Corporate Governance Code as approved by FSFM Order dated April 4, 2002 No. 421/r. Compliance with these requirements is guaranteed by incorporating them into the Company's Charter and/or internal documents. There are four independent members on the Board of Directors, and an Audit Committee has been set up. The Company has adopted and consistently complies with regulations on information policy, insider information, internal control procedures and an internal audit service. The presence of these and other internal regulations and compliance with these and other internal rules and procedures maintains a high level of corporate governance in the Company and also ensures that the Company meets the requirements of the RTS Stock Exchange.



MAIN RESULTS 2007-2008



MAIN RESULTS 2007–2008

Compared with 2006, the net profit attributable to shareholders of the OPIN parent company, defined in accordance with IFRS rose more than 1.5 times to USD 86 million, assets more than doubled to over USD 3.5 billion and capitalization more than doubled, to USD 4.2 billion by the end of 2007.

Sales at the Pavlovo-1 cottage community currently under construction amounted to USD 58 million in 2007. As of 31 December 2007, investment contracts had been concluded for 81% of the total number of plots to a total value of USD 231 million.

By the end of 2007, sales at the Pestovo cottage community currently under construction amounted to USD 129 million, corresponding to the sale of 37% of the total number of plots.

The Company has continued its activities in the suburban real-estate development sector.

Sales of town houses and low-rise buildings in the Pavlovo-2 community have begun. By the end of 2007 sales of town houses amounted to about USD 45 million, or 24% of the total number of apartments. Contracts have been concluded for 29% of the apartments in low-rise buildings to a total value of USD 23 million. Contracts have also been concluded for the sale of 11 building plots for houses, 7% of the total plots, to a total value of USD 8 million.

In February 2007 the project for the sale of land plots with access to utilities and communal infrastructure in the Martemianovo community took off. By 31 December 2007, 119 contracts had been concluded, for 78% of the plots, to a total value of USD 28 million.

Revenue from the leasing of commercial space in the Meyerhold Class A business centre amounted to USD 3.1 million in 2007 (without proceeds from owner-occupied space); revenue from the operation of the Novotel Moscow Centre Hotel stood at USD 24 million.

In 2007 the Company continued working to expand its land bank. Creation of the land bank will provide for integrated development, implementation of projects for large-scale residential complexes on the suburban real-estate market and the maintenance of a portfolio of development projects for the years ahead.

In January 2007 the Company acquired 100% of the authorized capital of Capital Service LLC and Invest Polis LLC, together with 100% of the subsidiary company Regional development LLC, which owns the rights to approximately 1,300 hectares of land in the Tver Region earmarked for implementation of the Large Zavidovo Master-Plan development.

In February 2007 the Company acquired 100% of Extern LLC, which owns the rights to approximately 0.8 hectares of plots in Sochi.

In June 2007 the Company acquired 100% of the authorized capital of Selskie Zori LLC and Stroy Progress LLC, together with 100% of the subsidiary company Agrosistema LLC, which owns the rights to about 314 hectares of land close to the Pestovo community.

In June 2007 the Company acquired 100% of the authorized capital of Agro Group LLC and Agro Service LLC, together with 100% of the subsidiary company Invest Service LLC, which owns the rights to about 3200 hectares of land in the Tver Region.

In December 2007 the Company acquired 100% of the authorized capital of TM Group LLC and Start Polis LLC, together with 100% of the subsidiary company Timonino LLC, which owns the rights to about 137 hectares of land on the Kievskoe Highway close to Martemianovo.

As part of the land bank expansion strategy, the Company committed and partially prepaid acquisition of up to 13,000 hectares in the Tver Region. In addition, the Company committed up to 1,000 hectares in the

area of the Pestovo community currently under construction. Acquisition of part of this plot approximately 352 hectares in area was completed in 2006-2007.

The Company continued its activities in the commercial real-estate development sector during 2007: initial construction work, as well as a substantial part of the work on the aboveground reinforced concrete construction of the Domnikov Class A business centre, has been completed; construction of the A.I. Raikin Art, Culture and Leisure Centre, where the reinforced concrete erection has been completed in the underground section of the Block B, construction work on the underground section of the Block A is in progress; construction of the Pavlovo Podvorye Retail and Entertainment Complex, where shell and core finishing is now in hand, is practically complete, and most of the space has been leased provisionally.

OPIN became a managing company for rendering project management services in relation to Mountain Ski Resort Rosa Khutor (Sochi). The project is a development of a four season resort with a comprehensive package of sporting features and tourist attractions built to the best international standards. Development of winter Olympics infrastructure in Sochi creates unique combination of winter sports and beach resort.

By the end of 2007 OPIN's credit portfolio was about USD 195 million, 100 million of which came from an ING Bank N.V. credit taken in November 2007, USD 50 million from a placing in December 2007 of two-year credit-linked notes (CLNs) with an annual coupon rate of 9.125% to optimize the overall development financing structure, USD 22.5 million from an AKB ROSBANK JSC credit and USD 17.7 million from a RF Sberbank credit granted in December 2004 to the Novotel Moscow Centre Hotel – Novoslobodskaya Hotel JSC in the JSC OPIN Group.

A second additional issue of JSC OPIN shares was completed in May 2007, bringing in about USD 325 million: the placing was of 1,798,063 shares of nominal value 1,000 roubles each on open subscription. The placing price was USD 180.75 in roubles at the Bank of Russia rate for the date on which the placing began. 95.85% of the shares were purchased by existing shareholders exercising their pre-emptive right, evidence of their high level of confidence.

In October 2007 the Company successfully completed an additional share placing (SPO) of 2,038,930 shares. The number of investors was substantially enlarged as a result of the public offering. The share price was approved by the JSC OPIN Board of Directors after the end of the period for the exercise of pre-emptive rights at a meeting on 28 September 2007,

at 7,238.95 roubles per share, which corresponds to USD 290 per additional issue share and USD 36.25 per global depositary receipt (GDR) at the RF Central Bank rate for 28 September 2007. The Company took in some 14.8 billion roubles as a result of the additional share placing, which was about USD 591 million at the RF Central Bank rate for the date on which the public placing began. ING Bank and Renaissance Capital acted as joint lead managers for the placing.

In January 2008 the Board of Directors approved a sixth additional issue by public subscription of 1,692,252 additional ordinary shares of nominal value 1,000 roubles. Shareholders in the Company were given a pre-emptive right to buy a number of additional shares proportional to their holding of ordinary shares in the Company. The share price will be determined by the Board of Directors on expiry of the period for exercise of pre-emptive rights.

The categorized use of the land for approximately 230 hectares along the Novorizhskoe Highway was changed to residential for implementation of the Lukino project in January 2008.

In February 2008, as part of the implementation of timber-frame and panel technology for house-building, OPIN JSC acquired approximately 61% of the share capital of the Viceroy company (www.viceroy.com). The Company also entered into a share agreement with the owners of Viceroy company B shares, in accordance with the terms of the transaction.

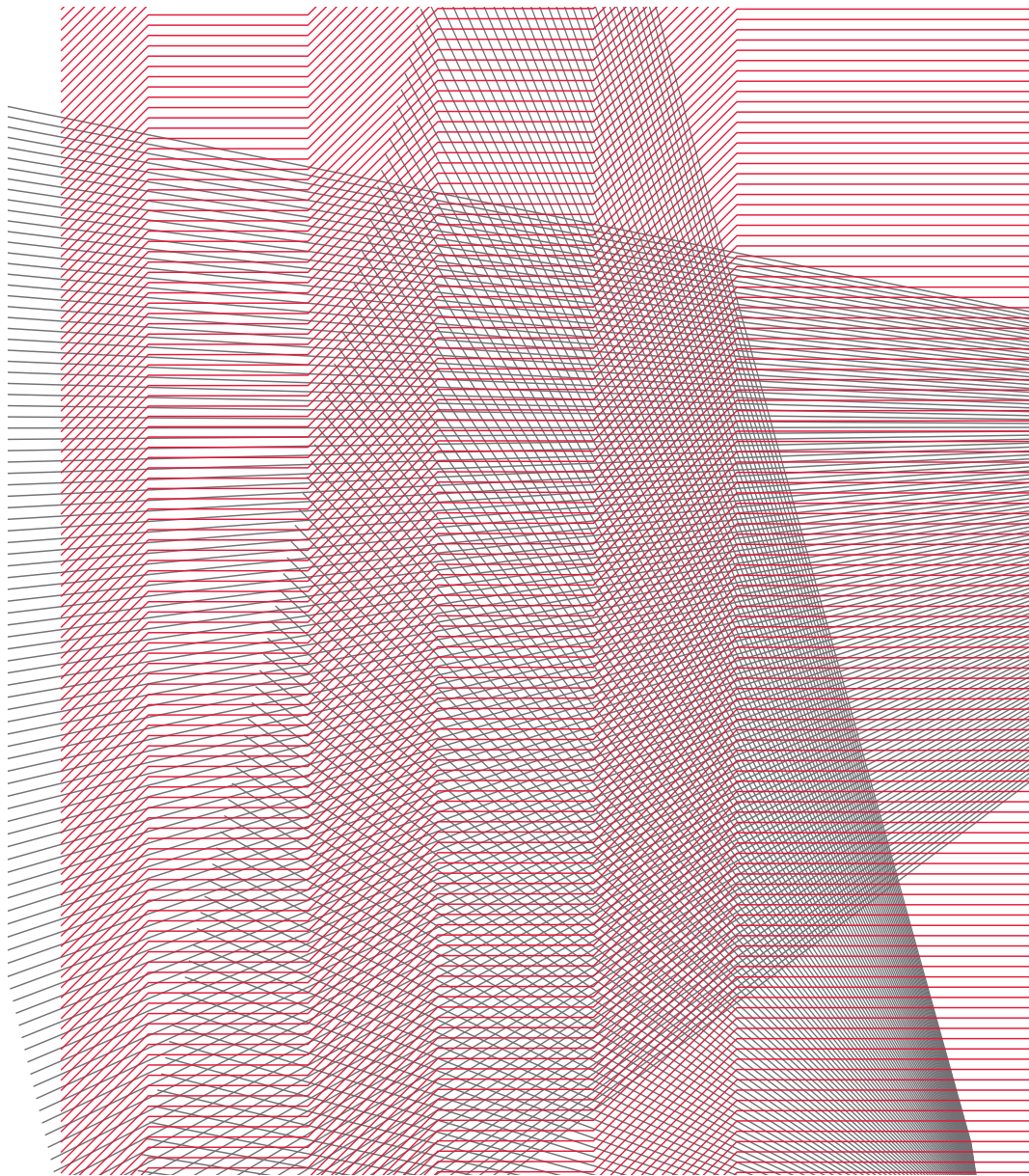
The categorized use of the land for 1,300 hectares was changed to residential and industrial, necessary for further development of the Large Zavidovo Master-Plan development project in March 2008.

In March 2008 the Company placed five-year credit-linked notes (CLN) totaling USD 99.9 million.

The first quarter was one of the most successful in the Company's history in terms of contracts with clients: 73 contracts were signed in the Pavlovo-1, Pavlovo-2, Pestovo and Martemianovo communities. Apartments in town houses and low-rise apartment buildings in the Pavlovo-2 community were the sales leaders.



OVERVIEW OF THE 2007 REAL-ESTATE MARKET



OVERVIEW OF THE 2007 REAL-ESTATE MARKET

Macroeconomic indices

Growth rates higher than in the previous year in practically all kinds of economic activity were the distinguishing feature of 2007, especially in construction and the retail trade segments. Personal incomes and capital investment by firms rose. Inflation was above the previous year level.

GDP growth in 2007 compared with the previous year is at the 7.6% level. Production was growing in an external economic environment favourable for Russian exporters and with increased domestic demand. Retail trade turnover grew by approximately 15% in 2007.

Investment in fixed capital in 2007 increased by about 20%, almost 1.5 times more than the 2006 figure.

The pricing situation on world commodity markets favoured Russian exporters in 2007. Basic Russian export commodity prices were higher on average than in 2006: energy commodities were 11.1% more expensive, non-energy commodities were 4.9% more expensive.

According to Ministry of Economic Development and Trade estimates, GDP growth will be 5.9% in 2008, 5.9% in 2009 (instead of the figure of 6% previously circulated), and 6.1% in 2010. In previous years Russian GDP had increased at more rapid rates. Thus in 2006 compared with 2005 GDP increased by 6.7% and amounted to 26.6 trillion roubles in market prices according to data from Rosstat. In 2005 this index increased 6.4%.

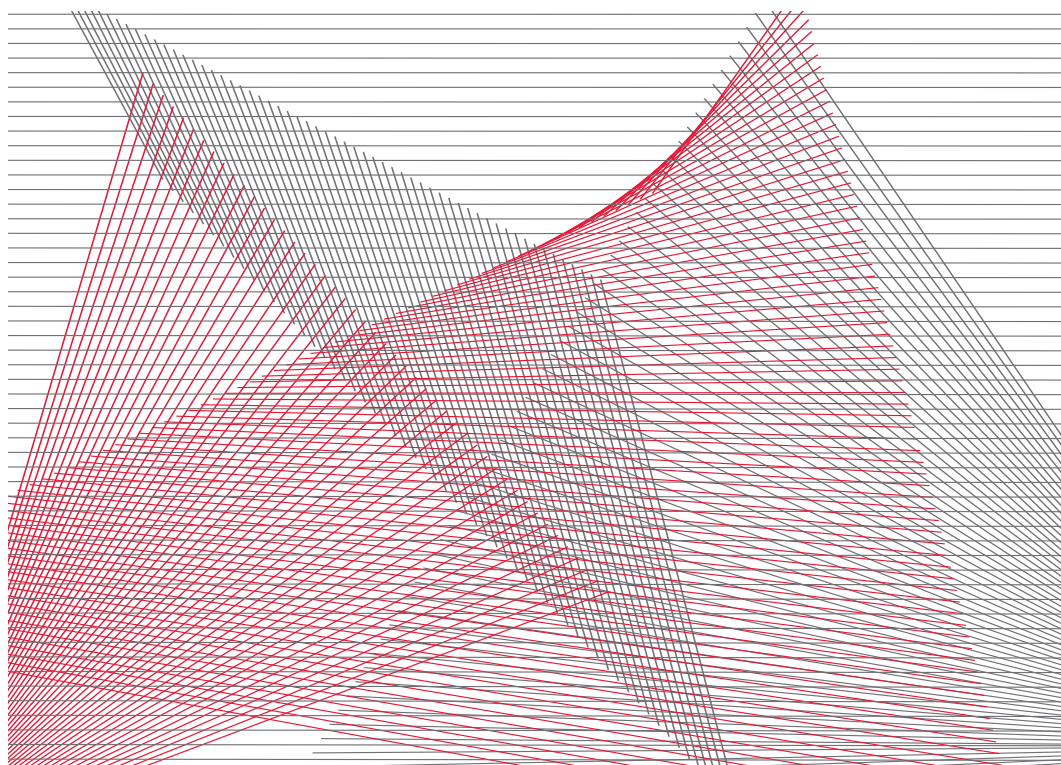
The Ministry of Economic Development and Trade forecasts inflation in the 6.5-7% range in 2008, 6.3-6.8% in 2009 and 5.8-6.5% in 2010.

Since the beginning of the year, prices on the consumer market have increased by 11.9% (9.0% in 2006, 10.9% in 2005). Thus according to figures for 2007 inflation is above the figures for the past two years and above the 2004 level of 11.7%. Base inflation for 2007 is 11.0% (7.8% according to figures for 2006).

In 2007 real incomes increased by about 12% compared with 2006. Real wages were about 16% above the previous year's level. The average monthly pension granted in 2007 was 4% higher in real terms than in 2006.

According to research by PriceWaterhouseCoopers and the Urban Land Institute, in 2007 Moscow became "the most attractive city in Europe for investment in real estate". The principal factor in this attractiveness is the rate of return, primarily in the commercial real-estate sector. Investments in Moscow construction promise the investor 12-16% per annum, while the average standard return in Europe varies in the 8-10% range. In 2006 Moscow came only 18th out of 27 European cities by this yardstick.

According to findings by Praedium, a high rate of growth in the commercial real-estate market was recorded in 2007. Total investments in commercial real estate amounted to USD 4.9 billion, one and a half times more than in 2006; Moscow accounted for 78% of these funds, USD 3.8 billion.



SOVEREIGN RATINGS

Standard&Poor's	BBB+
Fitch Ratings	BBB+
Moody's Investors Service	Baa2

Source: Agency data

MOVEMENTS IN THE PRINCIPAL MACROECONOMIC INDICATORS

Indicators	2003	2004	2005	2006	2007	2008 (f)
Growth in GDP, %	7.3	7.2	6.4	6.7	7.6	5.9
Inflation, %	12	11.7	10.9	9	11.9	7
Direct foreign investment, USD billion	7.9	15.4	12.7	30.8	40	45
Growth in real incomes, %	14.9	9.9	11.1	10	12	11
Increase in retail turnover, %	8.8	13.3	12.8	13	15	17

Source: RF Ministry of Economic Development and Trade

Office property

Supply

According to Jones Lang LaSalle, by the end of 2007 total high-quality office space (in classes A, B+ and B-) in Moscow amounted to about 7.4 million square metres. The percentages in classes A, B+ and B- were 15%, 50% and 35% respectively.

The amount of high-quality office space in Moscow is significantly lower than in most European capitals. For purposes of comparison, the supply of office space in Madrid and London at the end of 2007 was 14 million and 31.5 million square metres respectively, whereas office space in Moscow was only 7.4 million square metres.

The figure for space under construction in Moscow is considerably higher than the comparable figures for most European capitals, including London, Paris and Madrid taken together. By the end of 2007 4,953,000 square metres were under construction in Moscow (an increase of 27% compared with the end of 2006).

Forecast developments in the supply of office space

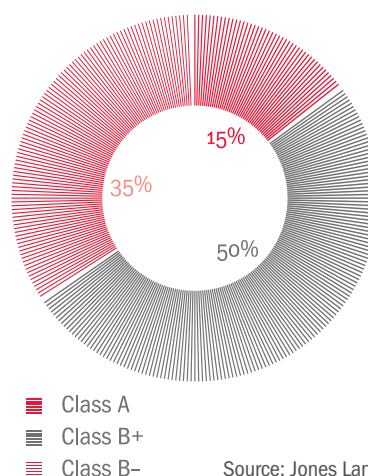
While total office space by the end of 2005 stood at 4.7 million square metres, by the end of 2007 the figure was almost 7.4 million square metres. By the end of 2008 the forecast is 9 million square metres, and 11.3 million and 14.67 million square metres respectively for the end of 2009 and 2010.

Demand

The demand for high-quality office space in Moscow is rising steadily, in an atmosphere of continuing general economic growth in the country. According to figures for 2007, the total class A, B+ and B- space in Moscow was about 696,000 square metres, 39% more than the figure for the end of 2006. Leased and purchased space in 2007 as a whole amounted to 2.14 million square metres. According to this figure for the year, Moscow overtook most European capitals; the area of leased and purchased space in 2007 was higher in Paris alone, at over 2.7 million square metres. At the same time allowance should be made for the fact that the Moscow market is much smaller than that of most European capitals.

The Moscow market is now at the rapid growth stage. There is high demand on the market, including high unsatisfied demand. The trend for the demand for

OFFICE SPACE DISTRIBUTION ACCORDING TO CLASS, 2007



Source: Jones Lang LaSalle

larger areas (3,000 square metres and upwards) to increase is continuing. At present areas of 3,000 square metres and upwards are in the greatest demand in class A (about 66% of leased space in 2007), whereas in class B- the percentage was 25.

The term of office leases in Moscow is increasing; this trend is particularly marked in the case of class A offices. A tendency for contracts to be entered into for longer terms can be seen as the market develops; more and more high-quality office buildings are being offered for leasing for 7-10 years. In the last 12 months 33% of leasing contracts for class A space have been for 6 or more years.

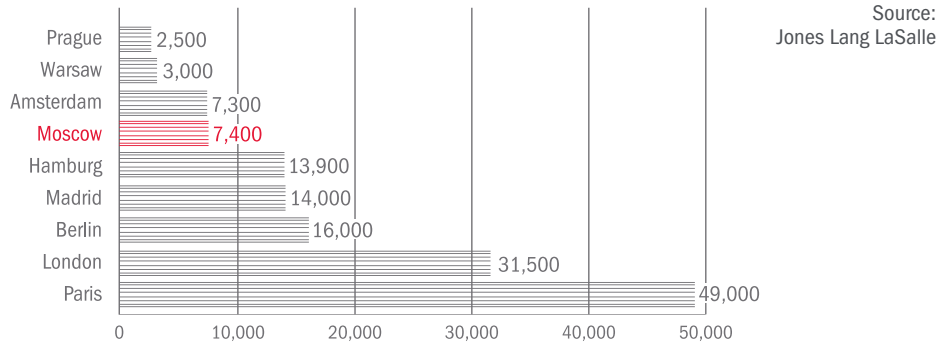
Rental rates

Moscow still comes second in Europe in terms of maximum basic rental rates.

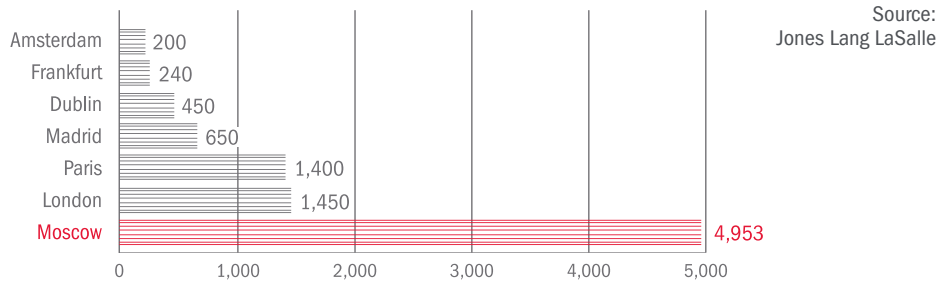
At the end of 2007 the maximum basic rental rates were USD 1,700 per square metre per annum (excluding operating costs and VAT), which is 40% above the level at the end of 2006.

By the end of 2007, basic rental rates (excluding operating costs and VAT) for high-quality class A buildings (for buildings located in the central business district, but not in the immediate vicinity of the Kremlin) were USD 900-1,200 per square metre per annum; the basic rental rates for class B+ buildings at the end of 2007 were at the USD 650-850 per square metre per annum level, while the basic rate for class B- buildings was USD 500-550 per square metre per annum.

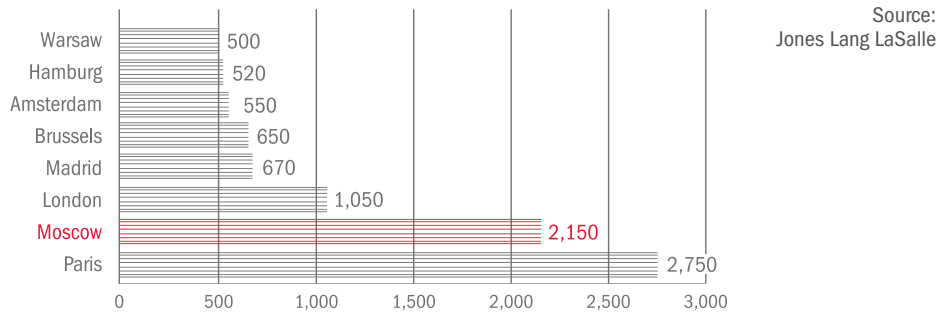
TOTAL HIGH-QUALITY OFFICE SPACE IN 2007
(thousand m²)



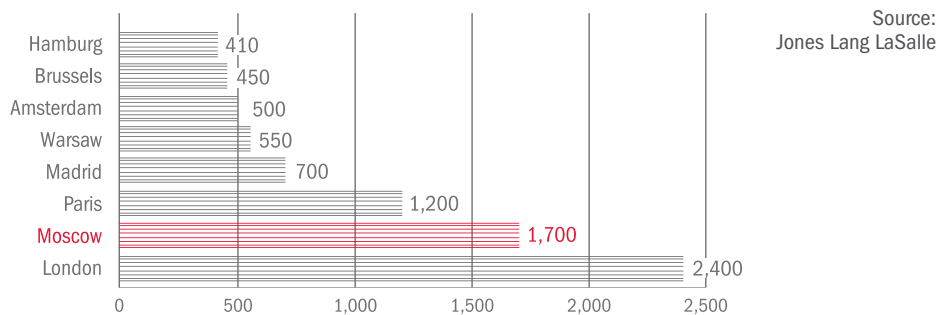
OFFICE PREMISES UNDER CONSTRUCTION
(thousand m²)



PURCHASED AND LEASED SPACE
(thousand m²)



MAXIMUM RENTAL RATES
(USD per square metre per annum)



A large number of completed projects will be brought to the market in 2008, with the result of possible rising to 6.9% of free space by the end of that year. The rates may increase to USD 2,200 per square metre per annum after most of the space that has been committed in 2009 become available. The rates may stabilize in 2010 because of the increased percentage of free space (12.7% in 2010).

Amount of free space

Growth in office space lags behind demand; as a result, Moscow is among the last of the major cities of Europe in terms of percentage of vacant premises. At the end of 2007 the figure for class A buildings was 7.7%, 4.4% for class B+ buildings and 5.5% for class B- buildings.

Investment activity

Due to the high rate of economic development and to the active expansion of international companies into the Moscow market, the demand for office real estate in Moscow remains high. This makes office projects attractive to Russian and foreign investors.

Russian capitalization rates still continue to attract investors from European markets with a lower return. As the market develops and becomes saturated, capitalization rates will continue their decline. At the end of 2007 the capitalization rate for office real estate in Moscow was 8-8.5%. The capitalization rate continues to fall, but is still 4-5% above the European level.

Retail premises

The development potential of the Russian domestic retail premises market, which is what makes it attractive, is governed by shortage of supply and the lack of variety in retail area formats. The principal incentive for foreign investors is the capitalization rate, which reaches 8.5-9%, higher than in Europe. In these circumstances the return on shareholder investment is 20-25%.

Supply

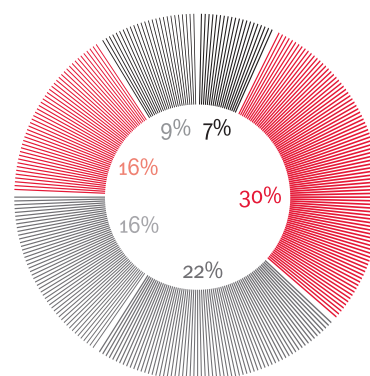
According to Colliers International, 10 retail centres were opened in Moscow in 2007; the growth of supply was about 545,000 square metres (gross leasable area 280,000 square metres, an increase of 18% relative to the end of 2006).

By the beginning of 2008 the total area of Moscow retail centres was over 3,430,000 square metres (retail area 1,810,000 square metres, 174 square metres per 1,000 inhabitants). 24 retail centres with a total area of over 1,700,000 square metres (retail area is 800,000 square metres) are expected to be open before the end of the current year.

Demand

Due to dynamic development of the consumer market, demand on the retail real-estate market still exceeds supply. According to Blackwood, vacant space varies from 1.5-3% in high-quality retail centres to 5.7% on less successful sites. Premises in the city centre within the Garden Ring are still in maximum demand. These account for half the demand. Premises beyond the Third Transportation Ring limits are in least demand.

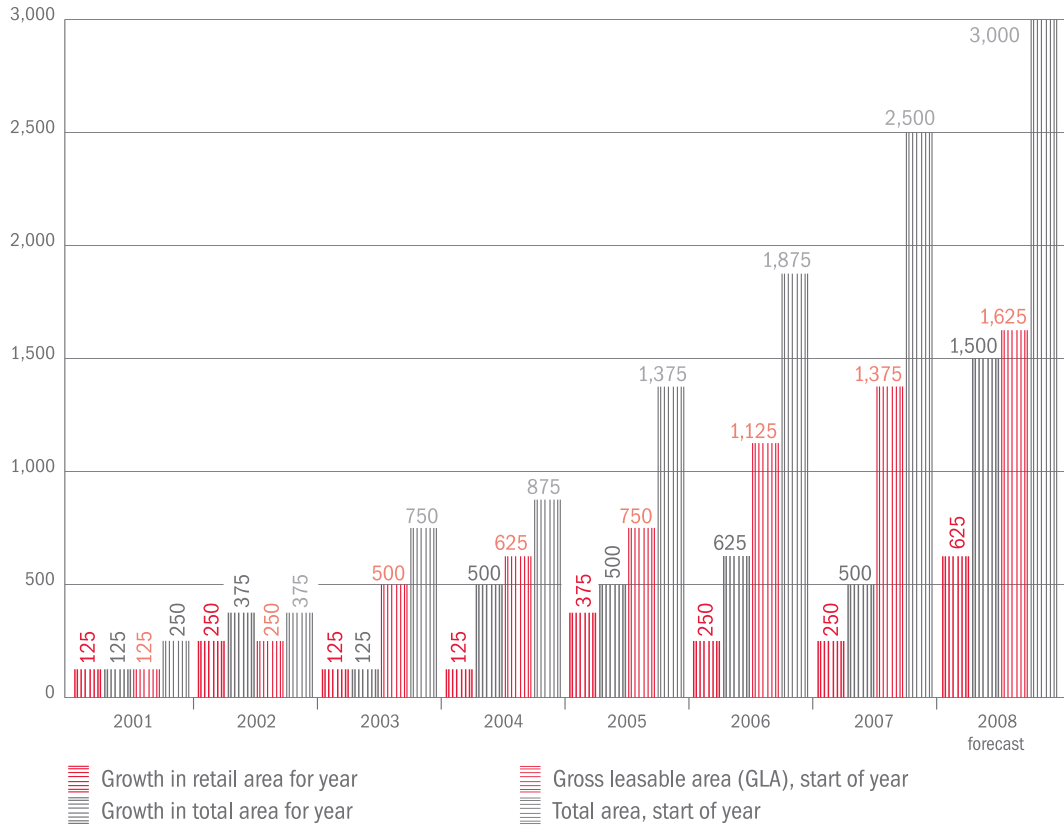
DISTRIBUTION OF RETAIL SPACE OVER THE MOSCOW DISTRICTS, 2007



Source: Blackwood

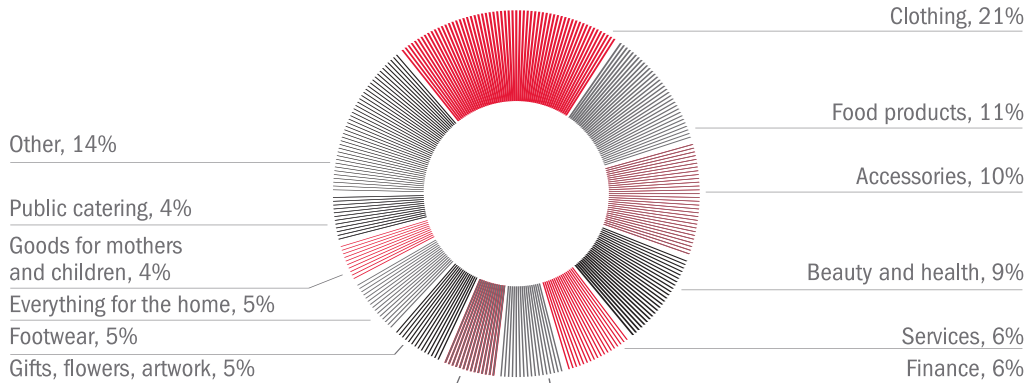
DYNAMICS OF GROWTH AND RETAIL SPACE IN MOSCOW RETAIL CENTRES, 2007 (thousand m²)

Source: Colliers International



DISTRIBUTION OF TENANTS ACCORDING TO TYPE OF GOODS AND SERVICES

Source: Knight Frank

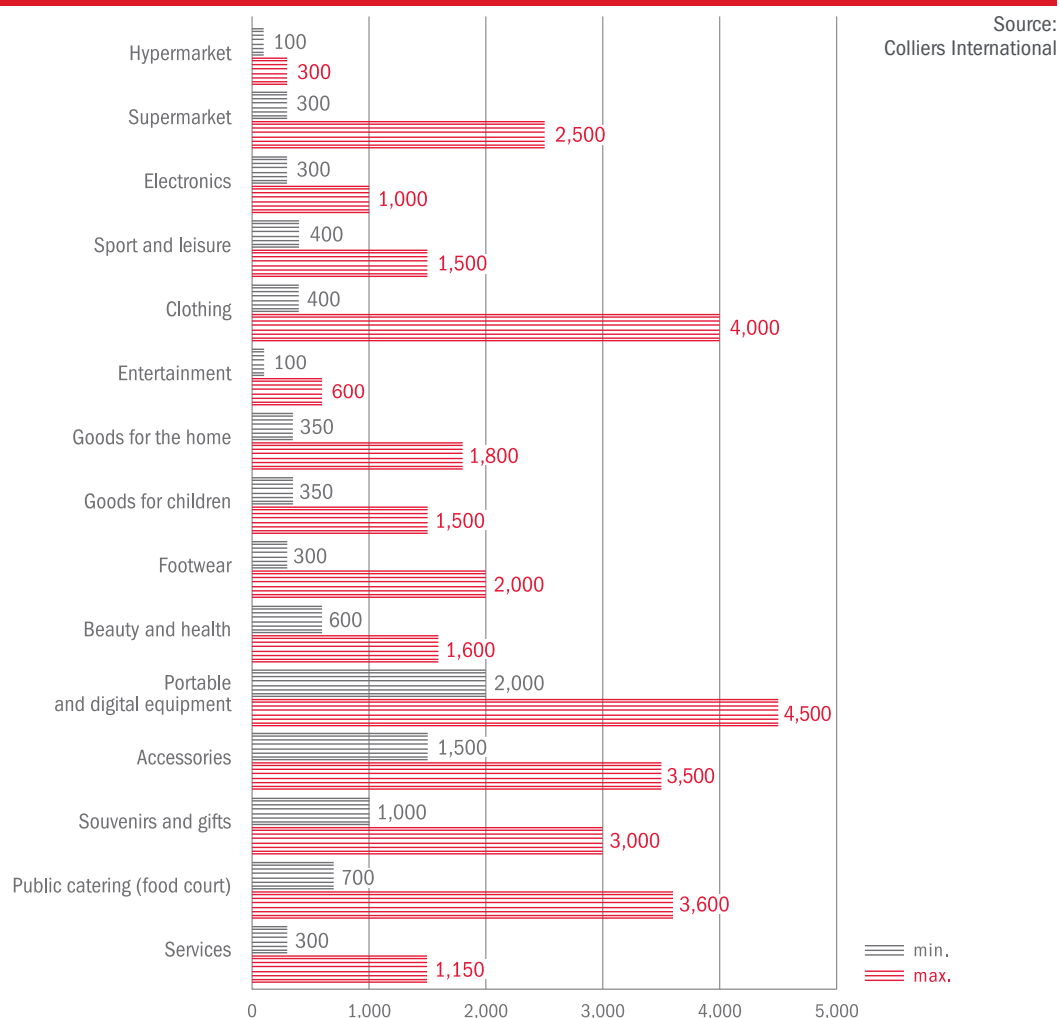


Rental rates

The growth in rental rates for retail premises for 2007 was from 10% to 20%, depending on the characteristics of the actual premises.

RENTAL RATES IN MOSCOW RETAIL CENTRES ACCORDING TO RETAILER CONFIGURATION

(USD per m² per annum)



RENTAL RATES IN MOSCOW RETAIL CENTRES ACCORDING TO RETAILER CONFIGURATION AND LOCATION (USD per m² per annum)

Type of premises offered	Trading configuration	Rental rate
Anchor tenants	Food hypermarkets, shops with other configurations over 1,500 m ² in area	100 – 350
	Supermarkets, shops with other configurations up to 1,500 m ² in area	170 – 550
Shopping mall*	Children's goods, books, services	350 – 850
	Clothing and footwear	1,050 – 2,100
	Leather goods, bijouterie, gifts, jewellery, mobile phones	2,000 – 5,800

* Rates for shops about 100 m² in area on the first floor.

Source: Knight Frank

RENTAL RATES AND SALE PRICES FOR PREMISES IN THE BEST MOSCOW RETAIL CORRIDORS, 2007

Retail corridor	Average rental rates, USD per m ² p.a.*	Maximum sale price, USD per m ² p.a.*
Tverskaya	2,500 – 6,000	36,500
Kuznetskiy Most	2,000 – 5,000	26,800
Arbat	1,500 – 5,300	22,000
Kutuzovskiy Prospekt	1,000 – 3,000	15,000
Leninskiy Prospekt	1,000 – 2,000	16,000
Prospekt Mira	750 – 1,500	6,000
Leningradskiy Prospekt	700 – 2,000	12,000

* Excluding VAT and operating costs

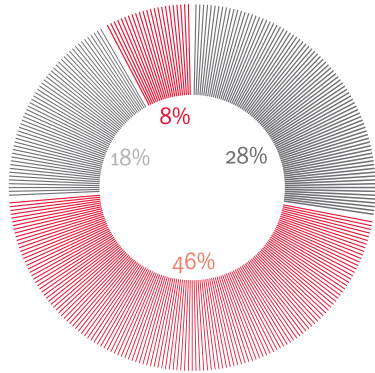
Source: Blackwood

Hotel real estate

According to Praedium, rapid development continues in the Moscow hotel market. The hotel segment is becoming more attractive to investors, due both to the reduction in return in other segments and to the city offering preferential terms for hotel projects. The capital's hotel market is attracting new international and Russian hotel operators. In particular, many management companies already represented on the Russian and Moscow markets are expanding their activities and planning to open new hotels in Moscow. Companies such as Hyatt International Hotels & Resorts, Heliopark Group, InterContinental Group, Hilton, Holiday Inn Hotels & Resorts, Rezidor Hotels, and Starwood Hotels & Resorts Worldwide have declared their intention to open new hotels.

The city authorities are actively promoting the development of the hotel segment. A new scheme for the siting of hotels in Moscow to 2010 was adopted in April 2007, according to which 353 new hotels will come onto the market. In September 2007 the city administration created a Moscow Hotels Coordination Department, whose duties include administration of the capital's hotel business. Hotels which are either wholly or partially owned by the city, including Kuzminki, Budapesht, Moskva, Sayany, Voskhod, Volga, National, etc. will come under the control of the new department.

TOTAL STOCK OF HOTEL ROOMS IN MOSCOW ACCORDING BY CATEGORIES



- ≡ 2*
- ≡ 3*
- ≡ 4*
- ≡ 5*

Source: Praedium

Supply

By the beginning of 2008 total supply on the hotel market amounted to over 35,000 rooms, they are divided into: 2,934 five-star hotels, 6,724 four-star hotels, 15,958 three-star hotels and 9,843 two-star hotels.

In 2007 9 hotels of various classes were put into operation; and total 1,743 rooms were brought into use, it is 9% more than the figure for 2006. However, "Ukraina", the largest hotel in the capital, was closed for refurbishment in 2007, involving a reduction of 1,018 in the stock of rooms; thus the actual increase was 725.

The greatest increase is in the four-star segment: 1,154 rooms.

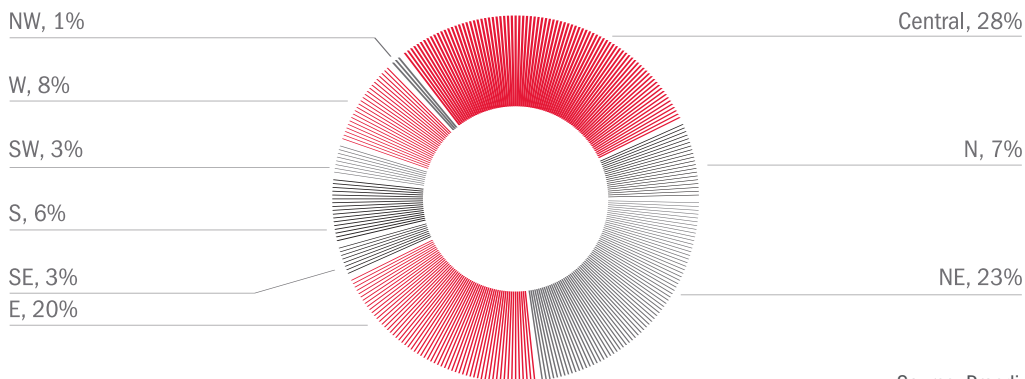
Most Moscow hotels are concentrated in the Central and North-Eastern Districts, Overall, these districts are about the half of the capital's hotel stock. All the five-star hotels are in the city centre, as the most of the four-star hotels. Supply in the medium-priced hotel segment is expanding, due to the increase in the lower-category hotel class.

Demand

In 2007 there was high demand for hotel rooms; the occupancy rate averaged 73%, the basic demand being for hotels in the high and medium-price categories. The main source of demand for five-star hotels was Russian and foreign guests coming to Moscow on business.

Demand still continues to exceed supply; the new units are not reducing the gap between supply and demand because a number of existing hotels are being closed for refurbishment.

HOTEL DISTRIBUTION ACCORDING TO LOCATION



Source: Praedium

The price of hotel accommodation

High demand and the fact that it substantially exceeds supply, leads to an inevitable shortage of hotel places, with a corresponding steady increase in prices for accommodation. In 2007 the price of accommodation rose by 60% on average compared with 2006. Moscow is one of the leaders in Europe in terms of the price of hotel accommodation.

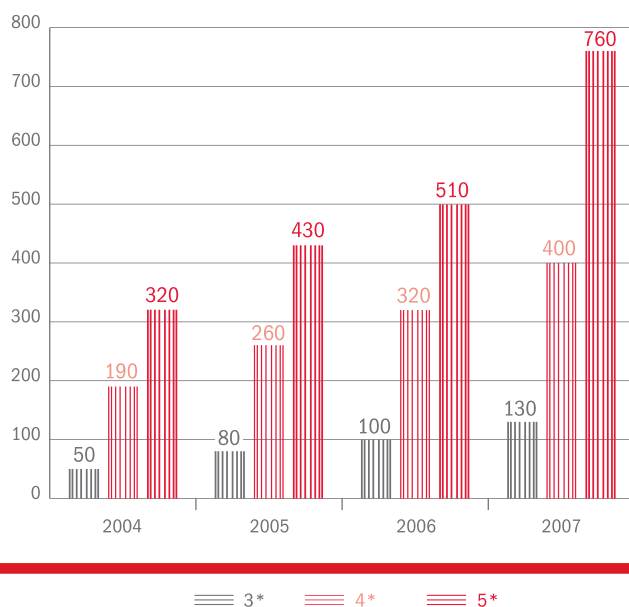
Forecast for 2008

Twenty-eight hotels with a capacity of 5,263 rooms are expected to be commissioned in 2008.

The experts identify the following among the principal trends in market development:

- continuing active development of the five-star hotel segment;
- upgrading of hotels after refurbishment;
- active construction of hotels as part of multipurpose complexes;
- development of the apart-hotel format;
- persisting acute shortage of hotel places;
- increasing price of accommodation in hotels, especially five-star;
- dynamic hotels construction in "Moscow City" district.

DYNAMICS OF PRICE OF ACCOMMODATION IN MOSCOW HOTELS (USD per day)



PRICE OF ACCOMMODATION IN MOSCOW HOTELS (USD per person per day)

Room type	5*	4*	3*
Standard	740	400	150
Semi-deluxe	1,300	520	180
Deluxe	2,500	700	255

Suburban real estate

Residential real estate

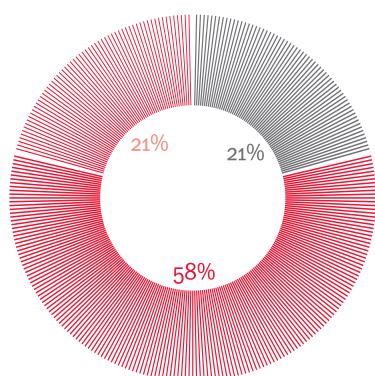
Supply

According to Blackwood, there was a significant increase in development activity on the suburban real estate market in 2007. The number of implemented projects increased by 40% on the primary market. At the end of 2007 sales were conducting in 309 cottage communities. By the end of 2007 62 new projects were made and this figure is twice than the 2006 figure.

Most of the communities being implemented are still in the western part of the Moscow Region. However, a trend towards increasing development activity along the Simferopolskoe, Kashirskoe, Egorevskoe and Yaroslavl'skoe Highways developed in 2007. As a result, the contribution of the western part to the total supply for the year decreased from 68% to 63%.

Most of the cottage communities being built (74%) are in the central and outer Moscow Region, 55% of the supply being communities 15-50 km from the Moscow Ring Road. 26% of supply is in the inner Moscow Region. The trend towards rapid development of the cottage segment continued in 2007. Sales began in 2007 simultaneously in 7 communities on the boundary of the Moscow Region. At present, suburban residential projects are being implemented in practically all highway regions, but the Ivankovskoe, Ruzskoe, Ozerninskoe and Mozhaiskoe Reservoir regions and the bank of the River Oka are under the most intensive development.

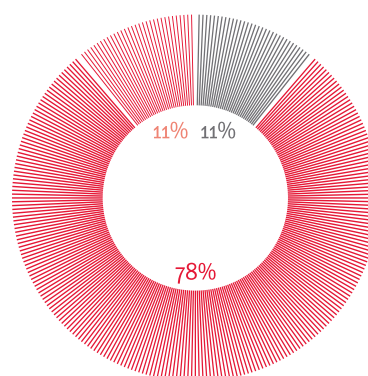
STRUCTURE OF SUPPLY ON THE COTTAGE COMMUNITY MARKET ACCORDING TO CLASS



- Premium
- Business
- Economy

Source: Blackwood

STRUCTURE OF SUPPLY ON THE SUBURBAN RESIDENTIAL COMMUNITY MARKET ACCORDING TO PROPERTY TYPE



- Cottage
- Townhouse
- Land plots without construction contracts

Source: Blackwood

NUMBER OF NEW COMMUNITIES COMING ON SALE IN 2007

Highway	Number of communities
Novorizhskoe	16
Kaluzhskoe	8
Dmitrovskoe	6
Kievskoe	5
Rublyovo-Uspenskoe	5

Source: Blackwood

Demand

In 2007 there were qualitative changes in demand structure on the suburban real-estate market in terms of location, time to commute to Moscow, home size and purchase budget. A redistribution of demand in terms of location shifted in favour of the Novorizhskoe and Rublyovo-Uspenskoe Highways, whose share of total demand increased by 4.5% and 3.2% respectively.

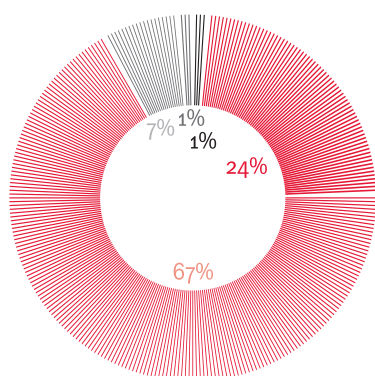
Despite the increase in the number of new projects on the Rublyovo-Uspenskoe Highway, the shortfall in supply in this region persists, due to stable high demand. Demand for units in this region is twice the level of supply. There has also been growth in demand in the Dmitrovskoe Highway region, which increased its share of the total from 3 to 4.3%.

In the elite property segment, units in the sector from the Rublyovo-Uspenskoe Highway to the Kaluzhskoe Highway are in greatest demand; the combined share of these regions in total demand is 70%.

Among purchasers, the greatest demand (91%) is for house property up to 30 km from the Moscow Ring Road. The demand for suburban properties does not exceed 1.1% of the total.

There have also been changes in the structure of demand in terms of house area. The demand for homes 300-500 square metres in size has grown. At the same time the demand for homes up to 300 square metres declined in the past year from 16 to 7%. In the elite property segment, 50% of demand comes from clients ready to spend USD 1-3 million.

STRUCTURE OF DEMAND ACCORDING TO DISTANCE FROM THE MOSCOW RING ROAD



- up to 15 km
- 15-30 km
- 30-50 km
- 50-70 km
- over 70 km

Source: Blackwood

Prices

In 2007 there were fairly high rates of price increase for suburban housing in practically all the regions. The Kievskoe Highway, where there was 64% growth, took the lead. Such high rates of growth are due primarily to improvements in route traffic capacity. A factor such as the level of accessibility has a significant effect on the development of suburban real estate in all regions, which is clearly apparent in how unevenly land is being opened up in the Moscow Region. Today only three routes can be said to have good traffic capacity: the Novorizhskoe, Kievskoe and Simferopolskoe Highways, which makes it possible to claim that in 2008 also these regions will show the highest rates of price increase and will take the lead in terms of new projects.

AVERAGE PRICE OF UNITS ACCORDING TO LOCATION IN COMMUNITIES UNDER CONSTRUCTION

Highway	Cottages (USD per m ²)			Town houses (USD per m ²)		
	< 15 km	15-30 km	> 30 km	< 15 km	15-30 km	> 30 km
Rublyovo-Uspenskoe	11,091	6,477	-	4,488	4,567	-
Novorizhskoe	4,874	4,797	3,012	5,263	3,246	-
Minskoe	7,686	4,080	1,303	-	2,090	-
Kaluzhskoe	5,165	3,485	1,929	3,031	2,018	-
Kievskoe	4,427	3,236	3,420	-	2,024	-
Dmitrovskoe	3,718	3,206	1,995	4,500	1,722	-
Yaroslavskoe	2,176	2,374	2,483	2,254	-	1,530

Source: Blackwood

In terms of distance, the central Moscow Region (15-30 km from the Moscow Ring Road), where the price of house property rose 45% in the year, accounts for the greatest increase in prices. For comparison, the price of homes within 15 km of the Moscow Ring Road rose by 22% on average.

The average price of houses in premium-class communities in the leading regions was USD 6,690 per square metre (taking the price of land into account); the increase relative to the level in the previous period was 25%. The average price per square metre in the business-class community now under construction has reached USD 3,093 – 37% above the 2006 values. In economy-class communities the price per square metre of a home was USD 1,672.

The Rublyovo-Uspenskoe and Ilinskoe Highway region, where the average price per square metre is USD 6,651, accounts for the highest prices. The Novorizhskoe Highway takes the second place.

The elite cottage community segment is showing the most active development in the sector from the Novorizhskoe to the Kaluzhskoe Highway. Large infrastructure centres are scheduled for construction for these regions, which will help to make them even more popular with buyers of suburban property and contribute to a continuing increase in prices.

Forecast

Both Russian and foreign developers were very active on the suburban market in 2007. There was a substantial increase in the number of projects being implemented and planned in all parts of the Moscow Region.

There was an increase in the proportion of mortgage transactions in the Moscow Region in 2007. Whereas previously credit was involved in some 10% of suburban property purchases, this figure reached 30% by the end of 2007.

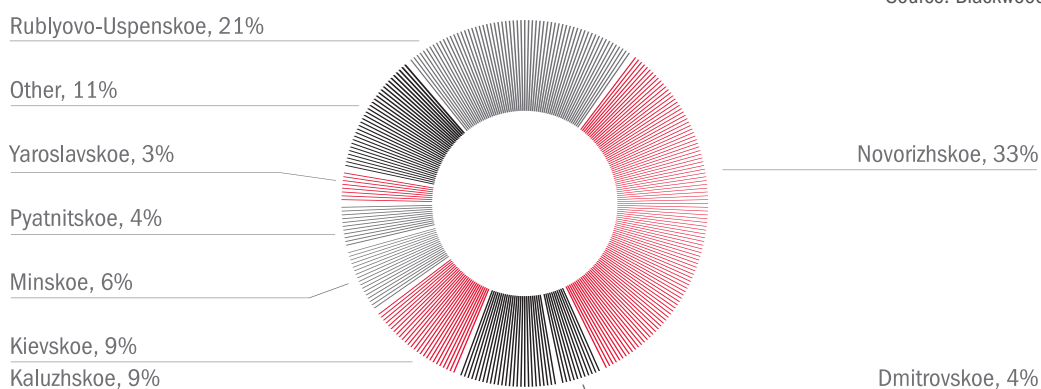
The land market

Supply

According to Blackwood, the Minskoe, Novorizhskoe, Dmitrovskoe and Kievskoe Highways account for the greatest number of offers of land plots. The Rublyovo-Uspenskoe Highway accounts for only 5.9% in the overall supply, 34% less than in 2006. Thus, the share of the Rublyovo-Uspenskoe Highway in the total supply of land plots continues to fall. Thus those involved in the land market note a shortfall in the supply of plots in the Odintsovskiy district. Small plots up to 3,000 square metres in area account for most (74%) of the supply for the Rublyovo-Uspenskoe Highway; these are sold on the secondary market. The proportion of large plots over 5 hectares does not exceed 2%.

The greater part of the land supply (48%) is concentrated in the middle Moscow Region. There was an increase in supply in the suburban Moscow Region in 2007, rising from 26 to 34%. Thus there is a gradual shift in supply towards the suburban Moscow Region, the proportion of which in the overall pattern of supply has been increasing steadily over two years.

STRUCTURE OF DEMAND FOR LAND PLOTS ACCORDING TO LOCATION



Demand

Demand is the greatest for plots in the Krasnogorskiy, Odintsovskiy, Naro-Fominskiy and Istrinskiy districts. These are primarily forest plots, which are in short supply because of amendments to the Forest Code which have made it much more difficult to allocate new plots to private housing construction.

In terms of distance, the inner and middle Moscow Region within 30 km of the Moscow Ring Road accounts for 78% of demand. Territory 15-30 km out is the most popular. The demand for plots in the inner Moscow Region is limited by high prices. In the past year the demand for plots 50 km from the Moscow Ring Road has also increased, to 10%.

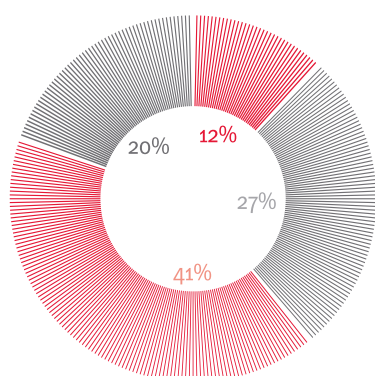
In terms of size, the greatest demand is for plots of 1,500-3,000 square metres, which accounts for 41% of the market. The proportion of plots of 3,000-5,000 square metres in area is also high, accounting for 20% of the total. The demand for 5,000-10,000-square-metre plots has actually remained at the 2006 level of 12%.

Pricing

According to figures for 2007, the price of land plots in the western part of the region up to 15 km from the Moscow Ring Road has increased by 46% on average and by 43% in the middle Moscow Region (15-30 km). As a result the price of land plots for private housing construction in the western Moscow Region in the 15 km band from the Moscow Ring Road is USD 22,000-26,000 per hundred square metres. Plots along the Novorizhskoe and Kievskoe Highways demonstrated the greatest price appreciation. There was also a substantial increase in the price of land in the eastern regions, due primarily to growing demand from developers for local plots. As a result the price difference for land in the western and eastern parts of Moscow Region was reduced. This trend will continue in 2008, because the high level of prices for plots in the popular western regions is leading to a shift in demand to the north- and south-eastern part of the Moscow Region, where the price of land is much lower.

On the whole, today none of the preconditions exist for a drop in the rates of increase in prices for land plots in the Moscow Region. The principal players in the land market are united in the opinion that the tendency for prices increasing will continue in 2008, the average forecast being of an increase of 35-45% in the price of Moscow Region land.

STRUCTURE OF DEMAND FOR LAND PLOTS ACCORDING TO AREA



- Up to 1,500 m²
- 1,500-3,000 m²
- 3,000-5,000 m²
- Over 5,000 m²

Source: Blackwood

AVERAGE PRICE OF LAND PLOTS WITH SERVICES ACCORDING TO DISTANCE FROM THE MOSCOW RING ROAD (USD per hundred square metres)

Highway	Distance from Moscow Ring Road		
	< 15 km	15 - 30 km	> 30 km
Rublyovo-Uspenskoe	41,150 - 350,000	17,340 - 110,000	-
Ilinskoe	35,000 - 200,000	-	-
Novorizhskoe	45,000 - 65,000	17,000 - 10,5000	1,500 - 38,500
Minskoe	12,900 - 11,6000	10,000 - 30,000	7,500 - 20,832
Kievskoe	12,200 - 50,000	7,000 - 46,000	7,100 - 14,200
Dmitrovskoe	10,000 - 22,500	4,900 - 20,000	3,000 - 11,600
Kaluzhskoe	10,000 - 57,800	9,500 - 40,000	6,500 - 20,000
Skolkovskoe	27,000 - 65,000	-	-

Source: Blackwood

Many market experts regard the purchase of land plots as the most successful way of investing. The highest prices for land are still found on the Rublyovo-Uspenskoe Highway in the Barvikha, Zhukovka, Razdory and Gorki-2 district. The highest price for plots was recorded at the Barvikha sanatorium, where the price per hundred square metres reaches USD 350,000. In 2007 the increase in prices for plots at the sanatorium was not as great as a year earlier (76%), no more than 16%. On the Novorizhskoe Highway, one of the highest prices was recorded at the Pavlovo community (Istrinsky district). On the whole, in the course of the last 5 years land prices in Moscow Region have grown by 260% on average.

In the suburban Moscow Region, plots in the area of the large Moscow Region reservoirs, territory along the bank of the Volga (Kalyazinsk, Konakovskiy, Kimrskiy districts), as well as land along the Simferopolskoe and Kashirskoe Highways in the River Oka district, can be seen as the most promising from the investment viewpoint.

Forecast

In 2007 the outlying limits of the Moscow Region and neighbouring regions were being opened up, primarily the Tver region, where land is being eagerly purchased in the Konakovskiy, Kimrskiy, Kalyazinsk and other districts adjacent to the Volga. The main land plots in these market sectors were the Severo-Zapad Management company and OPIN, which acquired land plots 1,300 and 3,200 hectares in area in the Tver region. A number of large projects in the Kaluga and Smolensk regions and on the border of the Moscow and Tula regions have been announced.

During the year there was a shift in interest by large developers and construction companies to the Moscow Region. This trend will allow the suburban property market to develop more actively and will ensure that the increase in land plot prices will be prolonged.

Interest of large foreign companies to the land plot market and to development projects in the Moscow Region has also increased. Whereas up to 2007 foreigners regarded commercial property as their principal target for investment, now several companies have recently announced that they plan to invest in residential construction in the Moscow Region.

Sochi

Residential estate

According to Blackwood, 511,000 square metres of residential accommodation came on stream in Sochi in 2007, that is 16% more than in the previous year.

Supply

The constantly increasing investor and customer interest in the city of Sochi is leading to an average monthly increase in property prices of 1.3-2%.

The elite segment dominates on the primary residential property market in Sochi, at 50% of total residential property under construction. Business- and economy-class housing, 32% and 18% respectively, account for the remainder. Economy-class housing construction has declined by 12% compared with 2006. This has been caused by a significant increase in land prices and to a reduction in profitability in economy-class housing construction compared with more expensive segments.

At the beginning of 2008 most of the supply (68%) was concentrated in the city's Central district, followed in descending order by the Khostinskiy district (19%), the Adlerskiy district (9%) and the Lazarevskiy district (4%).

Demand

The demand for residential property according to the bidders' information in Sochi is as follows:

- for permanent residence (15%);
- for leisure (25%);
- for investment (69%).

The number of investment transactions fell sharply at the beginning of 2007, due to a sudden sharp increase in prices and to uncertainty in the market. However, their share of total demand remained practically unchanged, because there were also considerably fewer purchases for other purposes.

All buyers can be divided into four groups, according to the region of their origin:

1. Moscow and Saint Petersburg (40% of buyers): main purpose: leisure and investment; residential category: predominantly apartments in elite-class buildings;
2. Northern regions (cities in the Far East, Siberia and the Urals) (28%): main purpose: investment, leisure, permanent residence; residential category: economy-, business- or elite-class;
3. Krasnodar Region and Sochi (21%); main purpose: permanent residence, investment; residential category: business- or economy-class;
4. Other regions (11%): main purpose: leisure; residential category: business- or elite-class.

Demand by buyers from other regions in Russia had declined by the end of 2007. On the other hand, demand by local residents increased.

Pricing

At the beginning of 2007 the average price on the primary market for all classes was USD 2,400 per square metre and USD 4,050 per square metre at the beginning of 2008.

The annual price increase in the various segments and districts ranged from 40% to 60% (up to 100% for certain locations). The increase in business-class averaged at 52%, and 66% in elite-class.

Present prices are: economy-class – USD 2,850 per square metre, business-class – USD 4,500 per square metre, elite-class – USD 9,000 per square metre (the highest asking price was USD 13,500 per square metre).

Forecast

The immediate prospect is for high residential construction rates in Sochi. In 2008-2009 there are plans for considerable amounts of social housing (up to 800,000 square metres), in addition to elite units.

The characteristics of overall demand will be a decline in interest in low-class housing in old buildings and increased interest in new high-quality residential complexes.

Hotel property

Hotel property is the most important segment of commercial real estate in Sochi. Despite the existing substantial level of supply (66,578 rooms) there is a serious shortage in the city, especially in high season. One reason is that only 20% of hotels are of high quality (new or refurbished buildings), the remainder being old room capacity that does not meet visitors' requirements.

There are three hotels classifiable as five-star, with a total room capacity of 250 units. There are five in the four-star category, with a total room stock of 964 units.

Demand

At present demand for hotel services in Sochi is high. According to expert estimates, the number of visitors is increasing by 10-15% per year. Further growth will be fuelled by the Olympic Games.

The main purpose of staying in high-class (4* and 5*) hotels is leisure (65%). About 10% of visitors come for event-based tourism (special programmes, public holidays), and 10% come to the city for medical treatment. The remaining 15% of guests in 4* and 5* hotels are traveling on business.

Pricing

The weighted average room rate in a 4* to 5* hotel in low season is 5,000 roubles, as against 8,000 roubles in high season.

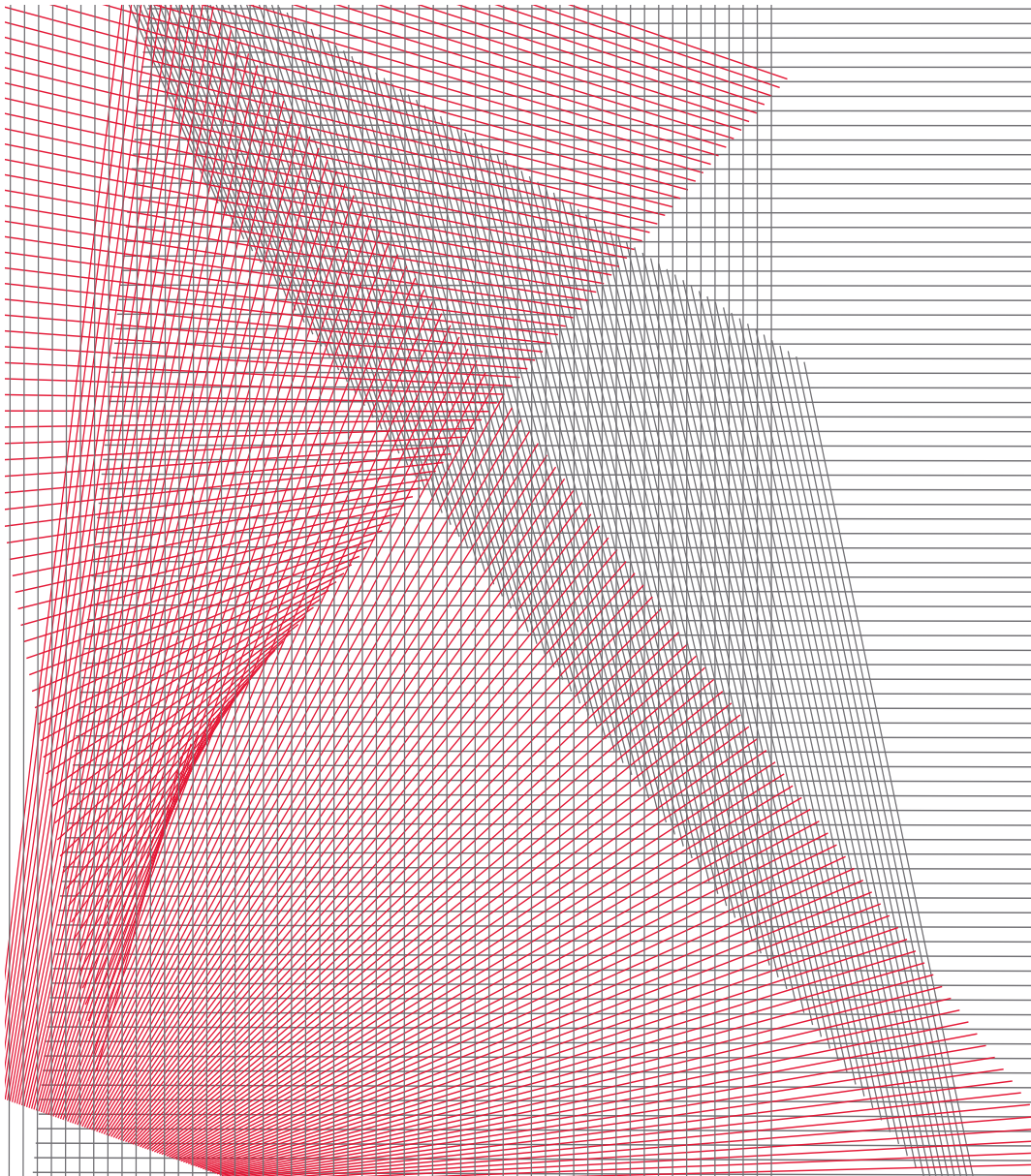
The maximum prices in high-quality hotels are 12,000 roubles and 32,000 roubles per day in low and high season respectively.

Forecast

It is estimated that 7-10 new projects for 4-5* hotel property, coming on stream in 2009-2011, may be announced during the current year.



PRINCIPAL RISK FACTORS AFFECTING COMPANY ACTIVITIES



PRINCIPAL RISK FACTORS AFFECTING COMPANY ACTIVITIES

The activities of OPIN are subject to risks that could significantly affect the Company's operations, sales, profits, assets and liquidity, and those risks should be considered before relying on any assumptions and forecasts presented in the annual report. Moreover, some risks that are currently not deemed to be substantial may become material in the future.

Market risk – a risk related to a possible reduction in the market value of land and real estate owned by the Company or a reduction of the rental rates or other revenues generated by the Company as a result of deterioration in market conditions. In particular, changes in consumer preferences for suburban real estate resulting from changes in the overall economic situation in Russia and also changing views on the attractiveness of plots and their accessibility could adversely affect the Company's business.

It is difficult to assess the market value of assets because of the limited amount of open information and accumulated reliable analytical data on the Russian real estate market. The Company is calling in recognized international experts to value its assets for the preparation of financial statements. However, the risk remains that an independent valuation does not fully reflect the market value of an asset or the actual amount which can be received from sale of an asset.

In order to minimize market risk, the Company is striving to diversify its investment portfolio and, wherever possible, to use contracts with covenants that fix the conditions for income and expenditure for the longer term.

Industry risk – risk of possible deterioration in the situation for the industry as a whole, which may be manifested in increased operating costs, tightening of tax and environmental legislation, reductions in market prices for properties, decreases in market lease rates, failure to obtain any required licences and permits, modification of procedures governing protection of rights attaching to plots of land (including lease rights), modification of town planning regulations, changes in prices for materials and services used by the Company in its operations, and increased prices for land plots and in rental rates charged for using land plots. The Company strives to minimize development risks by working only with reliable contractors and partners, incorporating appropriate provisions into contracts, ensuring that construction is constantly monitored and managed either by in-house staff or outside consultants, and by complying with current legislation and business practices.

Country and regional risks – risks associated with operating in the Russian Federation, including political instability, the consequences of potential conflicts between federal and local authorities on issues including taxes and charges, possible deterioration in the macro economic situation which may lead to a reduction in GDP, growth of inflation, instability of the national currency, weakening of the banking system, the strong dependence of the Russian economy on world oil and gas prices, the unsatisfactory state of repair of infrastructure facilities in some regions, (particularly road and rail, communications and power supply systems), social instability, or negative factors of industrial, natural or terrorist origin. Should one or more of these risks arise, the Company will do everything possible to mitigate their effects. At present it appears impossible to decide what exactly should be done should any of these risks emerge, because the development of adequate measures is hindered by the uncertainty of future developments. The measures taken will depend on the actual circumstances in each case.

Financial risks – risks including:

- credit risk
- currency risk
- interest rate risk
- liquidity risk (funding risk)

Credit risk – the risk that one party may fail to fulfill its obligations under a contract, with the result that the other party suffers financial loss. The Company has divided up its credit risk into several levels, each with definite limits on the magnitude of the risk assumed in respect of one or more contracting parties/customers. Prior to entering into material contracts the Company undertakes due diligence procedures when it checks the financial condition and creditworthiness of the other party, its experience, expertise and reputation in the area of co-operation concerned. The Company also obtains legal opinion from its in-house legal staff or from independent counsel regarding the validity of the contracts involved and of any other material documentation connected with the transactions in question. The Company's aggregate credit exposure to a particular contracting party/customer or groups of contracting parties/customers, once established by the Investment Committee, is subject to quarterly review and approval by that Committee.

The Company's contracting parties/customers – these are mainly contractors, buyers/sellers of property, tenants and banks. For each group the Company has developed additional procedures to mitigate credit risk.

Contractors – the Company uses additional credit risk mitigation instruments, including safety deposits or completion and performance guarantees issued by top-rated banks and it employs professional advisers for quality control and technical supervision.

Buyers/sellers of property – financial guarantees (bank guarantees, letters of credit or similar bank instruments) or advance performance of the other party's obligations are usually required from each potential buyer/seller.

Tenants – the Company carries out due diligence procedure. Contracts with tenants include a safety deposit amounting to lease payments for 1-6 months, sufficient to cover costs and planned profit during the re-marketing period.

Banks and financial institutions – the Company applies due diligence procedure to banks and financial institutions that provide services to the Company in order to ensure their creditworthiness. The Investment Committee sets limits for aggregate credit exposure to banks and financial institutions. Such limits are subject to quarterly review. The Company maintains accounts with several banks, to ensure flexibility in risk management policy implementation.

Currency risk – the risk arising from sharp fluctuations in the Russian rouble exchange rate against foreign currencies. The Company seeks to minimize any mismatches in the currencies in which its main income/expense items and assets/liabilities are denominated.

Interest rate risk – the risk related to potential changes in interest rates applicable to debt instruments, leading to a decrease/increase in the costs associated with such instruments. Practically all the Company's outstanding debt instruments have fixed interest rates. In the future the Company management intends to continue to raise debt capital at fixed interest rates.

Liquidity risk (funding risk) – the risk that the Company will not be able to discharge all its payment obligations as they fall due. The Company carefully manages and supervises its liquidity. It has developed and implemented a budgeting and cash flow planning system to ensure availability of cash to meet all its financial needs. The management controls these forms of risk by maturity analysis prior to determining the Company's strategy for the next financial period. Current liquidity is managed by the Treasury Department, which conducts the money market operations designed to maintain current liquidity and manage cash flows. The Company realizes that moderate liquidity and substantial capital intensiveness are features of real-estate projects. It therefore makes every effort to fund most of its future financing needs with long-term loans and equity. In addition, the Company seeks to finance its residential construction projects in full by advance payments received under construction contracts.

Legal risk – the risk arising from changes in current legislation and regulatory procedures, additional official requirements, unilateral changes to the terms of contracts, settlements and payments and the introduction of restrictions on real estate transactions and the transfer of funds. In order to minimize legal risks, the Company makes a preliminary legal appraisal of all aspects and stages of project implementation and also strives, wherever possible, to include mechanisms for managing legal risks in the contracts and agreements concluded as part of project implementation.

Company-specific risks – these are risks typical only for the Company.

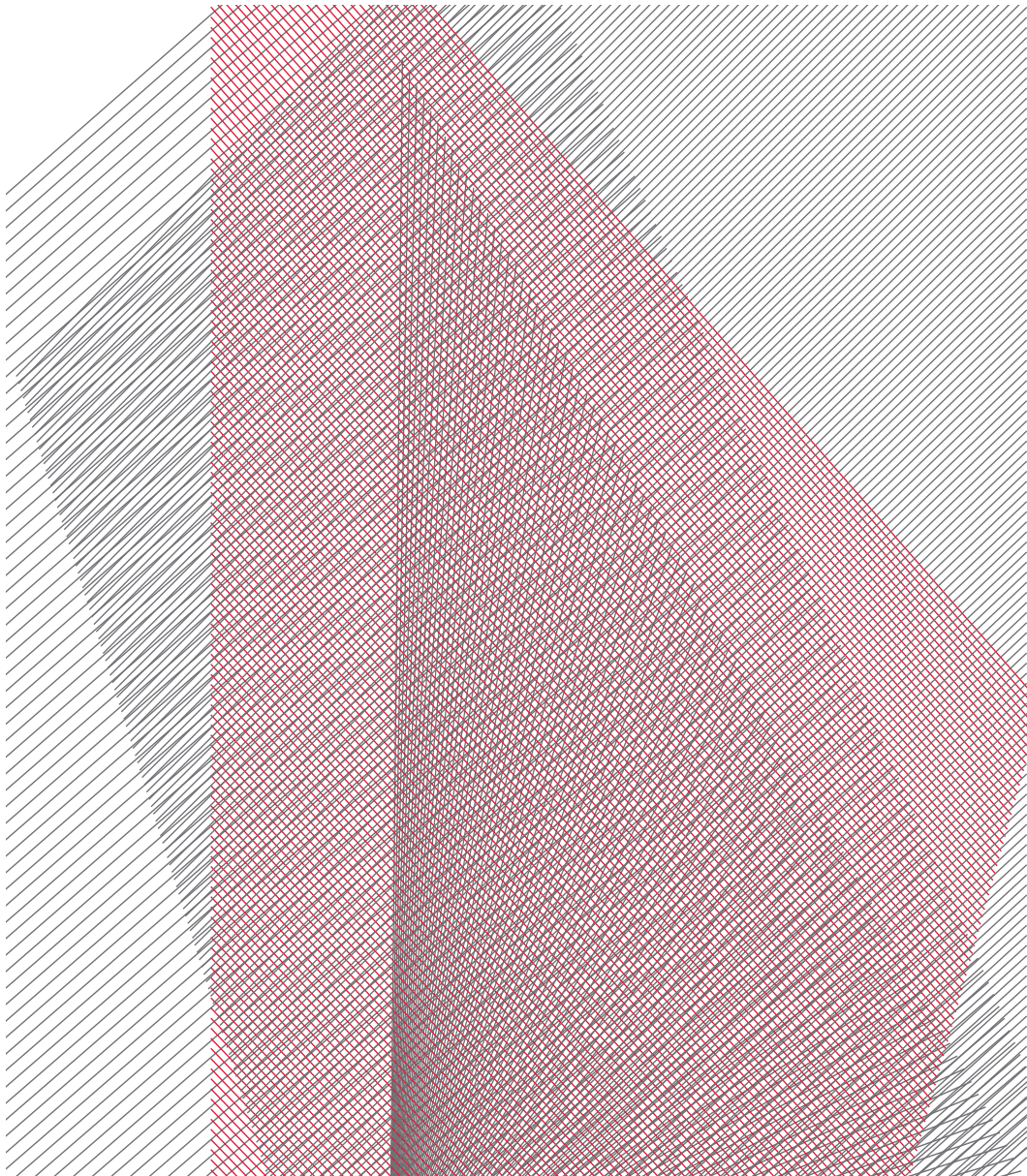
Operating risk – the risk of damage, or of losses by the Company of investments, as a result of errors or omissions in the Company's day-to-day operations. The rapid expansion of business may put a considerable strain on the administrative, financial and management resources of the Company. If the Company does not deal with the management of growth, project efficiency and relations with tenants and buyers may suffer, which may adversely affect the Company's business. To mitigate operating risk, the Company has established straightforward decision-making and control procedures. These include the preparation of operating and capital expenditure budgets, bidding procedures for the selection of qualified contractors, construction procedures, cash controls and policies as well as periodic reporting. The Company has also set up an Investment Committee responsible for making investment decisions and a Budget Committee responsible for supervising and controlling capital and operating budgets of the Company and its affiliates and separate projects.

Licence risks – the core operations of the Company are not subject to licensing. However, since the Company is engaged in certain licensed activities there is a risk that the relevant licences will not be prolonged or extended, which may have a significant adverse effect on the Company's business, financial position and operating results.

Risks associated with irreplaceable employees – the success of the Company's operations depends to a large extent on its key employees and if they leave, there could be material adverse effects on the Company.



REVIEW OF OPERATIONS AND CORPORATE DEVELOPMENT IN 2007



REVIEW OF OPERATIONS AND CORPORATE DEVELOPMENT IN 2007

Class A office space

Meyerhold Class A business centre

The Meyerhold business centre is a profitable asset. It is an eight-storey Class A office building incorporated into a multi-use facility which comprises offices, the Novotel Moscow Centre Hotel, the Vsevolod Meyerhold Theatre and a two-level underground parking area for 85 cars. The business centre is located in Novoslobodskaya Street close to the centre of Moscow.

Construction of the office centre commenced in 1997 and it became operational in December 2000. In addition to offices, the Meyerhold business centre includes shopping areas. The total floor area of the building exceeds 11,000 square metres.

Principal features of the property:

- convenient location – the Meyerhold business centre is between the Garden Ring and the Third Ring Road close to Tverskaya Street;
- accessibility – the centre is easily accessible by road, by private and public transport, and by metro (it is next to the Mendeleevskaya station);
- the average occupancy rate over the period from 2004 to 2007 was above 96%, including owner-occupied space; in 2007 average occupancy was about 99%.

Domnikov Class A business centre

The Company is engaged in the construction of a multifunctional office centre which will meet the modern investment grade class A office requirements. The site is located in the centre of Moscow next to the Garden Ring.

The name of the business centre goes back to the history of its location. Akademika Sakharova Prospect where the office centre is located was called Domnikovka street in pre-Revolutionary Moscow. The first in Russian history commercial housing for rent was developed here in the XVIII century.

The business centre consists of three buildings on a single stylobate with a total building area of 132,000 sqm. The total floor area of 27-storey high-rise office

DESCRIPTION OF THE PREMISES (sqm)

Office space	5,239
Public areas (included in leasable areas)	1,731
Retail space	406
Parking	498
Leasable areas, total	7,874
Technical service areas (not leased)	3,376
Total floor area of building	about 11,250

building (Block 1) will amount to approximately 23,000 sqm, the total floor area of 8-storey (Block 2) and 11-storey (Block 3) low rise buildings will amount to 45,000 sqm and will face Akademika Sakharova Prospect and Orlikov Lane, respectively. The business centre also includes an underground parking accommodating approximately 1,090 vehicles.

Project Description:

- prime location, easy transport access;
- excellent building visibility, unique and recognizable design;
- modern engineering and technical systems;
- efficient floor plans;
- well-developed infrastructure (shops, restaurant, fitness centre, multi-purpose conference rooms);
- good parking ratio.

Participants:

- architects – Bureau AV directed by A.R. Vorontsov;
- architectural consultant: MMA + Fitzroy Robinson International (UK);
- structural engineering – Waterman International (UK); Centroproject (Serbia), Jedinstvo (Serbia).
- general contractor- Southbrook (UK);
- construction works consultant – Savant International (UK);
- sub-contractor for construction of the underground part – Soletcnche Bachy (France).

Currently the underground construction works have been completed. The aboveground reinforced concrete construction and works to connect the building to the local utility infrastructure are in process. Finishing works and engineering systems installation are carried on in the underground part of the centre.

Jones Lang LaSalle has been appointed as an exclusive adviser on marketing and office leasing.

OPIN Plaza Class A business centre

In 2006 the Company acquired a leasehold interest in 1.12 ha of land for the development a Class A multi-use business centre in the North-West Administrative District of Moscow on Second Silikatnyi Proezd, 34. It is located at the intersection of the new Krasnopresnenskiy Prospect and the Second Silikatnyi Proezd, within the Large Moscow City Project area. The centre is very close to the Third and Fourth Rings, the Kutuzovskiy Prospect, the Leningradskoe Highway and the Moscow City Project. The area development plan envisages the construction of a Metro station in the immediate vicinity of the centre.

There are plans for the construction of residential, hotel and commercial and office complexes on land adjacent to the business centre.

The multi-use office centre, with a total floor area of some 87,757 square metres, five levels of underground parking for about 1,122 vehicles and a variable number of floors (19-24), is being developed in accordance with the requirements for class A office buildings. It is being designed with the optimum number of infrastructure units (its own conference room, restaurants, and cafe), extensive interior landscaping, two atriums and original and efficient floor plans. A landing pad is installed on the roof, for business-class helicopters.

Participants:

- the project architect is MMA Company + Fitzroy Robinson International (UK), together with Waterman International (UK).

The Company is currently in the process of finalizing the designs for the project. The Act of Permitted Use of the site has been obtained.

The commencement of the main construction stage is planned for the third quarter of 2008 and completion of centre construction is anticipated in 2011.

Master-Plan developments

Pavlovo Community

Pavlovo Residential Community consists of the Pavlovo-1 Community, being the existing deluxe residential housing community, Pavlovo-2 Community now under construction, Pavlovo Podvorye Retail and Entertainment Complex and Pavlovo School.

Pavlovo-1 Community

Deluxe community of single-family residential houses covers a total area of 69 hectares, with well-developed amenities and social infrastructure. It is situated in the Istrinsky district, Moscow Region, 14 km from the Moscow Ring Road on the Novorizhskoe Highway (4 km from the main road near the village of Velednikovo).

Project description:

- gated development;
- excellent transport access;
- approximately 200 single-family homes with floor areas from 400 to 700 sqm;
- classical architecture, with facades decorated with artificial stone or stucco, and tile-covered roofs;
- individual plot areas from 0.2 to 0.7 hectares;
- all homes are connected to common utility services;
- unique social infrastructure, created as part of the Pavlovo Podvorye project.

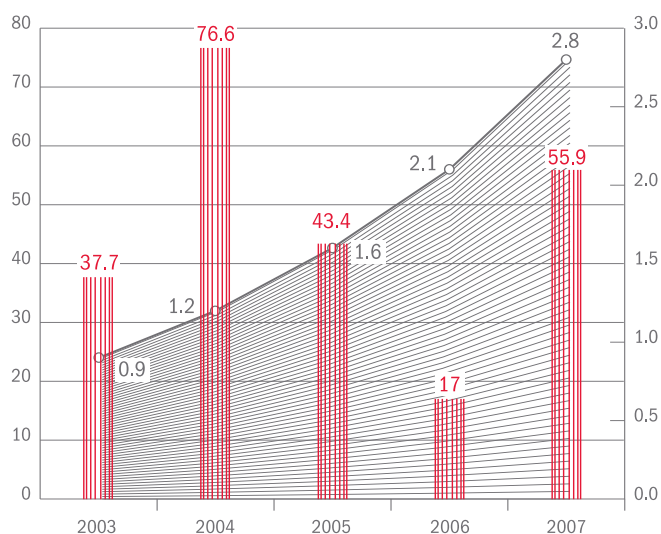
The project commenced in the third quarter of 2003 and sales began in 2003.

Construction has been completed.

As of 31 December 2007, contracts have been concluded for 81% of the total number of units.

Completed houses are now being offered for sale as ready for finishing work.

THE AVERAGE CONTRACT VALUE AND CONTRACT VOLUME FROM THE BEGINNING OF THE «PAVLOVO-1» PROJECT DEVELOPMENT (USD mln)



▬ Contract volume, USD mln —○— Average contract value, USD mln

Pavlovo-2 Community

Pavlovo-2, positioned in the market as an elite mixed-type community development, is the second stage of the Pavlovo project. Project site is about 80 hectares, 14 km from the Moscow Ring Road in Istrinsky district of Moscow Region on the Novorizhskoe Highway (near the village of Novinki, 4 km from the main road).

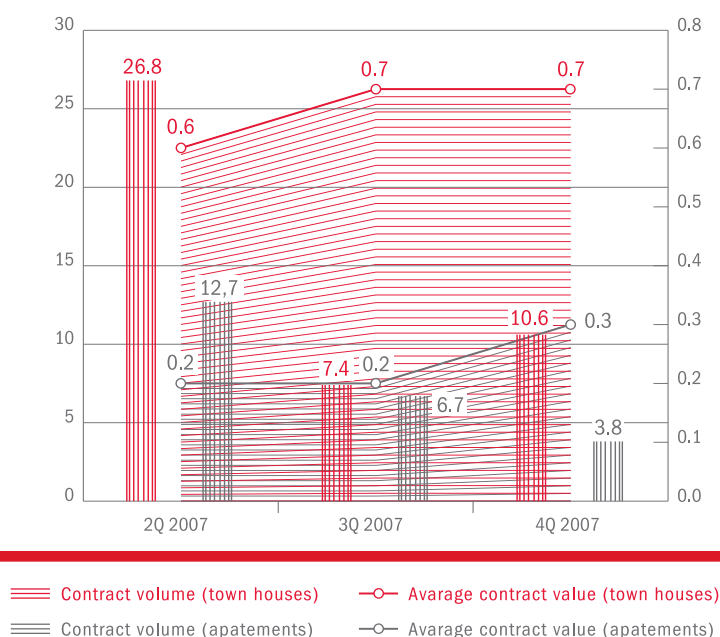
Project description:

- modern mixed-type development within a gated community including three types of building;
 - 149 detached houses ranging in floor area from 239 to 917 sqm on plots ranging from 0.18 to 0.47 hectares;
 - 71 terrace style town houses with 290 apartments, with floor areas from 145 to 240 sqm;
 - 8 low-rise buildings containing 380 apartments with floor areas from 40 to 107 sqm;
- it offers thirty standard designs but also allows customers to use their own designs as long as they are consistent with the general character of the community;
- classic architecture, with facades decorated with artificial stone or stucco, and tile-covered roofs;
- all homes are connected to common utility services.

The project commenced in the fourth quarter of 2006, sales began in 2007. Completion is anticipated in 2009.

As of 31 December 2007, contracts have been signed for approximately 24% and 29% of the total number of apartments in town-houses and in low-rise buildings, respectively. As of 31 March 2008, 90 cottages, 5 apartment buildings and all the terraces (townhouses) were under construction.

THE AVERAGE CONTRACT VALUE AND CONTRACT VOLUME FROM THE BEGINNING OF THE «PAVLOVO-2» PROJECT DEVELOPMENT (USD mln)



Pavlovo Podvorye Retail and Entertainment Complex

The Pavlovo Podvorye Retail and Entertainment Complex creates highly developed retail and entertainment facilities in the area of the Pavlovo-1 and Pavlovo-2 communities. It will be one of the largest multi-use shopping centre in the Moscow Region, with a floor area of over 40,000 sqm. The site, with a total area of about 17 hectares, is in the Istrinsky district, Moscow Region, 14 km from the Moscow Ring Road and 4 km from the Novorizhskiy Highway close to the Pavlovo-1 and Pavlovo-2 communities.

The complex includes:

- a retail centre consisting of a shopping centre with a supermarket, a garden centre, a cafe'-restaurant and a children play centre;
- a multi-use recreation centre comprised of a pool and tennis courts;
- an entertainment centre with a bowling alley, a restaurant and boutiques;
- retail display stands;
- restaurants;
- an open-air concert hall;
- an amusement park;
- a bank;
- a parking garage for approximately 750 cars;
- an administrative building.

Construction of the centre in a 'shell and core' condition has been completed, with finishing works and land improvements now in progress.

The anticipated commissioning date is 2008.

Pavlovo School

Pavlovo private school is being built as part of the development of the social infrastructure of the Pavlovo-1 and Pavlovo-2 communities. It is located in the Istrinsky district, Moscow Region near the Pavlovo community development, 14 km from the Moscow Ring Road on the Novorizhskoe Highway and 4 km from the main road to Nakhabino.

The school is intended for children living in Pavlovo-1 and Pavlovo-2 as well as for those living, in the nearby residential developments on Novorizhskoe and Rublyovo-Uspenskoe Highways and in Moscow. It plans to provide a high standard of education surpassing in many respects the best international institutions and meeting the Russian State educational standard.

The school complex is about 40,000 sqm in area and includes a kindergarten for children aged from three to five years and a eleven-year high school. There will be a covered sports and fitness complex with a pool and an open-air stadium.

Project description:

- the total area of the site is 10.38 hectares;
- the school will include a cultural and administration centre, a junior school, main school and senior school, a kindergarten, sports complex, and a parking area for approximately 225 cars;
- the school is designed and equipped to the highest modern standards;
- the highly effective organization of the working environment will make it possible, if necessary, to adapt the planning of the school to changes in the education process;
- the number of students will be about 450, with approximately 16 in a class;
- the number of pupils in the kindergarten will be about 90.
- the school is a private full-time educational institution, with provision for the artistic and sporting development and fitness of the children.

The construction of the superstructure of the buildings is close to completion, and work is in progress on services and finishing.

The project commenced in 2006, with completion of construction anticipated in 2008.

Pestovo Community

A premium-class project is located 22 km from Moscow on the Dmitrovskoe Highway in the Mytishchi district, Moscow Region. The community is on the picturesque shore of the Pestovo Reservoir on a plot of about 129 hectares. There is a large area of forest of approximately 50 hectares on the site.

The community is a unique combination of quality and infrastructure. It has its own bay with marina for yachts, approximately 2.5 km of shoreline, waterside walks and a beach, and a system of internal ponds and lakes. A large area is set aside for community use, including an ecopark. The project's proximity to an elite golf club, ski resorts and the Lomonosov private school are particularly noteworthy.

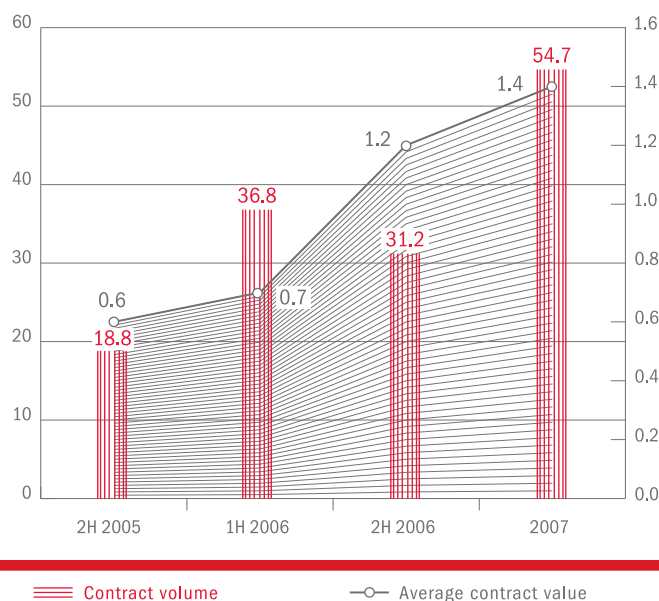
Project description:

- approximately 400 deluxe single family houses;
- 90% of houses have floor areas from 350 to 500 sqm, the remaining 10% have floor areas in excess of 500 sqm;
- contemporary designs, large glazed areas and finishes of mainly natural materials;
- 90% of plots sizes are from 0.2 to 0.25 hectares and the remaining 10% of plot sizes are over 0.25 hectares;
- the Company offers several standard designs of houses and houses in the Mediterranean style (the "southern quarter");
- infrastructure at Pestovo includes administrative buildings, shops, a yacht club, a fitness centre, a sports ground and two restaurants.

The project commenced in the second quarter of 2005, sales began in the fourth quarter of that year. Project completion is anticipated in 2009.

As of 31 December 2007 approximately 36% of the total number of land plots has been sold. Construction of 235 individual houses is in progress.

THE AVERAGE CONTRACT VALUE AND CONTRACT VOLUME FROM THE BEGINNING OF THE «PESTOVO» PROJECT DEVELOPMENT (USD mln)



Martemianovo Community

OPIN owns highly attractive land plots, mostly zoned for private housing construction, in the Narofominsky district of Moscow Region, 27 km from the Moscow Ring Road. It is close to the village of Martemyanovo along the Kievskoe Highway, providing for good access for both private and public transportation. The total area of plots intended for houses and common infrastructure is about 229 hectares.

Project description:

- the project concept assumes development of modern upper-middle and middle class residential communities delivered in several phases.
- at the first stage of Martemianovo Community development 153 land plots without construction contract are offered, ranging in size from 0.2 to 0.3 hectares. The land plots have access to utilities and communal infrastructure.
- quality prefabricated residential housing consisting of modern timber frame technology is used in construction of upper-middle class community. The Company imports houses from Viceroy Homes Limited (www.viceroy.com), a listed Canadian manufacturer of quality prefabricated timber frame home building systems;
- at the second stage of Martemianovo Community development 69 houses in a separate 24-hectare area are in the process of construction in a separate 24-hectare area. The houses are on average 350 square metres, each on a land plot of between 0.2 and 0.5 hectares built in 'shell-and-core' condition.

The project commenced in the second quarter of 2005.

The first stage of Martemianovo:

Sales of land plots without construction contract began in the first quarter of 2007. As of 31 December 2007 contracts have been signed for approximately 78% of the total number of plots.

The second stage of Martemianovo:

The Company expects to have completed the construction of all of the houses by the third quarter of 2008. Sales of houses are anticipated in the third quarter of 2008.

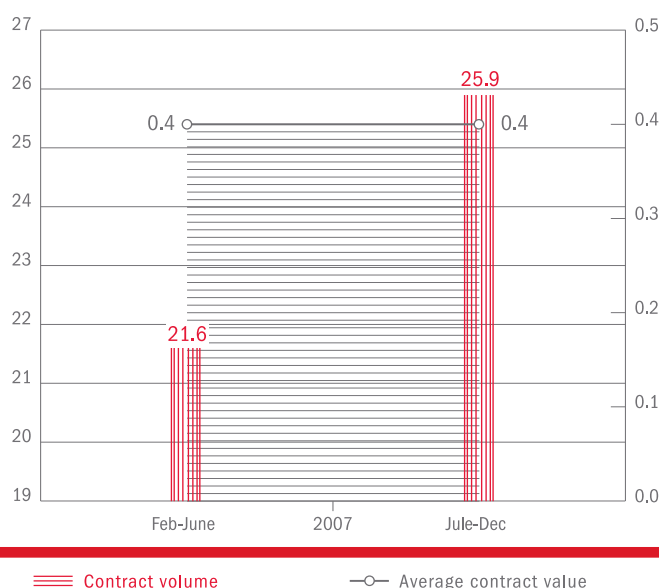
Lukino Community

The project aims at a development of a premium-class residential master-plan community approximately 35 km from Moscow on the Novorizhskoe Highway in the Istrinsky district of Moscow Region near the village of Lukino. The premium-class community will include cottage blocks, town houses and apartment buildings with integrated infrastructure and a church.

The area for development is about 230 hectares of land.

The Novorizhskoe Highway has an excellent traffic efficiency and, with the imminent opening of the Krasnopresnenskiy Prospekt, the project will become readily accessible from Moscow. Construction of a multi-level traffic joins is planned to facilitate access from the

THE AVERAGE CONTRACT VALUE AND CONTRACT VOLUME FROM THE BEGINNING OF THE «MARTEMIANOVO» PROJECT DEVELOPMENT (USD mln)



Novorizhskoe Highway. The Moscow Belt Line Railway (local train station is "Platform on 178 km"), passes to the south of the community along which construction of the Povarovo-Kubinka expressway is planned, that would further enhance efficiency of local transportation system.

Project description:

- The development will be comprised of:
 - approximately 320 detached houses with floor areas from 300 to 800 sqm on land plots from 0.2 to 0.6 hectares;
 - approximately 420 apartments in blocked houses (town-houses) are being planned with floor areas of 210 sqm;
 - and approximately 200 apartments with floor areas from 70 to 120 sqm in low-rise buildings.
- The site of the planned community is surrounded by forest and it has an attractive landscape with a river and a stream running through it.
- The roads and side walks will connect different districts of the community which follow the natural landscape.
- The community will be built in accordance with common architectural style and with a comprehensive package of amenities.
- The community will have independent utilities systems (except for electricity and gas supplies), built with the best Russian and European equipment;
- Children's play areas and sports facilities, leisure areas with private beaches, a kindergarten, a school, an administrative building and shopping and entertainment centres are planned on the site of the community.

The project commenced in 2008, and provisional completion will be in 2013.

At present work on land development and finalization of the Master Plan project are nearing completion, and work has begun on the planning of engineering networks and facilities.

Large Zavidovo Master-Plan community

Approximately 1,300 hectares of land for the Zavidovo project are located in Tver Region on the shores of the Ivankovskoye reservoir, approximately 100 kilometers from Moscow on the Leningradskoe Highway.

The site has a very high potential because of its location near a large expanse of water and its proximity to an area of recognised natural beauty, where a presidential fishing and hunting Resort Zavidovo is located. A considerable improvement in accessibility of the site is anticipated in future due to the expected construction of the new Moscow-Saint Petersburg high speed motorway.

The Company is developing plans for the construction of a large-scale lifestyle development in phases. Leading international advisors have been involved in the development of the master plan for the site. OPIN has engaged EDAW (www.edaw.com), a reputable international master planning consultant and architect firm. OPIN has also engaged Economic Research Associates (ERA - www.econres.com), a respected leisure and tourism industry consulting firm, to advice on the project concept development and economic analysis. The master plan for the site was finalized in 2007.

The categorized use of land is changed to residential and industrial based on the future development requirements.

OPIN has prepared a draft Master Plan for the future Large Zavidovo urban community, based on the work of EDAW, Buro Happold and ERA. The draft has successfully passed the discussion stage and has been approved by the Urban Development Council of the Tver Region Administration in April 2008. The agreement on cooperation within the framework of project implementation has been signed between the Tver Region Administration and JSC OPIN.

Sochi Hotel and Resort Estate

The project envisages the construction of a luxury hotel and resort estate, consisting of several high-rise buildings, with extensive infrastructure, summer cafes on the shore of the Black Sea and a 150 meter long beach line. The land plot is located at 11, Ordzhonikidze Street, Sochi.

Project description:

- the area envisaged for the project is up to 4.3 hectares.
- the estate will include a five-star hotel, apartments and a business centre, as well as three-level underground parking.
- ancillary facilities will include a shopping centre, a pool that may be open or covered, a wellness centre including a fitness centre and a spa, offices for various purposes, bank outlet and restaurants.

There are very few other sites in Sochi of a comparable quality and location characteristics and therefore the project is expected to have an exclusive positioning on the market.

The project commenced in the third quarter of 2007, with anticipated completion of construction before the Winter Olympic Games in 2014.

Design works are currently in progress. The complex concept and design are being developed by PRP Architects Ltd. (UK), reputed international experts in design of resorts and residential and communal complexes. Leading international planning specialists experienced in resort and residential development are now being involved in designing the project concept and a master plan. OPIN has engaged international consultant Economic Research Associates (ERA – www.econres.com), a respected leisure and tourism industry consultant, to advice on the project concept development and economic analysis. Southbrook has been chosen as general contractor for project construction on the basis of tender.

Large Pestovo Master-Plan development

In the third quarter 2006 the Company agreed the price of acquisition of 1,000 hectares of land near the Pestovo Community. In 2006 and 2007 the Company acquired approximately 352 hectares of land between 15 and 30 kilometres from the MKAD along the Dmitrovskoye Highway.

Project description:

- Total area planned for acquisition is up to 1,000 hectares;
- The Company has acquired land plot with total area of approximately 352 hectares, including approximately 34 hectares categorized for residential use;
- Good accessibility is provided by Dmitrovskoe Highway;
- Most of land plots are located in immediate vicinity to the Pestovskoe, Ikshinskoe and Pyalovskoe Reservoirs.

The Company considers a large scale development of the site in several phases as an extension of the Pestovo Community.

The integrated project concept is now being developed. The Company is in the process of changing the categorized use of land to residential and obtaining other necessary approvals for the site.

Development projects' management and consulting services

Mountain Ski Resort Rosa Khutor

In October 2007 Interros has appointed OPIN Group as a managing company for rendering project management services in relation to the Mountain Ski Resort Rosa Khutor (Sochi). The project is a development of a four season resort with a comprehensive package of sporting features and tourist attractions built to the best international standards. Development of winter Olympics infrastructure in Sochi creates unique combination of winter sports and beach resort. The resort development entails extensive leisure infrastructure development, including resort estate of various price categories. Currently, OPIN is rendering project management services in relation to the resort on a commission basis. The OPIN's remuneration includes project management fee and performance based compensation. In the future the Group may consider potential co-investment into resort properties.

This unique Mountain Ski Resort will attract tourists from different regions of Russia and from abroad. The resort's capacity during the first phase of construction will be limited to 5 thousand skiers per day, but will increase to 10 thousand after the second phase of resort development with possible future increase of the capacity. Pistes' quality will comply with highest standards, including those established for the Olympic contest. The construction of 14 lifts, approximately 40 pistes and skyways with the average pistes length approximately 55 km is planned. Unique combination of the winter and the summer sports and entertainments will turn the complex into the four season resort.

Mountain Ski Resort Rosa Khutor has been designed and is being built in compliance with Russian environmental laws and international environmental standards. The pistes will be tracked exclusively along the natural slopes which will allow to minimize changes of the natural landscape. The Group also plans to use modern environmentally adopted technologies, including noiseless equipment, anti-landslip, soil erosion preventing and avalanche safety systems, hi-tech waste water treatment plants, etc..

Central Ring Road of Moscow Region (TSKAD)

OPIN's participation in infrastructure projects began when one of its subsidiary companies, IR Development, won the tender for the development of a feasibility study for the construction of Central Ring Road of Moscow Region. The construction of the Central Ring Road of Moscow Region will facilitate the integration of regional highways into international transportation routes and allow for the redistribution of transit and cargo flows, diverting them away from the City of Moscow. This will permit for a distinctive transportation and communication framework to be established in the Region of Moscow.

An international consortium was created for the purposes of the tender and further development of the project. Members of the consortium included: IR Development LLC (consortium leader), Lengiprotrans OJSC, and OBERMEYER Planen Beraten GmbH (Germany).

The following companies acted as advisors to the consortium: Construction Design Association Sistema Gals CJSC, International Group Macquarie Bank Limited (Australia), International Legal Firm CMS Cameron McKenna LLP (USA), Chief Division of the Town Planning Research and Design Institute for Moscow Region, PriceWaterhouseCoopers Audit CJSC, Steer Davies Gleave Ltd. (UK, traffic surveyor), and Academic Autonomous Non-Commercial Entity Risk Management Institute.

Contract works were fully completed in 2006.

Other projects

Novotel Moscow Centre Hotel

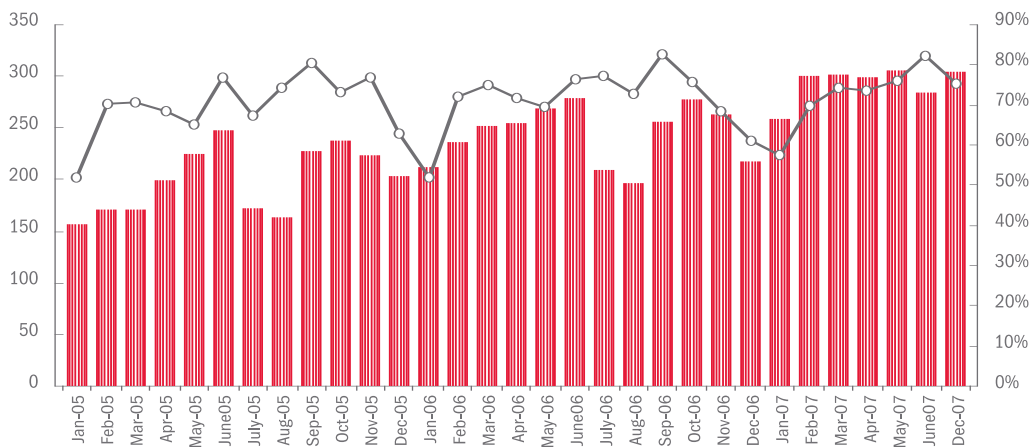
The Novotel Moscow Centre Hotel, located at 23 Novoslobodskaya Street, Central Administrative District, is a 255-room, "three-star"-plus hotel managed by the ACCOR Group under the brand name "Novotel". The hotel was opened in September 2002. Comparable hotels in terms of quality of services include Katerina, Renaissance, Sheraton Palace, Radisson and Marriott Tverskaya, Holiday Inn Lesnaya, Sushchevskaya, Sokolniki, Courtyard Marriott.

The Novotel Moscow Centre Hotel is incorporated into a multi-use complex that is comprised of offices, retail space, the Novotel Moscow Centre Hotel and the Vsevolod Meyerhold Theatre and a two-level underground parking area for 85 cars.

Hotel description:

- 5 conference halls, a restaurant, 2 bars, fitness centre;
- located next to the Meyerhold business centre;
- well placed for access by both private and public transportation. The Mendeleevskaya metro station is next to the hotel;
- provides hotel services primarily to business tourists;
- foreign citizens account for approximately 80% of the total number of visitors.

ROOM OCCUPANCY (%) AND AVERAGE ROOM RATE PER DAY (USD)



Occupancy

Average room rate per night (incl. VAT)

A.I. Raikin Art, Culture and Leisure Centre Retail and Entertainment Complex

The Centre is being constructed in the North-Eastern Administrative District at the intersection of Sushchevsky Val and Sheremetyevskaya Street (Sheremetyevskaya Street, 8, North-Eastern Administrative District).

The construction of the Mariyina Roshcha Metro station directly opposite the Centre is in process. The A.I. Raikin Cultural Support and Development Fund is a partner in this project.

Project description:

- the total floor area is about 75,000 sqm;
- the complex will consist of two buildings. One (Block A) will contain the commercial centre and the theatre hotel and the other (Block B) will contain the theatre school / studio;
- commercial part with a floor area of over 60,000 sqm, will contain retail galleries, restaurants, a food court, offices, a supermarket run by one of the leading retail chains, and a two-level underground parking garage for over 700 cars;
- theatre accommodation, with a floor area of over 10,000 sqm will contain an open-air theatre, theatre school / studio and a hotel, as well as underground parking for 25 cars.

Participants:

- The general contractor is the FGU Capital Construction Section No. 900, Russian Federal Agency for Special Construction.

In April 2008 Knight Frank was appointed as the Company adviser on leasing the complex.

Currently, construction work is in progress on the underground section of the Block A. The reinforced concrete erection has been completed in the underground section of the Block B. The internal engineering systems installation in the Block B has started.

The complex construction is expected to be completed in the fourth quarter of 2009.

Multi-use complex in central Moscow in the Neglinnaya Street District

The feasibility of building a mixed-use complex including apartments and underground parking with a total floor area of approximately 18,000 sqm at Neglinnaya Street, Moscow is now under consideration. The building will be located within a one kilometre distance from the Kremlin. With Kuznetsky Most, Tsvetnoi Boulevard, Okhotnyi Ryad and Teatralnaya Metro stations just a 7 to 10 minute walk away, it has an easily accessible location.

Additional land plots

As part of its strategy OPIN continues to grow aggressively its land holdings and seeks to acquire land in large parcels as well as, in some cases, smaller parcels in prime locations as opportunities arise. The Company strategy for land acquisitions seeks to identify areas having regard to factors such as transport access and environmental attraction of land plots.

As a consequence, OPIN may retain this land for use in future residential, office and integrated developments as required or may hold some plots for capital appreciation purposes.

Land plots to the northern and the western directions of Moscow

On 14 December 2006, the OPIN Board of Directors approved acquisition of sites to the northern and the western directions of Moscow as part of OPIN's land bank expansion strategy. Land plots are in ecologically attractive districts, rich in forests and natural reservoirs, close to the bank of the Volga River.

They are characterized by:

- Large parcels of land that allow the Group to create integrated developments and to build large-scale residential communities. It should also provide a pipeline of development projects for years to come.
- Extensive recreation resources.
- Good accessibility.
- Proximity to large cities.
- High market value growth potential.
- Locations in an attractive segment of the land market.

Under that program as of 31 December 2007 the Company had acquired approximately 3,244 hectares of land in Tver Region, approximately 200 kilometers from MKAD. Some land plots are located on the bank of the picturesque Uglich Reservoir. The Company may, in the future, consider developing some or all of the land as integrated developments in stages, including construction of large-scale lifestyle communities with developed infrastructure.

The program provides for the acquisition of up to 13,000 hectares of additional land. The Company agreed the purchase price and paid advances in connection with the majority of planned acquisitions.

Land plots on the Kievskoye Highway

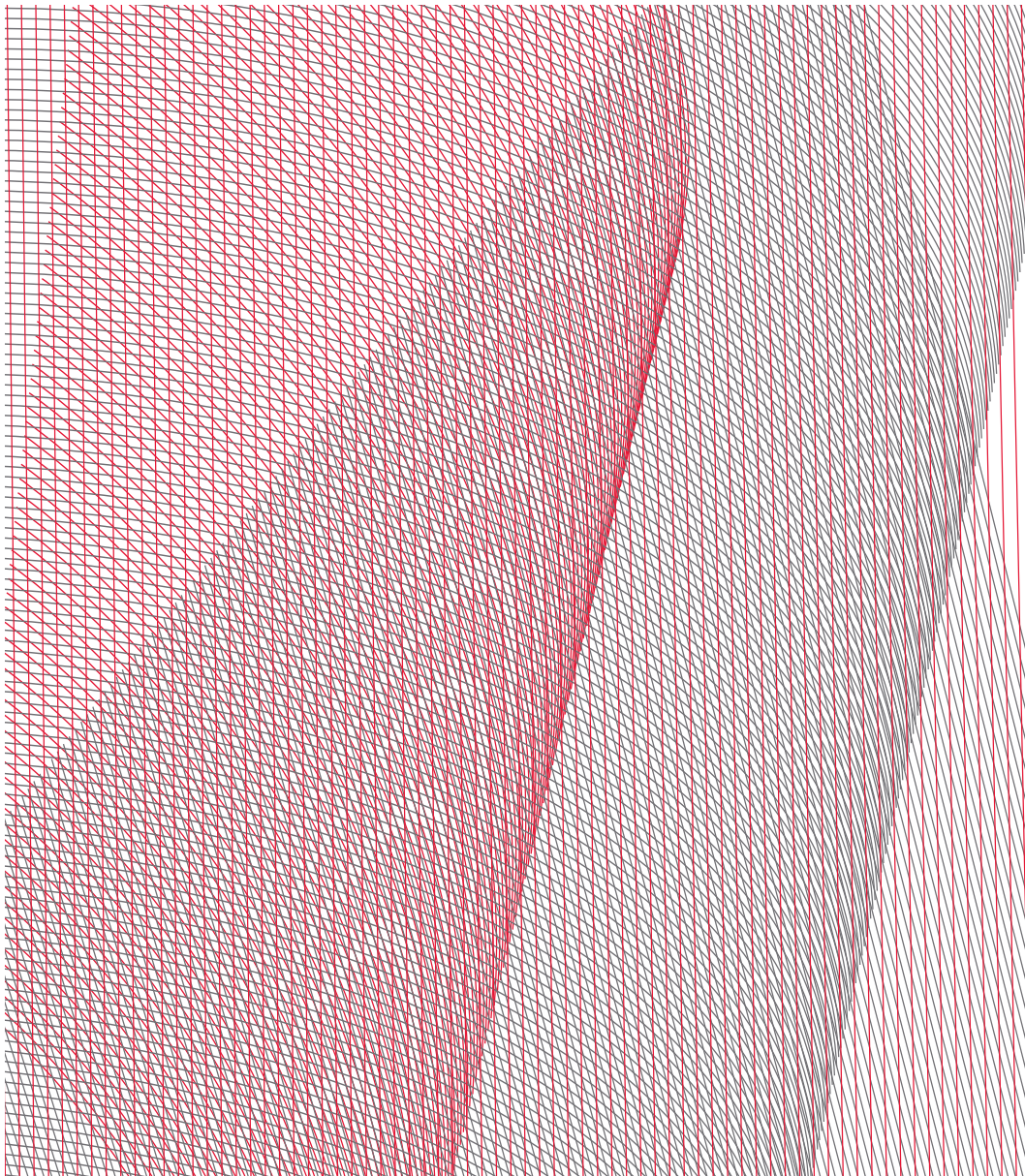
As part of the land bank expansion program in the Moscow Region in 2006 the Company agreed on the price of acquisition of 137 hectares of land near the village of Timonino and in December 2007 gained full control over the site.

The land plot is 30 km from the Moscow Ring Road on the Kievskoe Highway near the Martemianovo Community. Currently the plot is zoned as agricultural land but it is planned to convert it into residential category. The site is suitable for future integrated residential developments.

The Company expects that the market value of these plots may increase at above-the-average rates due to the proximity of the developed social and engineering infrastructure of the Martemianovo Community.



STAFFING POLICY AND HUMAN RESOURCES MANAGEMENT



STAFFING POLICY AND HUMAN RESOURCES MANAGEMENT

The Company pays special attention to staffing and social policy, recognizing the importance of the staff as one of its vital resources for successful development and achieving its strategic goals.

The Company uses modern human resource management technologies. Staffing policy is aimed at attracting highly qualified specialists, and implies supporting them professionally, materially and socially.

Personnel management

The Company has introduced a modern system of staff records for personnel management purposes.

Staff recruitment

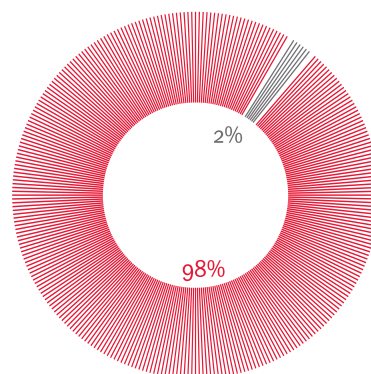
All available open sources are used to search for staff.

The Company has collaborated successfully for many years with the best employment and consulting agencies. Candidates are hired on the basis of selection by competition. Anyone seeking employment can check for vacancies on the Company's website.

STAFF NUMBERS IN 2007

January	382
February	390
March	397
April	419
May	442
June	452
July	482
August	487
September	510
October	561
November	586
December	604

PERCENTAGE OF EMPLOYEES WHO HAVE UNIVERSITY OR INSTITUTE DEGREES OR TECHNICAL COLLEGE DIPLOMAS



- University or institute degrees
- Technical College Diplomas

The Company's corporate culture defines the basic qualities required of candidates – high professional, educational and cultural standards.

The Company is also particularly interested in engaging young specialists with high potential – those selected are given the opportunity to take a position as a specialist trainee, followed by advancement within the Company.

Vocational adjustment

Introductory seminars are held for new employees, giving exhaustive and comprehensive information about the Company.

Before the end of the probationary period, each employee's work during the preceding period is evaluated by the head of the subdivision concerned. The employee is given a report on his work, and if he completes his probation successfully he receives a plan for his future advancement in the Company.

The Company considers it vital to take account of the views of new employees about their work, so an anonymous survey is conducted among specialists who have completed their probation, giving them an opportunity for comments and suggestions. The results of this survey are consolidated and considered by the Company management.

Remuneration package

Remuneration conditions meet market requirements and take account of the evaluation of each specialist's work.

The Company regularly monitors labour market surveys, enabling it to maintain a competitive salary level.

A bonus system has been devised for employees who work in particular fields.

Apart from the guarantees given in accordance with Russian labour legislation, the Company offers its employees a social package in the form of medical treatment in leading Moscow clinics, catering at the office, compensation for using a private car, payment for a mobile telephone and other privileges and social programmes.

There is provision in the Company for a system of payments to employees who find themselves in reduced circumstances.

Personnel assessment

The annual assessment of personnel efficiency is one of the principles of staffing policy. A system of competencies is used in the Company for assessment. The purposes of assessment are to regulate the matching of the employee's professional and personal qualities to his assignments; to define the opportunities for professional advancement and further career growth within the Company; to plan employee development and training (including special educational programmes, seminars and courses).

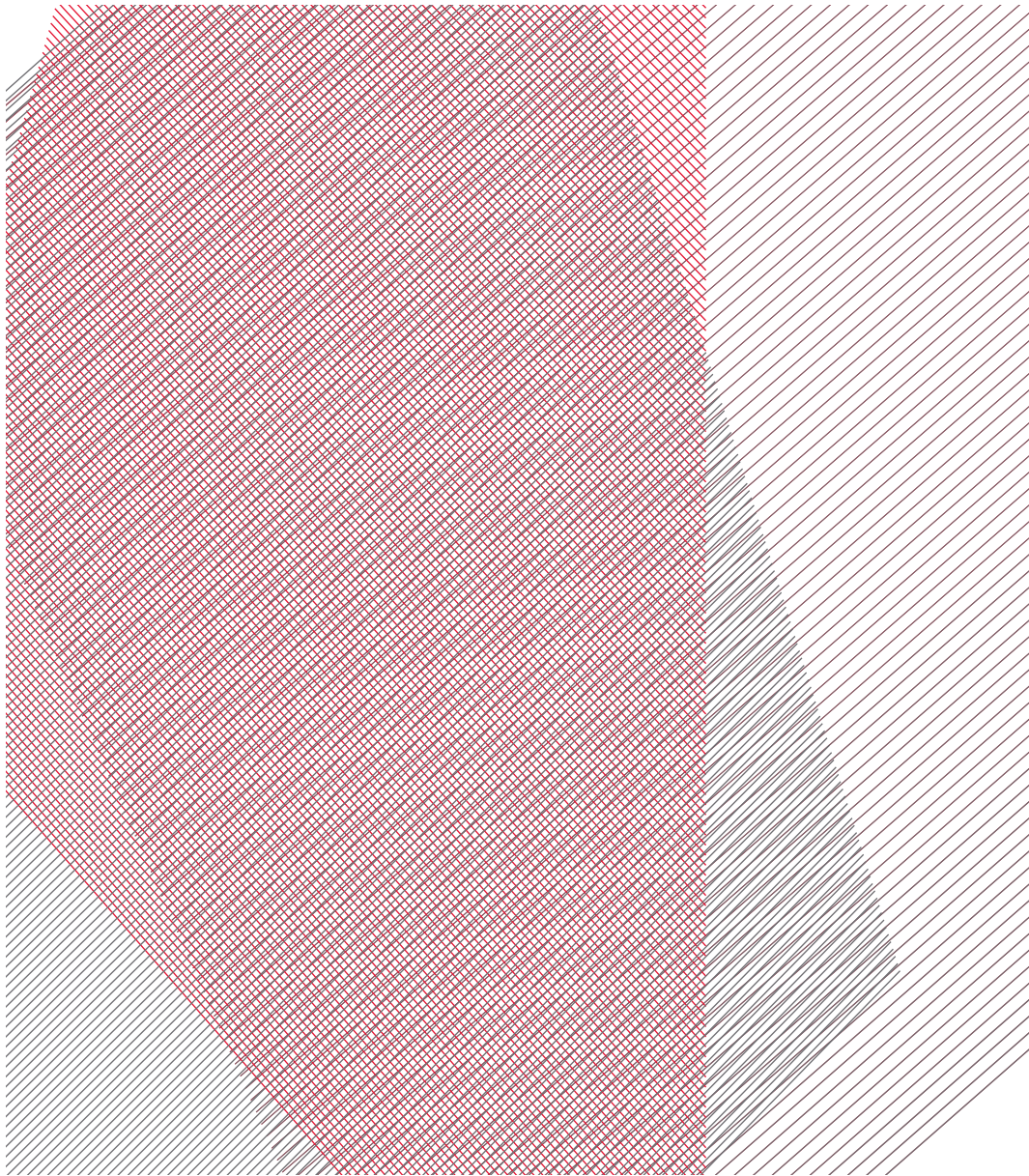
Motivation programmes

- A "quick reward programme", which enables an immediate superior to reward an employee's success at work immediately when it occurs. Rewards for an outstanding employee may take the form of a cash prize or, for example, theatre tickets, an invitation to a restaurant and the like. A specialist who has been nominated for a "quick reward" most often during 12 month period may be rewarded with – a free trip.
- A "mother and child support programme", which includes medical insurance (for both mothers-to-be and children), tangible material aid on the birth of the child and during maternity leave and support during the period of adjustment on returning to work.

To foster team spirit and to maintain an atmosphere of solidarity in the Company the corporate events are held regularly.



THE COMPANY'S CHARTER CAPITAL AND SHARE MARKET



THE COMPANY'S CHARTER CAPITAL AND SHARE MARKET

The Company's charter capital as at 31 December 2007 was 13,587,969 ordinary shares of nominal value 1,000 roubles. The price of JSC OPIN shares rose by almost 35% in 2007. By the end of 2007 the Company's shares were trading on the RTS market in the USD 310 per share range. The capitalization of OPIN more than doubled in 2007, amounting to about USD 4.2 billion by the year end. This growth was due both to the increase in the share price and to the additional share issues in 2007. OPIN shares were included into the RTS index in June 2007.

In the spring of 2007 the Company completed an additional issue of 1,798,063 additional ordinary registered (non-documentary) shares for public subscription. The share price was USD 180.75, expressed in roubles at the official Bank of Russia exchange rate at the date of issue. The proceeds amounted to about USD 325 million; 95.85% of the shares were bought by existing shareholders exercising their pre-emptive rights. The report on the outcome of the issue was registered by the FFMS on 4 March 2007.

In October 2007 the Company announced the completion of an additional public offering (SPO) of its shares. The offer was of 2,038,930 shares with a total value of about USD 591 million. The price per share was approved by the Board of Directors at USD 290. Investors showed great interest in the Company's securities. The offer to purchase the additional shares by public subscription was oversubscribed by about 18%. OPIN's capitalization rose by almost 1.5 times as a result of the issue. By the end of the year the price of the Company's shares had increased by 5.5%, reaching USD 310.

INFORMATION FOR SHAREHOLDERS

Annual meeting

The annual general meeting of shareholders of JSC OPIN is called by the Board of Directors of the Company, and is scheduled for late June 2008.

Information about the Registrar

The register of JSC OPIN shareholders is kept by the National Registration Company, a closed joint-stock company (NRC CJSC).

Full and abbreviated trade names of the Registrar:

CJSC National Registration Company (NRC CJSC)

The Registrar's business address:

6 Veresayeva Street, 121357 Moscow

Tel: (495) 440-63-45

Fax: (495) 440-63-55

E-mail: info@nrcreg.ru

The number, date of issue and duration of the Registrar's licence to keep registers of the holders of securities and the body that issued the licence:

Date of issue: 6 September 2002

Number: 10-000-1-00252

Form: series 03-000397

Duration: unlimited

Issued by: Federal Securities Commission of Russia

Since its creation the NRC has been a member of the Professional Association of Registrars, Transfer Agents and Depositories (PARTAD). The Company's representatives have been active in the work of the Committee of Registrars, the Committee for Standardization and Certification and the Working Panel on disclosure of information. A representative of the NRC sits on PARTAD's Board of Directors.

NRC's liability is insured for the sum of USD 5 million with the ROSNO Insurance Company and reinsured with the Cologne Reinsurance Company (Germany), for which an insurance audit was conducted in accordance with international standards.

CONTACTS

For all matters relating to ownership of OPIN shares, shareholders are advised to contact CJSC NRC, the JSC OPIN Registrar.

The Registrar's business address:

6 Veresayeva Street, 121357 Moscow

Tel: (495) 440-63-45

Fax: (495) 440-63-55

E-mail: info@nrcreg.ru

Shareholders may also contact OPIN directly:

OPIN Investor Relations Department

Tel: (495) 363-14-57 or (495) 363-14-58;

Corporate Law & Due Diligence section, Legal Department

Head of section:

Egor Gissin

Tel: (495) 363-14-57 or (495) 363-14-58

E-mail: gissinem@opin.ru

Corporate Secretary, JSC OPIN:

Elena Balashova

Tel: (495) 363-14-57 or (495) 363-14-58

E-mail: balashovaep@opin.ru

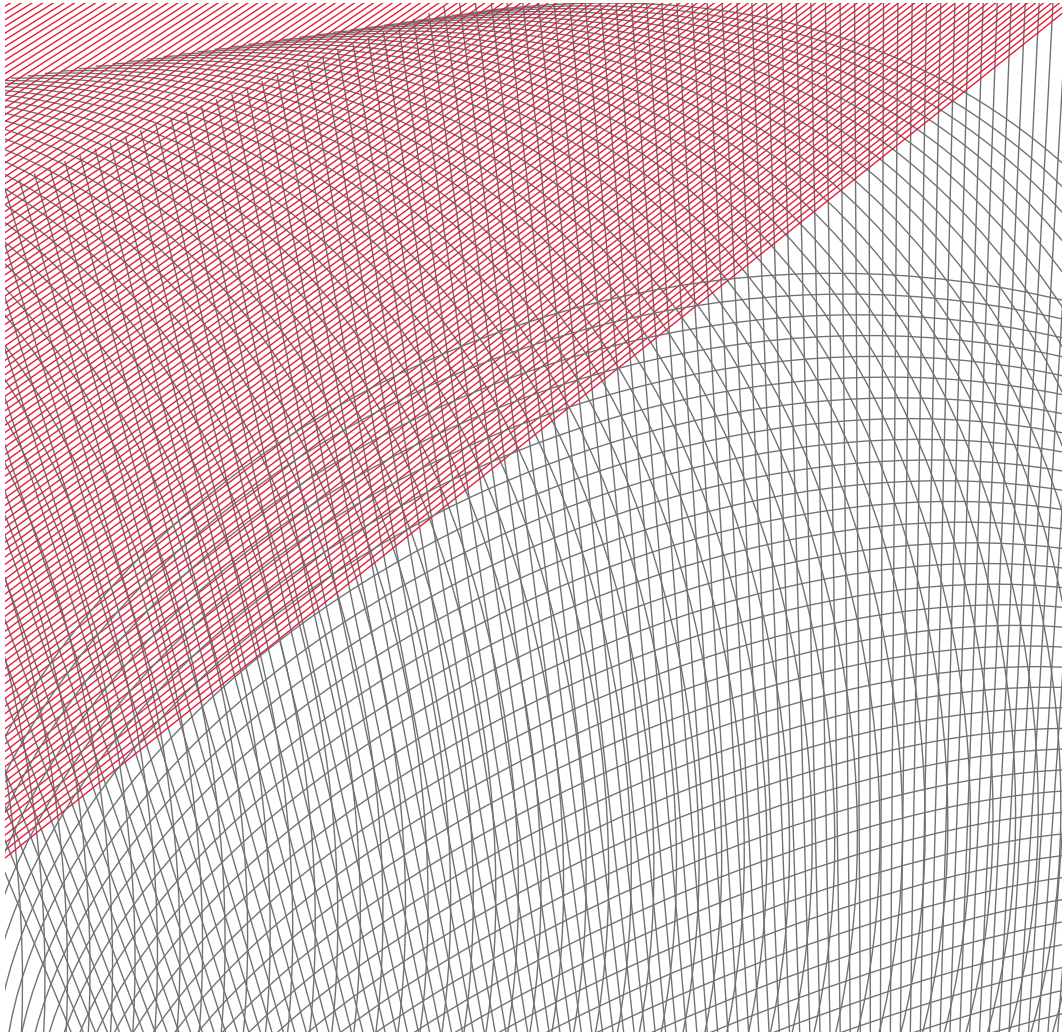
Address: OPIN, 23 Novoslobodskaya Street,
127 055 Moscow, Russian Federation.



JSC OPIN and Subsidiaries

INDEPENDENT AUDITORS' REPORT CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007



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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on page 2, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of Joint Stock Company Open Investments ("JSC OPIN") and its subsidiaries (the "Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group as of 31 December 2007 and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with the legislation and accounting standards of the Russian Federation and other jurisdictions in which the Group operates;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

On behalf of Group's management, the consolidated financial statements for the year ended 31 December 2007 were authorized for issue on 28 March 2008 by:

Sergey V. Bachin



General Director
of JSC OPIN

Moscow
28 March 2008



INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors of JSC OPIN:

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of JSC OPIN and subsidiaries (the "Group"), which comprise the consolidated balance sheet as of 31 December 2007, and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

28 March 2008
Moscow

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2007

		31 December 2007	31 December 2006
	Notes	'000 USD	'000 USD
ASSETS			
NON-CURRENT ASSETS:			
Goodwill	4	633	633
Intangible assets	5	565	122
Property, plant and equipment	6	122,906	93,967
Capital advances	7	863,832	463,237
Investment property	8	102,656	141,049
Investment property under development	9	1,350,810	525,903
Value added tax recoverable		50,657	24,692
Deferred tax assets	19	14,313	6,836
		<u>2,506,372</u>	<u>1,256,439</u>
CURRENT ASSETS:			
Inventories	10	482,732	35,017
Advances paid		18,752	8,344
Value added tax recoverable		2,638	3,701
Receivables from customers under construction contracts	35	31,500	11,006
Trade accounts receivable		2,508	1,134
Other receivables and prepaid expenses	11,35	6,367	2,878
Loans to third parties	12	20,473	23,560
Cash and cash equivalents	13,35	427,092	313,400
		<u>992,062</u>	<u>399,040</u>
TOTAL ASSETS		<u>3,498,434</u>	<u>1,655,479</u>
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	14	494,316	338,035
Additional paid-in-capital	15	1,472,101	713,172
Revaluation reserve	16	612,605	113,232
Retained earnings		191,028	97,282
		<u>2,770,050</u>	<u>1,261,721</u>
NON-CURRENT LIABILITIES:			
Deferred income tax liabilities	19	351,340	112,212
Long-term finance lease payable	20	12,341	10,539
Long-term loans	21,35	92,193	45,590
		<u>455,874</u>	<u>168,341</u>
CURRENT LIABILITIES:			
Short-term loans and accrued interest	22	103,882	154,737
Short-term finance lease payable	20	409	285
Trade and other accounts payable	23	37,222	12,045
Tax liability, other than income tax		760	694
Current income tax liability		6,611	279
Advances received from customers for inventories	35	123,626	57,377
		<u>272,510</u>	<u>225,417</u>
TOTAL EQUITY AND LIABILITIES		<u>3,498,434</u>	<u>1,655,479</u>

The notes on pages 98 to 141 form an integral part of these consolidated financial statements. The statement of management's responsibilities for the preparation and approval of the consolidated financial statements is presented on page 91. The independent auditors' report is presented on page 92.

CONSOLIDATED INCOME STATEMENT FOR YEAR ENDED 31 DECEMBER 2007

	Notes	Year ended 31 December 2007 '000 USD	Year ended 31 December 2006 '000 USD
REVENUE			
Revenue under construction contracts	24, 35	95,370	45,490
Land sold	35	39,566	11,282
Hotel revenue		24,121	20,027
Rental income from investment property		3,737	3,355
Revenue on rendering other services	35	1,862	5,435
		<u>164,656</u>	<u>85,589</u>
COST OF SALES			
Cost of construction contracts	25	(58,442)	(25,035)
Cost of land sold		(29,338)	(9,445)
Cost of hotel services	26	(13,427)	(12,209)
Cost of rental services	27	(622)	(569)
Cost of other services	28	(890)	(4,328)
		<u>(102,719)</u>	<u>(51,586)</u>
GROSS PROFIT			
		61,937	34,003
Selling, general and administrative expenses	29, 35	(36,937)	(19,418)
Expense under share based payment program	15	(3,140)	(5,015)
Interest income	30, 35	27,921	14,257
Interest expense	31, 35	(10,691)	(11,534)
Gain on change in fair value of investment property	8	38,069	43,482
Loss on extinguishment of debt		(640)	-
Net gain on foreign currency operations		17,099	15,334
Other income		2,904	1,829
Other expenses		(382)	(1,750)
		<u>96,140</u>	<u>71,188</u>
PROFIT BEFORE INCOME TAX			
		96,140	71,188
INCOME TAX			
	19	(9,378)	(13,278)
NET PROFIT			
		<u>86,762</u>	<u>57,910</u>
Attributable to:			
Shareholders of the parent company		86,762	58,108
Minority interest	17	-	(198)
		<u>86,762</u>	<u>57,910</u>
EARNINGS PER SHARE:			
Basic, for profit attributable to shareholders of the parent company, US Dollars	32	7.70	10.07
Diluted, for profit attributable to shareholders of the parent company, US Dollars	32	7.56	9.81

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

'000 USD	Share capital	Addi- tional paid-in- capital	Revaluation reserve	Retained earnings	Equity attri- butable to the share- holders parent company	Minority interest	Total equity
Balance as of 31 December 2005	119,797	19,024	69,368	36,147	244,336	5,901	250,237
Net profit	-	-	-	58,108	58,108	(198)	57,910
Revaluation surplus (Note 16, Note 17)	-	-	61,350	-	61,350	6,562	67,912
Release of revaluation surplus on disposed assets (Note 16)	-	-	(3,027)	3,027	-	-	-
Issue of shares	232,889	731,823	-	-	964,712	-	964,712
Purchase of treasury shares	(14,651)	(42,690)	-	-	(57,341)	-	(57,341)
Expense under share based payment program (Note 18)	-	5,015	-	-	5,015	-	5,015
Change in investment in subsidiary	-	-	(14,459)	-	(14,459)	(12,265)	(26,724)
Balance as of 31 December 2006	338,035	713,172	113,232	97,282	1,261,721	-	1,261,721
Net profit	-	-	-	86,762	86,762	-	86,762
Revaluation surplus (Note 16)	-	-	504,852	-	504,852	-	504,852
Release of revaluation surplus on disposed assets (Note 16)	-	-	(5,479)	5,479	-	-	-
Issue of shares (Note 14, Note 15)	151,446	754,006	-	-	905,452	-	905,452
Decrease in deferred tax liability due to change in tax base of assets (Note 19)	-	-	-	1,505	1,505	-	1,505
Sale of treasury shares (Note 14, Note 15)	4,835	1,783	-	-	6,618	-	6,618
Expense under share based payment program (Note 18)	-	3,140	-	-	3,140	-	3,140
Balance as of 31 December 2007	494,316	1,472,101	612,605	191,028	2,770,050	-	2,770,050

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2007

	Year ended 31 December 2007	Year ended 31 December 2006
Notes	'000 USD	'000 USD
OPERATING ACTIVITIES:		
Profit before income tax	96,140	71,188
Adjustments for:		
Depreciation and amortization expense	3,136	2,412
Gain on property, plant and equipment disposal	(19)	(6)
Gain on investment property disposal	(2,712)	(1,550)
Interest income	(27,921)	(14,257)
Interest expense	10,691	11,534
Expense under share based payment program	3,140	5,015
Gain on change in fair value of investment property	(38,069)	(43,482)
Operating cash flow before movements in working capital	44,386	30,854
Decrease in land held for sale	29,338	9,445
Increase in residential buildings under development	(102,788)	-
Increase in other inventories	(390)	(243)
(Increase) / decrease in receivables from customers under construction contracts	(20,494)	10,154
Decrease in other receivables and prepaid expenses	403	3,459
Increase in trade accounts receivable	(1,369)	(18)
Increase in value added tax recoverable	(24,884)	(14,306)
Increase in advances paid	(10,408)	(619)
Increase in long-term accounts payable	-	2,932
Increase in trade and other accounts payable	2,719	2,484
Increase in advances received from customers for residential buildings under development	55,719	16,826
Increase in advances received from customers for land plots	10,530	4,525
Increase/(decrease) in tax liability	34	(253)
Cash (used in) / provided by operations	(17,204)	65,240
Interest paid	(11,645)	(12,699)
Income tax paid	(15,188)	(7,920)
Net cash (used in) / provided by operating activities	(44,037)	44,621

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2007 (continue)

		Year ended 31 December 2007	Year ended 31 December 2006
	Notes	'000 USD	'000 USD
INVESTING ACTIVITIES:			
Decrease of accounts payable on acquisition of subsidiaries		-	(11,057)
Acquisition of subsidiaries, net of cash acquired	34	(1,466)	(109,409)
Loans issued		(772)	(30,095)
Loans repaid		6,466	5,070
Interest received		16,320	7,910
Proceeds from sale of investment property		7,403	3,350
Purchase of investment property		(1,039)	(1,222)
Proceeds from sale of property, plant and equipment		156	21
Purchase of property, plant and equipment and other non-current assets		(686,747)	(432,349)
Purchase of land and property under development		(87,742)	(99,731)
Net cash used in investing activities		(747,421)	(667,512)
FINANCING ACTIVITIES:			
Proceeds from issuance of shares		912,070	961,270
Release of cash reserved at banks under currency control regulation		-	3,005
Reduction of finance lease liability		(348)	(83)
Purchase of treasury shares		-	(57,341)
Loans received		150,000	75,000
Repayment of loans		(155,290)	(102,266)
Net cash from financing activities		906,432	879,585
EFFECT OF FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS			
		(1,282)	1,278
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		113,692	257,972
CASH AND CASH EQUIVALENTS, beginning of the period	13	313,400	55,428
CASH AND CASH EQUIVALENTS, end of the period	13	427,092	313,400

Interest expense capitalized by the Group during the year ended 31 December 2007 amounted to USD 10,046 thousand. Capitalized interest in the amount of USD 537 thousand was unpaid as of 31 December 2007.

Interest expense capitalized by the Group during the year ended 31 December 2006 amounted to USD 13,350 thousand. Capitalized interest in the amount of USD 1,658 thousand was unpaid as of 31 December 2006.

During the year ended 31 December 2007 the Group increased the cost of property, plant and equipment acquired under finance lease by USD 1,321 thousand due to changes in the lease payments.

Property, plant and equipment acquired under finance lease during the year ended 31 December 2006 amounted to USD 10,696 thousand.

The notes on pages 98 to 141 form an integral part of these consolidated financial statements. The statement of management's responsibilities for the preparation and approval of the consolidated financial statements is presented on page 91. The independent auditors' report is presented on page 92.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1. NATURE OF THE BUSINESS

JSC OPIN (the “Company”) is a Moscow-based real estate development, management and investment company. It was incorporated in Moscow, Russian Federation, on 4 September 2002 as an Open Joint Stock Company under the laws of the Russian Federation. The Company’s business strategy focuses on developing, managing and disposing of investment grade Class A and Class B office buildings, residential housing, and commercial real estate. The principal operating office of the Company is located in 23 Novoslobodskaya str., Moscow, 127055, Russian Federation.

The Company is the parent company of a group of entities consolidated within these financial statements (the “Group”).

The principal activities and countries of incorporation of the entities of the Group as of 31 December 2007 and 2006 are as follows:

Operating entity	Project	Principal activity	% held as of 31 December 2007	% held as of 31 December 2006	Country of incor- poration
Growth Technologies (Russia) Limited	Group’s projects	Providing consulting services in connection with investment in real estate market; Co-investing in real estate projects	100%	100%	Cyprus
Pavlovo LLC	Pavlovo	Investing in, developing, managing and disposing Pavlovo project assets	100%	100%	Russia
Pavlovo Podvorye LLC	Pavlovo Podvorye	Investing in, developing, managing and disposing Pavlovo Podvorye project assets	100%	100%	Russia
Stroy Invest Group LLC	Pavlovo II	Investing in, developing, managing and disposing Pavlovo II project assets	100%	100%	Russia
Sakharova Business Plaza LLC	Domnikov Class A Business Centre	Land lease holding company. Investing in, developing, managing and disposing Sakharov Business Plaza project assets	100%	100%	Russia
Bank Tower LLC	Domnikov Class A Business Centre	Investor and future owner of a part of Sakharov Business Plaza	100%	100%	Russia
Sakharov Office Park LLC	Domnikov Class A Business Centre	Investor and future owner of a part of Sakharov Business Plaza	100%	100%	Russia

Operating entity	Project	Principal activity	% held as of 31 December 2007	% held as of 31 December 2006	Country of incorporation
Investproject Group LLC	Class A Office Center	Investing in, developing, managing and disposing of a Class A Office Center's assets	100%	100%	Russia
Yacht-club "Pestovsky" LLC	Pestovo	Investing in, developing, managing and disposing of Pestovo project assets	100%	100%	Russia
Estate Management LLC	Group's project	Development, sale and property management of projects assets	100%	100%	Russia
Invest Group LLC	Group's projects	Investing in, developing, managing and disposing of future projects assets	100%	100%	Russia
OI Management Company LLC	Group's projects	Investing in, developing, managing and disposing of future projects assets	100%	100%	Russia
ExpoDom LLC	Group's real property	Providing property management and maintenance services	100%	100%	Russia
IR Development Ltd	Group's development projects	Providing technical supervision and construction management services	100%	100%	Russia
Pestovo LLC	Pestovo	Investing in, developing, managing and disposing of Pestovo project assets	100%	100%	Russia
Open Investments – Saint Petersburg LLC	Group's projects in Saint-Petersburg	Investing in, developing, managing and disposing of future Saint-Petersburg projects' assets	100%	100%	Russia
Zhilaya i Commercheskaya Nedvizhimost LLC	Group's project	Investing in, developing, managing and disposing of future project assets	100%	100%	Russia
JSC Hotel Novoslobodskaya	Novotel Moscow Center Hotel	Providing hotel services	100%	100%	Russia
Stroy Group LLC	Pavlovo II	Investing in, developing, managing and disposing Pavlovo II project assets	100%	100%	Russia
Proekt Capital LLC	Group's project	Investing in, developing, managing and disposing projects assets	100%	100%	Russia
Stroy Servis Group LLC	Group's project	Investing in, developing, managing and disposing projects assets	–	100%	Russia

Operating entity	Project	Principal activity	% held as of 31 December 2007	% held as of 31 December 2006	Country of incorporation
Martemianovo LLC	Martemianovo	Investing in, developing, managing and disposing Martemianovo project assets	100%	100%	Russia
Amalia LLC	Pavlovo II	Investing in, developing, managing and disposing Pavlovo II project assets	100%	100%	Russia
OPIN Plaza LLC	OPIN Plaza	Investing in, developing, managing and disposing of a Class A Office Center's assets	100%	100%	Russia
Krasnaya Gorka LLC	Samara	Investing in, developing, managing and disposing Samara project assets	–	100%	Russia
Belyi Parus LLC	Sochi Hotel and Residential Complex	Investing in, developing, managing and disposing Sochi Hotel and Residential Complex assets	100%	100%	Russia
Invest Nedvizhimost LLC	Group's project	Investing in, developing, managing and disposing projects assets	100%	100%	Russia
Lukino LLC	Lukino	Investing in, developing, managing and disposing Lukino project assets	100%	100%	Russia
Proekt Story LLC	Group's project	Investing in, developing, managing and disposing projects assets	100%	100%	Russia
CP Martemianovo LLC	Martemianovo	Investing in, developing, managing and disposing Martemianovo project assets	100%	100%	Russia
Stroy Park LLC	Group's project	Investing in, developing, managing and disposing of future project assets	100%	100%	Russia
Onigomati Investment Limited	Group's project	Realisation of the employee share based payments program	100%	100%	Cyprus
Eko-Center LLC	Gorki-10	Investing in, developing, managing and disposing Gorki-10 project assets	100%	100%	Russia
Lukino-Invest LLC	Lukino	Investing in, developing, managing and disposing Lukino project assets	100%	100%	Russia
Novorizhskiy LLC	Lukino	Investing in, developing, managing and disposing Lukino project assets	100%	100%	Russia
Capital Industry LLC	Group's project	Investing in, developing, managing and disposing projects assets	100%	100%	Russia
Eko-Polis LLC	Group's project	Investing in, developing, managing and disposing projects assets	100%	100%	Russia

Operating entity	Project	Principal activity	% held as of 31 December 2007	% held as of 31 December 2006	Country of incorporation
Instroy LLC	Pavlovo II	Investing in, developing, managing and disposing Pavlovo II project assets	100%	100%	Russia
Istok LLC	Large Pestovo	Investing in, developing, managing and disposing Large Pestovo project assets	100%	100%	Russia
ExpoDom – Podmoskovye LLC	Group's real property	Providing property management and maintenance services	100%	100%	Russia
Zemelnyi Capital LLC	Group's project	Investing in, developing, managing and disposing of future project assets	100%	100%	Russia
Express LLC	Group's project	Investing in, developing, managing and disposing of future project assets	100%	100%	Russia
Regional development LLC	Group's project in Tver region	Investing in, developing, managing and disposing of future project Group's assets in Tver region	100%	–	Russia
Capital Service LLC	Group's project in Tver region	Investing in, developing, managing and disposing of future project Group's assets in Tver region	100%	–	Russia
Invest Polis LLC	Group's project in Tver region	Investing in, developing, managing and disposing of future project Group's assets in Tver region	100%	–	Russia
Extern LLC	Sochi Hotel and Residential Complex	Investing in, developing, managing and disposing Sochi Hotel and Residential Complex assets	100%	–	Russia
Agro Service LLC	Group's project in Tver region	Investing in, developing, managing and disposing of future project Group's assets in Tver region	100%	–	Russia
Agro Group LLC	Group's project in Tver region	Investing in, developing, managing and disposing of future project Group's assets in Tver region	100%	–	Russia
Invest Service LLC	Group's project in Tver region	Investing in, developing, managing and disposing of future project Group's assets in Tver region	100%	–	Russia
Agrosistema LLC	Large Pestovo	Investing in, developing, managing and disposing Large Pestovo project assets	100%	–	Russia
Selskie zori LLC	Large Pestovo	Investing in, developing, managing and disposing Large Pestovo project assets	100%	–	Russia

Operating entity	Project	Principal activity	% held as of 31 December 2007	% held as of 31 December 2006	Country of incorporation
Stroy Progress LLC	Large Pestovo	Investing in, developing, managing and disposing Large Pestovo project assets	100%	-	Russia
OPIN-Konakovo LLC	Group's project	Developing and managing of project assets in Tver region	100%	-	Russia
OPIN-Uglich LLC	Group's project	Developing and managing of project assets in Yaroslavl region	100%	-	Russia
OPIN-Koprino LLC	Group's project	Developing and managing of project assets in Yaroslavl region	100%	-	Russia
OPIN-Development LLC	Group's project	Developing and managing of project assets in Moscow region	100%	-	Russia
OPIN CAPITAL INC.	Group's project	Investing in, developing, managing and disposing of future project assets	100%	-	Canada
OPIN Yug LLC	Group's project	Developing and managing of project assets in Sochi region	100%	-	Russia
Timonino LLC	Group's project	Investing in, developing, managing and disposing of future project assets	100%	-	Russia
Start Polis LLC	Group's project	Investing in, developing, managing and disposing of future project assets	100%	-	Russia
TM Group LLC	Group's project	Investing in, developing, managing and disposing of future project assets	100%	-	Russia
Pavlovskaya school ANO	Group's project	Provision of education services	100%	-	Russia

In addition the Group owns 100% of the shares of Closed Unit Investment Fund Novy Dom ("New House"), which were consolidated in the financial statements of the Group.

As 31 December 2007 and 2006 the shareholders' structure of the Company was as follows:

Shareholder	31 December 2007	31 December 2006
Motherlane Properties Limited	37.97%	57.84%
KM Invest JSC	19.87%	-
Treasury stock	0.98%	2.73%
Others	41.18%	39.43%
Total	100.00%	100.00%

Ultimate owners of the Group are Mr. Vladimir O. Potanin and Mr. Mikhail D. Prokhorov. Each of them indirectly holds 28.92% shares of the Company as of 31 December 2007.

2. PRESENTATION OF FINANCIAL STATEMENTS

Statement of compliance – The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Basis of preparation – The consolidated financial statements of the Group are prepared on the historical cost basis, except for:

- Fair value of subsidiaries acquired in accordance with IFRS No. 3 “Business Combinations”;
- Valuation of investment property under development in accordance with IAS No. 16 “Property, Plant and Equipment” (“IAS 16”);
- Valuation of investment property in accordance with IAS No. 40 “Investment property” (“IAS 40”);
- Valuation of financial instruments in accordance with IAS No. 39 “Financial Instruments: Recognition and Measurement”.

Russian statutory accounting principles and procedures differ substantially from those generally accepted under IFRS. Accordingly, these consolidated financial statements, which have been prepared from the Russian statutory accounting records for the entities of the Group domiciled in the Russian Federation, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS. These adjustments include certain reclassifications to reflect the economic substance of underlying transactions including reclassifications of certain assets and liabilities, income and expenses to appropriate financial statement captions.

These consolidated financial statements are presented in thousands of United States Dollars (“USD”), except for earnings per share amounts and elsewhere where indicated.

Functional and presentation currencies – The consolidated financial statements are presented and measured in USD for the following reasons:

- The majority of the Group’s transactions were denominated or completed in USD;
- Owing to the nature of the Group’s business, most of management’s economic and operational decisions were based on USD;
- Management believed that USD reporting better reflected the economic substance of the underlying events and circumstances relevant to the Group.

During 2007, USD to Russian Ruble (“RUR”) rate has significantly decreased, and most of the Group’s contractors, including customers, switched to settlements in RUR.

The presentation currency of the Group is USD as management considers it is convenient for users of the consolidated financial statements.

Foreign currencies – All entities of the Group, except for Growth Technologies (Russia) Limited, Onigomati Investment Limited and OPIN CAPITAL INC. maintain their accounting records in Russian Rubles (“RUR”) in accordance with the accounting and reporting regulations of the Russian Federation. Growth Technologies (Russia) Limited, Onigomati Investment Limited and OPIN CAPITAL INC. maintain their accounting records in USD and in accordance with IFRS.

In measuring financial statements of the entities domiciled in the Russian Federation in USD for incorporation into the consolidated financial statements, the Group follows a measurement policy in accordance with IAS No. 21 “The Effects of Changes in Foreign Exchange Rates”:

- Foreign currency monetary assets and liabilities are measured using the closing rate;
- Non-monetary assets and liabilities in a foreign currency are measured using the exchange rate at the date of the transaction;
- Income and expense items are measured using the exchange rate at the date of the transaction;
- All resulting exchange differences are recorded as gains or losses on foreign currency operations in the consolidated income statement.

The relevant exchange rate of the Central Bank of the Russian Federation used in measuring the financial statements of the entities domiciled in the Russian Federation in US Dollars was USD 1 = 24.5462 RUR as of 31 December 2007 and USD 1 = 26.3311 RUR as of 31 December 2006.

The measurement of RUR denominated assets and liabilities in USD as of 31 December 2007 and 2006 does not indicate that the Group could realize, or settle in USD, the measured value of these assets and liabilities as well as to distribute the disclosed amount of equity to shareholders.

Use of estimates and assumptions – The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Due to the inherent uncertainty in making those estimates, actual results reported in future periods could differ from such estimates.

Key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

	31 December 2007
	'000 USD
Investment property (Note 8)	102,656
Land under development (Note 9)	1,215,046

Investment property and land under development are measured at revalued amounts. The date of the latest appraisal was 31 December 2007.

Critical judgment in applying the Group's accounting policies – In the process of applying the Group's accounting policies, which are described in Note 3, management has made the following judgment that has the most significant effect on the amounts recognized in the consolidated financial statements (apart from those involving estimations, which are dealt with above):

Revenue recognition: Note 25 describes the expenditures incurred by the Group with respect to construction contracts concluded with the Group's customers for the construction of houses on land owned by the Group. Title to those houses and the land has not been transferred to the Group's customers as of the date of these consolidated financial statements. Following negotiation of the terms of these construction contracts, a schedule of work was agreed, which will involve additional Group expenditure until 2009. In light of the specifics attributable to construction contracts, management was required to consider whether it was appropriate to recognize revenue from these transactions of USD 70,461 thousand in the current period, in line with the Group's general policy of recognizing revenue from construction contracts.

In making its judgment, management considered the detailed criteria for the recognition of revenue from construction contracts set out in IAS No. 11 "Construction Contracts" and, in particular, whether the Group had transferred to the buyer the significant risks and rewards of ownership of the houses and the land. Following a detailed review of the Group's construction contracts, the directors are satisfied that recognition of the revenue in the current year is appropriate, in conjunction with recognition of attributable construction costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation – The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The ownership interest of the Company in the subsidiaries as of 31 December 2007 and 2006 is presented in Note 1.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the consolidated income statement in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interest of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Goodwill – Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is recognized as an asset and reviewed for impairment annually. Any impairment is recognized immediately in the consolidated income statement and is not subsequently reversed.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets – Intangible assets are measured initially at purchase cost and are amortized on a straight-line basis over their estimated useful lives, which is on a range of 2-5 years.

Property, plant and equipment – Property, plant and equipment is carried at historical cost, except for owner-occupied property transferred from investment property, less accumulated depreciation and any accumulated impairment loss. Capitalized cost includes major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalization are charged to the consolidated income statement as incurred.

Construction in progress comprises costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are put into operation.

Depreciation of property, plant and equipment is designed to write off assets over their useful economic lives and is calculated on a straight line basis at the following annual prescribed rates:

Buildings	2.5%
Fittings and fixtures	6.7-10%
Machinery and equipment	5-20%
Transport	20%
Furniture and office equipment	14-33%

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for property, plant and equipment is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated income statement.

Leasehold improvements are amortized over the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

Impairment loss – If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable value. The difference, being an impairment loss, is recognized as an expense in the consolidated income statement for the year in which it arises.

Capital advances – Capital advances represent amounts paid to vendors for capital construction, acquisition of property, plant and equipment, land plots and investment property. They are carried at cost.

Investment property – Investment property is a property (land or building – or part of a building – or both) held by the Group to earn rentals or for capital appreciation or both, as well as property held for a currently undetermined future use. Investment property is originally recorded at cost. Subsequent expenditure relating to an investment property is added to the carrying amount of the investment property when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing investment property, will flow to the enterprise. All other subsequent expenditures are recognized as an expense in the period in which they are incurred.

The Group elected to use the fair value model allowed by IAS 40 to measure investment property subsequent to initial recognition. Therefore investment property is stated at fair value.

For a transfer from investment property carried at fair value to owner-occupied property or property held for sale in the ordinary course of business, the property's fair value at the date of transfer is considered as deemed cost for subsequent accounting in accordance with IAS 16 and IAS 2.

Investment property under development – Investment property under development includes land under development and property under development, treated as follows.

Land under development represents land, which is in the process of development by the Group for future use as investment property, and also land under physical transformation (radical improvement) or change in legal status (including change of category of authorized use) with undetermined future use. Management elected to follow the alternative treatment allowed by IAS 16 and, subsequent to initial recognition, such land is carried at a revalued amount determined by independent appraisal, being its fair value at the date of the revaluation. Management plans to perform revaluation of land under development with sufficient regularity such that the carrying amount does not differ materially from what which would be determined using fair value at the reporting date.

When an asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to equity as revaluation reserve. However, the increase is recognized in the consolidated income statement to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized directly in the consolidated income statement. However, the decrease shall be debited directly to equity under revaluation reserve to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

If, after or in course of the development process, management's intentions related to a certain land parcel is changed such parcel is transferred to the land held for sale category or to the property, plant and equipment and its carrying amount at the date of transfer is considered as its cost as of that date.

Property under development represents buildings that are being constructed for future use as investment property. Property under development is accounted for at cost in accordance with IAS 16. When the construction is completed such buildings are transferred to investment property.

If, after or in course of the development process, management's intentions related to a certain property is changed, such properties are transferred to residential buildings under development or property, plant and equipment and its carrying amount at the date of transfer is considered as its cost as of that date.

Taxation – Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date in accordance with the laws of the Russian Federation and Cyprus.

Deferred taxes, if any, are provided on items recognized in different periods for financial reporting purposes and income tax purposes, using the balance sheet liability method at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax liabilities, if any, which result from temporary differences, are provided for in full. Deferred tax assets are recorded to the extent that there is a reasonable expectation that these assets will be realized.

Deferred tax assets and deferred tax liabilities are offset when:

- The Group has a legally enforceable right to set off current tax assets against current tax liabilities;
- The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

Inventories – Inventories comprise land held for sale, residential buildings under development and other inventory, accounted as follows.

Land held for sale represents land parcels (containing houses constructed under contracts, accounted as residential buildings under development, and with the intention of being sold once the construction is completed), and also other land parcels with the intention of being sold in the ordinary course of business. Land held for sale is stated at the lower of cost or net realizable value in accordance with IAS No. 2 "Inventories" ("IAS 2").

Residential buildings under development represent apartments in low-rise buildings, town houses and other property in the process of construction and development with the intention of being sold in the ordinary course of business. Residential buildings under development are stated at the lower of cost or net realizable value in accordance with IAS 2.

Other inventories are stated at the lower of cost or net realizable value.

Trade and other accounts receivable – Trade and other accounts receivable are stated at their net realizable value after deducting impairment provisions (if any).

Loans to third parties – Loans originated by the Group are financial assets that are created by the Group by providing money to a borrower or by participating in a loan facility, other than those that are originated with the intent to be sold immediately or in the short term, which are classified as held-for-trading. Originated loans are carried at amortized cost, less any provision for impairment losses.

Loans originated by the Group at rates below market are discounted to fair value using the effective interest method.

Cash and cash equivalents – Cash include petty cash, cash held on current bank accounts and short term deposits with banks. Cash equivalents include short-term investments that are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value.

Share capital and additional paid-in-capital – Share capital is recognized at cost. Share capital contributions made in the form of assets other than cash are stated at their fair value at the date of contribution. Treasury stock is recorded at cost. Gains and losses on sales of treasury stock are charged or credited to share premium.

External costs directly attributable to the issue of new shares, other than in a business combination, are deducted from equity net of any related income taxes.

Dividends on ordinary shares are recognized in shareholders' equity as a reduction in the period in which they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event under IAS No. 10 "Events after the Balance Sheet Date" and disclosed accordingly.

Share-based payments – The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at the fair value of the equity instrument at the date of grant (being the fair value of the share less the purchase price). The fair value of the share is determined based on the market prices. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Leasing – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as lessor – Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Group as lessee – Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease payable.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

Borrowings – All loans are initially recorded at the proceeds received, net of direct transaction costs. Subsequently loans and borrowings are measured at amortized cost, which is calculated by taking into account any discount or premium on settlement.

Borrowing costs – Management elected to follow the alternative treatment allowed by IAS No.23 "Borrowing Costs". Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

Trade and other accounts payable – Liabilities for trade and other accounts payable are stated at cost.

Provisions – Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Revenue recognition – Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of revenue can be measured reliably. Sales are recognized net of value added tax.

Hotel and associated revenues are recognized when the rooms are occupied and the services are performed.

Revenue from the sales of land is recognized when legal title passes to the buyer.

Revenue from the sales of town houses and apartments in low-rise buildings is recognized when the construction is completed and the property is transferred to the buyer upon signing the act of acceptance.

The Group concludes contracts with its clients for construction of houses and communal infrastructure on land owned by the Group. A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. The Group concludes fixed price contracts in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

Contract revenue comprises the initial amount of revenue agreed in the construction contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue; and they are capable of being reliably measured.

Contract costs comprise costs that relate directly to the specific construction contract; costs that are attributable to contract activity in general and can be allocated to the contract; and other costs as are specifically chargeable to the customer under the terms of the construction contract.

When the outcome of a construction contract can be estimated reliably, contract revenue and associated contract costs are recognized as revenue and expenses, respectively, by reference to the stage of completion of the contract activity at the balance sheet date, measured as the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. An expected loss on the construction contract is recognized as an expense immediately.

Interest income and expense – Interest income and expense are recognized on an accrual basis using the effective interest rate method. Loan origination fees, if significant, are deferred (together with related direct costs) and recognized as an adjustment to the loan's effective yield.

Retirement and other benefit obligations – The Group does not have any pension arrangements separate from the State pension system of the Russian Federation, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. In addition, the Group has no post-retirement benefits or significant other compensated benefits requiring accrual.

Contingencies – Contingent liabilities are not recognized in the consolidated financial statements unless it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Recognition and measurement of financial instruments – The Group recognizes financial assets and liabilities on its consolidated balance sheet when it becomes a party to the contractual obligation of the instrument. Regular way purchase and sale of financial assets and liabilities are recognized using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

Financial assets and liabilities are initially recognized at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Offset of financial assets and liabilities – Financial assets and liabilities are offset and reported net on the consolidated balance sheet when the Group has a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognizing, the Group does not offset the transferred asset and the associated liability.

Business and geographic segments – For management purposes the Group is organized into five major business segments: land holdings, residential property, commercial property development, commercial property and hotel operations. The operations of all segments are based in the Russian Federation.

Inter-segment transactions: segment revenue, segment expenses and segment performance include transfers between business segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar services. Those transfers are eliminated in consolidation.

Reclassifications – The following reclassifications have been made to the consolidated financial statements for the year ended 31 December 2006 to conform to the presentation for the year ended 31 December 2007 as management considers that the current period presentation provides a better view of the consolidated financial statements:

Nature of reclassification	Amount '000 USD	Balance sheet/income statement caption as per the previous report	Balance sheet/income statement caption as per current report
Renaming of the balance sheet item	525,903	Land under construction, including land improvements	Investment property under development
Aggregation of the balance sheet items under “inventories” caption	34,419	Land held for sale	Inventories
Aggregation of the balance sheet items under “inventories” caption	598	Other inventories	Inventories
Aggregation of the balance sheet items under “advances received from customers for inventories” caption	50,399	Payable to customers under construction contracts	Advances received from customers for inventories
Aggregation of the balance sheet items under “advances received from customers for inventories” caption	6,978	Advances received from customers for land plots	Advances received from customers for inventories

Adaption of new and revised standards

The Group has applied IFRS No. 7 “Financial Instruments: Disclosures” as from 1 January 2007. The application of this new standard has only resulted in additional disclosures regarding the Group’s financial instruments.

IFRIC Interpretations

IFRIC No. 9 “Reassessment of embedded derivatives, IFRIC No. 10 “Interim Financial Reporting and Impairment”, and IFRIC No. 11 “Group and treasury share transactions”. The first adoption of these new interpretations does not have a material effect on the consolidated financial statements in the current or comparative period.

Adoption of new and revised standards effective after the reporting date – The Group has carried out an assessment of the effect of new and revised standards on its consolidated financial position and results of operations reported under IFRS which became effective for annual periods beginning after 1 January 2008.

In accordance with the provisions of IFRS No. 8 “Operating segments” (“IFRS 8”) effective from 1 January 2009 the Group should present additional information regarding operating segments in its consolidated financial statements. The Group has assessed the influence of requirements under IFRS 8 and has developed a plan to introduce systems to provide the appropriate level of disclosures.

In accordance with the provisions of Revised IAS No. 1 “Presentation of Financial Statements” effective from 1 January 2009 the Group should present additional information regarding comprehensive income and non-mandato-

ry changes of the titles of the financial statements. The Group has assessed the influence of requirements under IAS 1 and has developed a plan to introduce systems to provide the appropriate level of disclosures.

At the date of authorization of these consolidated financial statements, the following Standards and Interpretations were in issue but not yet effective:

Standards and Interpretations	Effective date
Revised IAS No. 23 "Borrowing costs"	Effective for annual periods beginning on or after 1 January 2009
IFRIC No. 12 "Service Concession Arrangements"	Effective for annual periods beginning on or after 1 January 2008
IFRIC No. 13 "Consumer loyalty programmes"	Effective for annual periods beginning on or after 1 July 2008
IFRIC No. 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"	Effective for annual periods beginning on or after 1 January 2008

The Group anticipates that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the consolidated financial statements of the Group.

4. GOODWILL

	'000 USD
Cost	
At 31 December 2005	633
Change for the period	-
At 31 December 2006	633
Change for the period	-
At 31 December 2007	633

5. INTANGIBLE ASSETS

Intangible assets as of 31 December 2007 and 2006 consisted of the following:

'000 USD	Computer software	Trademarks, licences and logotypes	Total
Cost			
At 31 December 2006	102	58	160
Additions	942	46	988
At 31 December 2007	1,044	104	1,148
Accumulated amortization			
At 31 December 2006	33	5	38
Charge for the period	541	4	545
At 31 December 2007	574	9	583
Carrying amount			
At 31 December 2006	69	53	122
At 31 December 2007	470	95	565

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of 31 December 2007, 2006 and 2005 consisted of the following:

'000 USD	Land and buildings	Fittings and fixtures	Transport, machinery and equipment	Furniture and office equipment	Construction in progress	Total
Cost						
At 31 December 2005	48,140	4,624	1,869	986	12,076	67,695
Additions	10,951	102	261	362	14,484	26,160
Transfer from investment property (Note 8)	4,684	-	-	-	-	4,684
Transfer from land under construction, including land improvements (Note 9)	-	-	-	-	48	48
Putting into operation	430	-	-	-	(430)	-
Transfers	(592)	-	592	-	-	-
Disposals	-	-	(21)	(29)	-	(50)
At 31 December 2006	63,613	4,726	2,701	1,319	26,178	98,537
Additions	1,396	82	716	1,122	28,975	32,291
Disposals	-	(3)	(152)	(39)	-	(194)
Transfer to investment property (Note 8)	(258)	-	-	-	-	(258)
Transfer from land under development (Note 9)	20	-	-	-	-	20
Transfer to residential buildings under development (Note 10)	-	(166)	-	-	(255)	(421)
At 31 December 2007	64,771	4,639	3,265	2,402	54,898	129,975
Accumulated depreciation						
At 31 December 2005	1,161	209	658	202	-	2,230
Charge for the period	1,357	293	503	222	-	2,375
Disposals	-	-	(6)	(29)	-	(35)
At 31 December 2006	2,518	502	1,155	395	-	4,570
Charge for the period	1,646	214	379	352	-	2,591
Transfer to residential buildings under development (Note 10)	-	(36)	-	-	-	(36)
Disposals	-	-	(42)	(14)	-	(56)
At 31 December 2007	4,164	680	1,492	733	-	7,069
Net Book Value						
At 31 December 2006	61,095	4,224	1,546	924	26,178	93,967
At 31 December 2007	60,607	3,959	1,773	1,669	54,898	122,906

Construction in progress principally includes construction of the A. I. Raikin Retail and Entertainment Center and the infrastructure of the Pavlovo and Pavlovo II Cottage Communities.

As of 31 December 2007 a building with a net book value of USD 34,232 thousand had been pledged as collateral under the loan received from JSCB Savings bank of the Russian Federation (Note 21).

During the year ended 31 December 2007 the Group capitalized interest of USD 195 thousand in construction in progress.

During the year ended 31 December 2006 the Group capitalized interest of USD 314 thousand in construction in progress.

7. CAPITAL ADVANCES

Capital advances as of 31 December 2007 and 2006 consisted of the following:

	31 December 2007	31 December 2006
	'000 USD	'000 USD
Advance payment for the acquisition of land plots	759,693	382,044
Other capital advances	104,139	81,193
Total	863,832	463,237

Advances paid for the acquisition of land plots are for the purpose of the following programs implementation.

Pestovo land acquisition – In September 2006 the Board of Directors approved the Group's participation in the Bolshoye Pestovo project, which includes the acquisition of up to approximately 1,000 hectares of land in the Moscow region near Pestovo reservoir. The Group already acquired subsidiaries for USD 77 million holding approximately 352 hectares of land. For the remaining land, advances were paid amounting USD 124 million as of 31 December 2007.

New land acquisition program – In December 2006 the Board of Directors approved the Group's participation in a new land acquisition program. Total approved spending for land acquisition in the Moscow, Tver and Yaroslavl regions approximates USD 716 million. The Group acquired subsidiaries for USD 59.6 million (Note 34) holding approximately 3,244 hectares of land. For the remaining land, advances were paid amounting USD 631 million as of 31 December 2007.

During the year ended 31 December 2007 the Group capitalized interest of USD 4,656 thousand in advances paid for capital expenses.

During the year ended 31 December 2006 the Group capitalized interest of USD 4,304 thousand in advances paid for capital expenses.

8. INVESTMENT PROPERTY

'000 USD	Land plots with buildings			Total
	Buildings	Land plots	buildings	
At 31 December 2005	19,671	11,000	18,600	49,271
Acquisition of subsidiaries (Note 35)	-	40,336	-	40,336
Additions	-	614	608	1,222
Transfer from land under construction, including land improvements (Note 9)	-	-	13,222	13,222
Transfer from property, plant and equipment (Note 6)	(4,684)	-	-	(4,684)
Disposals	-	-	(1,800)	(1,800)
Change in fair value	7,563	21,049	14,870	43,482
At 31 December 2006	22,550	72,999	45,500	141,049
Additions	-	60	979	1,039
Change in fair value	15,753	100	22,216	38,069
Transfer from property, plant and equipment (Note 6)	258	-	-	258
Transfer from land under development (Note 9)	-	-	91	91
Transfer to land held for sale (Note 10)	-	(61,860)	(11,300)	(73,160)
Disposal	-	-	(4,690)	(4,690)
At 31 December 2007	38,561	11,299	52,796	102,656

The fair value of Group's investment property has been arrived at on the basis of valuation carried out by independent appraisers. The valuation, which conforms to International Valuation Standards, was arrived at primarily by applying the income capitalization method.

As of 31 December 2007 land plots with buildings with a book value of USD 18,000 thousand had been pledged as collateral under the loan received from JSCB ROSBANK (Note 21).

9. INVESTMENT PROPERTY UNDER DEVELOPMENT

Investment property under development as of 31 December 2007 and 2006 consisted of the following:

	31 December 2007	31 December 2006
	'000 USD	'000 USD
Land under development with undetermined future use	731,361	176,608
Land under development for commercial purpose use	483,685	227,745
Property under development	135,764	121,550
Total	1,350,810	525,903

As of 31 December 2007 and 2006 land under development with undetermined future use consisted of:

	31 December 2007	31 December 2006
	'000 USD	'000 USD
At the beginning of the year	176,608	123,443
Revaluation surplus (Note 16)	248,662	30,376
Additions	8,615	3,400
Acquisition of subsidiaries (Note 34)	365,007	19,389
Transfer to land held for sale (Note 10)	(67,531)	-
At the end of the year	731,361	176,608

As of 31 December 2007 and 2006 land under development for commercial purpose use consisted of:

	31 December 2007	31 December 2006
	'000 USD	'000 USD
At the beginning of the year	227,745	128,086
Revaluation surplus (Note 16)	416,987	58,927
Additions	11,325	10,677
Acquisition of subsidiaries (Note 34)	-	42,352
Transfer to investment property (Note 8)	(91)	(3,091)
Transfer to fixed assets (Note 6)	(20)	-
Transfer to land held for sale (Note 10)	<u>(172,261)</u>	<u>(9,206)</u>
At the end of the year	<u>483,685</u>	<u>227,745</u>

Land is recorded at revalued amount in the basis of valuation carried out by independent appraisers. The valuation, which conforms to International Valuation Standards, was arrived at primarily by applying the income capitalization method.

During the year ended 31 December 2007 the Group capitalized interest in land under development with undetermined future use and in land under development for commercial purposes of USD 3,465 thousand and USD 117 thousand, accordingly.

During the year ended 31 December 2006 the Group capitalized interest in land under development with undetermined future use and in land under development for commercial purposes of USD 6,966 thousand and USD 137 thousand, accordingly.

As of 31 December 2007 and 2006 property under development consisted of:

	31 December 2007	31 December 2006
	'000 USD	'000 USD
At the beginning of the year	121,550	42,788
Additions	74,864	107,163
Acquisition of subsidiaries (Note 34)	273	1,316
Transfer to cost of construction contracts	-	(19,538)
Transfer to investment property (Note 8)	-	(10,131)
Transfer to fixed assets (Note 6)	-	(48)
Transfer to residential buildings under development (Note 10)	<u>(60,923)</u>	<u>-</u>
At the end of the year	<u>135,764</u>	<u>121,550</u>

During the year ended 31 December 2007 the Group capitalized interest in property under development of USD 1,613 thousand.

During the year ended 31 December 2006 the Group capitalized interest in property under development of USD 1,629 thousand.

10. INVENTORIES

Inventories, at cost, as of 31 December 2007 and 2006 consisted of the following:

	31 December 2007	31 December 2006
	'000 USD	'000 USD
Land held for sale in the ordinary course of business	94,645	-
Land held for development and sale	223,388	34,419
Residential buildings under development	163,711	-
Other inventories	988	598
Total	482,732	35,017

Land held for sale in the ordinary course of business as of 31 December 2007 and 2006 consisted of the following:

	31 December 2007	31 December 2006
	'000 USD	'000 USD
At the beginning of the year	-	-
Transfer from land under development (Note 9)	32,807	-
Transfer from investment property (Note 8)	73,160	-
Transfer to cost of land sold	(11,322)	-
At the end of the year	94,645	-

Land held for development and sale as of 31 December 2007 and 2006 consisted of the following:

	31 December 2007	31 December 2006
	'000 USD	'000 USD
At the beginning of the year	34,419	34,658
Transfer from land under development (Note 9)	206,985	9,206
Transfer to cost of land sold	(18,016)	(9,445)
At the end of the year	223,388	34,419

Residential buildings under development as of 31 December 2007 and 2006 consisted of the following:

	31 December 2007	31 December 2006
	'000 USD	'000 USD
At the beginning of the year	-	-
Additions	160,845	-
Transfer from property, plant and equipment (Note 6)	385	-
Transfer from property under development (Note 9)	60,923	-
Transfer to cost of construction contracts (Note 25)	(58,442)	-
At the end of the year	163,711	-

11. OTHER RECEIVABLES AND PREPAID EXPENSES

Other receivables and prepaid expenses as of 31 December 2007 and 2006 consisted of the following:

	31 December 2007	31 December 2006
	'000 USD	'000 USD
Prepaid expenses	457	606
Prepaid current income tax	767	822
Other receivables	4,964	1,130
Other taxes prepaid	179	320
Total	6,367	2,878

12. LOANS TO THIRD PARTIES

Unsecured loans issued as of 31 December 2007 and 2006 consisted of:

			31 December 2007	31 December 2006
	Interest rate	Currency	'000 USD	'000 USD
Nekomercheskoe Partnyorstvo "Blagoustroystvo Kottedzhnogo posyolka "Pestovo"	7.0%–7.5%	RUR	18,545	18,869
Blauenlaumer Technologies Limited	7.1%	USD	–	3,016
Agroreserve LLC	7.3%	RUR	1,928	1,675
Total			20,473	23,560

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of 31 December 2007 and 2006 consisted of the following:

	31 December 2007	31 December 2006
	'000 USD	'000 USD
Short-term bank deposits	409,538	295,086
Cash in banks, in RUR	16,991	17,763
Cash in banks, in other currencies	553	537
Petty cash	10	14
Total	427,092	313,400

14. SHARE CAPITAL

	31 December 2007	31 December 2006	31 December 2005
Authorized			
Ordinary shares at par value of RUR 1,000 each	<u>13,587,969</u>	<u>9,750,976</u>	<u>4,875,488</u>
Including:			
Treasury shares			
Ordinary shares at par value of RUR 1,000 each	<u>133,000</u>	<u>266,000</u>	<u>-</u>

	'000 USD
Issued and fully paid	
31 December 2005:	
3,590,000 ordinary shares at par value of RUR 1,000 each	119,797
Issue of shares: 6,160,976 ordinary shares at par value of RUR 1,000 each	227,905
Purchase of treasury shares: 399,000 ordinary shares	(14,651)
Sale of treasury shares under share based payment program:	
133,000 ordinary shares	<u>4,984</u>
31 December 2006:	
9,484,976 ordinary shares at par value of RUR 1,000 each	338,035
Issue of shares: 3,836,993 ordinary shares at par value of RUR 1,000 each	151,446
Sale of treasury shares under share based payment program:	
133,000 ordinary shares at par value of RUR 1,000 each	<u>4,835</u>
31 December 2007:	
13,454,969 ordinary shares at par value of RUR 1,000 each	<u>494,316</u>

The extraordinary general meeting of shareholders held on 14 November 2005 approved a capital increase, whereby up to 1,285,488 new ordinary shares each with a nominal value of RUR 1,000 would be issued through an open subscription. The offering price was equal to the Ruble equivalent of USD 70 per share at the exchange rate of the Central Bank of the Russian Federation as of the date of placement. Shareholders were granted pre-emptive rights of purchase, pro rata to their existing shareholdings. On 26 January 2006 the Company registered a prospectus for the additional issue of shares with the Federal Financial Markets Services ("FFMS"). On 24 March 2006 the Company summarized the results of the pre-emptive rights participation and placed 1,251,424 ordinary shares to existing shareholders. The remaining 34,064 shares were placed through an open subscription. The proceeds from the additional issue of shares were USD 90 million. The issue was registered with the FFMS on 27 April 2006.

On 3 May 2007 the Company completed the distribution of 1,798,063 additional shares with a nominal value of RUR 1,000 each and submitted a notice on the results of the additional release of securities to the FFMS. Shareholders in the Company were given a pre-emptive right of purchase, pro rata to their existing shareholdings. The offering price was not exceeding the Ruble equivalent of USD 180.75 per share at the exchange rate of the Central Bank of the Russian Federation at the date on which the Board of Directors decided on the share price. The proceeds from the additional issue of shares were USD 325,731 thousand.

On 10 October 2007 the Company completed the distribution of 2,038,930 additional ordinary shares with a nominal value of RUR 1,000 each. Shareholders in the Company were given a pre-emptive right of purchase, pro rata to their existing shareholdings. The offering price was of RUR 7,238.95 per share. The proceeds from the additional issue of shares were USD 591,206 thousand.

Treasury shares represent the cost of shares held by the Group to satisfy the Group's share based payment program (Note 18).

15. ADDITIONAL PAID-IN-CAPITAL

Additional paid-in-capital as of 31 December 2007 and 2006 consisted of the following:

'000 USD	Share premium	Under- writing fees	Legal and consulting services	Share based payment	Total
At 31 December 2005	22,876	(3,349)	(503)	-	19,024
Issue of new shares (net of income tax of USD 4,215 thousand)	743,559	(11,837)	(1,509)	-	730,213
Acquisition of treasury shares	(42,690)	-	-	-	(42,690)
Sale of treasury shares under share based payment program	1,610	-	-	-	1,610
Recognition of expense under share based payment program (note 18)	-	-	-	5,015	5,015
At 31 December 2006	725,355	(15,186)	(2,012)	5,015	713,172
Issue of new shares	765,507	(9,979)	(1,522)	-	754,006
Sale of treasury shares under share option plan	-	-	-	1,783	1,783
Recognition of expense under share based payment program (Note 18)	-	-	-	3,140	3,140
At 31 December 2007	1,490,862	(25,165)	(3,534)	9,938	1,472,101

16. REVALUATION RESERVE

	Year ended 31 December 2007 '000 USD	Year ended 31 December 2006 '000 USD
At the beginning of the year	113,232	69,368
Revaluation surplus on land (Note 9)	665,649	82,741
Deferred tax liabilities arising on revaluation of land (Note 19)	(160,797)	(21,391)
Release of revaluation reserve on disposed assets	(7,209)	(3,983)
Release of deferred tax liability on revaluation reserve of disposed assets	1,730	956
Decrease in revaluation reserve due to change in investment in subsidiary	-	(14,459)
At the end of the year	612,605	113,232

17. MINORITY INTEREST

	Year ended 31 December 2007 '000 USD	Year ended 31 December 2006 '000 USD
At the beginning of the year	-	5,901
Minority interest in net loss from subsidiary for the year	-	(198)
Minority interest in subsidiary's revaluation surplus for the year	-	6,562
(Decrease) / increase in minority interest due to change in investment in subsidiary	-	(12,265)
At the end of the year	-	-

18. SHARE BASED PAYMENT PROGRAM

The Group has established share based payment program. The Group grants an annual opportunity to certain employees to purchase the Company's ordinary shares at a fixed price equal to USD 49.75 per share exercisable on the condition that the employee remains in the Group's employ for at least one year after the exercise date. Fair value at grant date was USD 75.93 per share. The number of share that can be purchased by employees during 2007-2008 amounts to 133,000 per year.

	31 December 2007 Shares
Outstanding at the beginning of the year	266,000
Outstanding at the end of the year	133,000
Exercisable at the end of the year	-

The Group recognized a total share based payment cost of USD 3,140 thousand and USD 5,015 thousand for the year ended 31 December 2007 (Note 15) and 2006, respectively. The weighted average remaining contractual life is 0.75 years.

19. INCOME TAXES

The Group provides for taxes based on the statutory tax accounts maintained and prepared in accordance with Russian statutory tax regulations which may differ from IFRS. The statutory tax rate effective in the Russian Federation, the legal jurisdiction of the majority of the Group's entities, was 24% in 2007 and 2006. The federal tax rate for dividend income in the Russian Federation was 15% if received from foreign subsidiaries and 9% if received from Russian legal entities.

The Group is subject to certain permanent tax differences due to the fact that certain expenses are not deductible and certain income is not taxable under local tax regulations.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as of 31 December 2007 and 2006 relate mostly to different methods of income and expense recognition as well as to the recorded values of certain assets.

Temporary differences as of 31 December 2007 and 2006 comprised:

	31 December 2007 '000 USD	31 December 2006 '000 USD
Deductible differences:		
Loss carry forward	20,271	12,383
Property, plant and equipment	13,394	7,839
Other payables and accrued expenses	1,721	19,320
Receivables and prepaid expenses	1,318	1,543
Effect of foreign currency remeasurement of other assets	101,519	21,180
Total deductible differences	138,223	62,265

Temporary differences as of 31 December 2007 and 2006 comprised (continue):

	31 December 2007 '000 USD	31 December 2006 '000 USD
Taxable differences:		
Land under development and land held for sale	1,389,966	359,983
Payable to customers under construction contracts	33,049	21,834
Receivables and prepaid expenses	39,209	7,959
Investment property	79,437	113,620
Property, plant and equipment	842	554
Effect of foreign currency remeasurement of other assets	-	12
Total taxable differences	1,542,503	503,962
Net taxable differences	(1,404,280)	(441,697)
Deferred income tax liability (at tax rate)	(351,340)	(112,212)
Deferred income tax asset (at tax rate)	14,313	6,836
Net deferred income tax liability	(337,027)	(105,376)

The relationship between the income tax expense and the Group's accounting profit for the year ended 31 December 2007 and 2006 is explained as follows:

	Year ended 31 December 2007 '000 USD	Year ended 31 December 2006 '000 USD
Profit before income taxes	96,140	71,188
Statutory tax rate	24%	24%
Theoretical income tax at the statutory tax rate	23,074	17,085
Tax on dividends from Russian subsidiary	-	171
Tax on income from sale of interest in Russian subsidiary to Cyprus subsidiary	-	1,050
Tax effect of other permanent differences	(13,696)	(5,028)
Income tax expense	9,378	13,278
Income tax expense		
Deferred income tax (credit)/expense	(11,559)	5,963
Current income tax expense	20,937	7,315
Total	9,378	13,278
Current income tax expense		
Current income tax benefit charged to equity	-	(477)
Current income tax charged to consolidated income statement	20,937	7,315
Total	20,937	6,838

	Year ended 31 December 2007 '000 USD	Year ended 31 December 2006 '000 USD
Deferred income tax liabilities		
At the beginning of the year	112,212	59,276
Increase in the deferred income tax liability charged to consolidated income statement	(4,082)	7,753
Increase in deferred income tax liability charged to equity (Note 16)	160,797	21,391
Disposal of subsidiaries	(1,504)	-
Acquisition of subsidiaries (Note 34)	83,917	23,792
At the end of the year	351,340	112,212
	Year ended 31 December 2007 '000 USD	Year ended 31 December 2006 '000 USD
Deferred income tax assets		
At the beginning of the year	6,836	586
Acquisition of subsidiaries	-	722
Increase in deferred income tax assets charged directly to equity	-	3,738
Increase in deferred income tax assets credited to consolidated income statement	7,477	1,790
At the end of the year	14,313	6,836

20. FINANCE LEASE PAYABLE

In July 2006 the Group signed an agreement with the City of Moscow represented by the Department of State and Municipal Property for the lease of the remaining 20% of the Novotel Hotel premises for 15 years. The effective interest rate is 13% per annum.

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2007 '000 USD	31 December 2006 '000 USD	31 December 2007 '000 USD	31 December 2006 '000 USD
No later than one year	1,973	1,678	409	285
Later than one year and not later than five years	7,892	6,713	2,243	1,583
Later than five years	15,882	15,523	10,098	8,956
	25,747	23,914	12,750	10,824
Less future finance charges	(12,997)	(13,090)	-	-
Present value of minimum lease payments	12,750	10,824	12,750	10,824
Included in the consolidated financial statements as:				
Long-term finance lease payable			12,341	10,539
Short-term finance lease payable			409	285
Total			12,750	10,824

The change in the present value of minimum lease payments in the accounting period is a result of the revision by the lender of the finance lease agreement terms.

21. LONG-TERM LOANS

Long-term loans as of 31 December 2007 and 2006 consisted of the following:

	Currency	Interest Rate	31 December 2007 '000 USD	31 December 2006 '000 USD
JSCB ROSBANK	USD	11%	22,460	25,000
JSCB Savings bank of the Russian Federation	USD	11%	17,750	20,750
ING Bank N.V.	USD	9.75%	50,000	-
AOZT SPKh "Menzhinets"	RUR	0.5%	-	794
Agrorezerv LLC	RUR	9.0%	1,983	-
Prepaid credit account maintenance fees	USD		-	(954)
Total			92,193	45,590

As of 31 December 2007 land plots with buildings with a book value of USD 18,000 thousand had been pledged as collateral under the loan from JSCB ROSBANK (Note 8).

As of 31 December 2007 the shares of JSC Hotel Novoslobodskaya and a building with a net book value of USD 34,232 thousand had been pledged as collateral under the loan received from JSCB Savings bank of the Russian Federation (Note 6).

JSC OPIN subsidiaries act as guarantors under the loan received from ING Bank N.V.

The loan from AOZT SPKh "Menzhinets" was discounted to fair value at 14% using the effective interest method.

Long-term loans as of 31 December 2007 and 2006 are repayable as follows:

	31 December 2007 '000 USD	31 December 2006 '000 USD
Within one year	103,000	152,750
In the second year	67,750	2,046
In the third to fifth years inclusive	22,460	43,544
Later than five years	1,983	-
Less: current portion of long-term loans (Note 22)	(103,000)	(152,750)
Total	92,193	45,590

22. SHORT-TERM LOANS AND ACCRUED INTEREST

Short-term loans and accrued interest as of 31 December 2007 and 2006 consisted of the following:

	Interest rate	31 December 2007 '000 USD	31 December 2006 '000 USD
Current portion of long-term loan from JSCB Savings bank of the Russian Federation (Note 21)	11%	3,000	2,750
ING Bank N.V.	9.125%	-	150,000
ING Bank N.V.	libor+2%	100,000	-
Accrued interest on long-term and short-term loans		882	2,055
Prepaid interest on loans		-	(68)
Total		103,882	154,737

23. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as of 31 December 2007 and 2006 consisted of the following:

	31 December 2007 '000 USD	31 December 2006 '000 USD
Trade payables to suppliers and service providers	6,067	7,268
Accounts payable to employees	8,048	3,727
Advances received	1,493	924
Other accounts payable and accrued expenses	21,614	126
Total	37,222	12,045

24. REVENUE UNDER CONSTRUCTION CONTRACTS

Revenue under construction contracts for the year ended 31 December 2007 and 2006 consisted of the following:

	Year ended 31 December 2007 '000 USD	Year ended 31 December 2006 '000 USD
Revenue under contracts for construction of houses	70,461	39,897
Revenue under contracts for construction of infrastructure and other assets	24,909	5,593
Total	95,370	45,490

25. COST OF CONSTRUCTION CONTRACTS

Cost of construction contracts for the year ended 31 December 2007 and 2006 consisted of the following:

	Year ended 31 December 2007 '000 USD	Year ended 31 December 2006 '000 USD
Cost of contracts for construction of houses (Note 10)	33,723	19,538
Cost of contracts for construction of infrastructure and other assets (Note 10)	24,719	5,497
Total	58,442	25,035

26. COST OF HOTEL SERVICES

Cost of hotel services for the year ended 31 December 2007 and 2006 consisted of the following:

	Year ended 31 December 2007 '000 USD	Year ended 31 December 2006 '000 USD
Payroll	3,062	3,165
Management fees	2,519	1,997
Materials	1,801	1,455
Depreciation	1,444	1,427
Property tax	910	857
Payroll taxes	645	607
Commissions	495	354
Bank fees for processing credit cards	405	328
Laundry expenses	398	281
Repairs and maintenance	296	260
Insurance	201	235
Security expenses	193	115
Communication and TV expenses	148	139
Consulting services	99	130
Decoration expenses	54	52
Other	757	807
Total	13,427	12,209

27. COST OF RENTAL SERVICES

Cost of rental services for the year ended 31 December 2007 and 2006 consisted of the following:

	Year ended 31 December 2007 '000 USD	Year ended 31 December 2006 '000 USD
Property tax	211	232
Repairs and maintenance	104	84
Public utilities	104	100
Rent expense	69	70
Other	134	83
Total	622	569

28. COST OF OTHER SERVICES

Cost of other services for the year ended 31 December 2007 and 2006 consisted of the following:

	Year ended 31 December 2007 '000 USD	Year ended 31 December 2006 '000 USD
Payroll	332	194
Repairs and maintenance	117	75
Security expenses	116	50
Rent expense	76	53
Property tax	37	-
Depreciation	15	11
Professional services	-	3,078
Bank charges	-	289
Other	197	578
Total	890	4,328

29. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for year ended 31 December 2007 and 2006 consisted of the following:

	Year ended 31 December 2007 ‘000 USD	Year ended 31 December 2006 ‘000 USD
Payroll	17,637	8,404
Advertising	3,215	1,287
Audit and other consulting services	2,028	871
Depreciation and amortization	1,677	974
Brokerage fees	1,506	1,517
Other operating taxes	1,381	773
Payroll taxes	1,265	781
Security expenses	891	419
Repairs and maintenance	633	409
Property tax	608	381
Insurance	468	292
Bank charges	395	312
Landscaping	395	726
Public utilities	389	91
Travel expenses	317	243
Communications expenses	289	159
Representation expenses	273	81
Rent expense	170	142
Management fees	100	25
Other expenses	3,300	1,531
Total	36,937	19,418

30. INTEREST INCOME

Interest income for the year ended 31 December 2007 and 2006 consisted of the following:

	Year ended 31 December 2007 ‘000 USD	Year ended 31 December 2006 ‘000 USD
Interest on bank deposits	15,804	7,801
Interest on loans issued	1,613	983
Other interest income	10,504	5,473
Total	27,921	14,257

31. INTEREST EXPENSE

Interest expense for the year ended 31 December 2007 and 2006 consisted of the following:

	Year ended 31 December 2007 '000 USD	Year ended 31 December 2006 '000 USD
Interest on bank loans	17,953	22,801
Interest on financial lease	1,546	686
Cost of maintenance of credit accounts	953	1,395
Interest on other loans	275	2
Total borrowing costs	20,727	24,884
Less: amounts included in the cost of qualifying assets (Notes 6, 7 and 9)	(10,036)	(13,350)
Total	10,691	11,534

32. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Basic			Diluted		
	Weighted average number of shares outstanding during the period	Net profit for the period attributable to shareholders of the parent company ('000 USD)	Earnings per share (in USD)	Weighted average number of shares outstanding during the period	Net profit for the period attributable to shareholders of the parent company ('000 USD)	Earnings per share (in USD)
Year ended 31 December 2007	11,270,566	86,762	7.70	11,481,516	86,762	7.56
Year ended 31 December 2006	5,773,172	58,108	10.07	5,920,383	58,108	9.81

33. DISPOSAL OF SUBSIDIARIES

In June 2007 the Group sold its subsidiaries Stroy Servis Group LLC and Krasnaya Gorka LLC to a third party for the total consideration of USD 19 million. The transaction was treated as sale of land based on its substance.

Summary of disposal of subsidiaries:

	'000 USD
Land sold (consideration received)	19,048
Cost of land sold (net assets disposed)	(11,300)
Gain on disposal	7,748

34. ACQUISITION OF SUBSIDIARIES

In January 2007 the Group acquired a 100% interest in Capital Service LLC and Invest Polis LLC together with their 100% subsidiary Regional development LLC for USD 85 million, which was paid in cash.

In February 2007 the Group acquired a 100% interest in Extern LLC for USD 12 million, which was paid in cash.

In June 2007 the Group acquired a 100% interest in Selskie zori LLC and Stroy Progress LLC together with their 100% subsidiary Agrosistema LLC for the total consideration of USD 62.9 million, paid in cash.

In June 2007 the Group acquired a 100% interest in Agro Group LLC and Agro Service LLC together with their 100% subsidiary Invest Service LLC for the total consideration of USD 59.6 million, paid in cash.

In December 2007 the Group acquired a 100% interest in TM Group LLC and Start Polis LLC together with their 100% subsidiary Timonino LLC for the total consideration of USD 48 million which was paid in cash.

Had these business combinations been effective at 1 January 2007, neither the revenue, nor the profit of the Group for the year ended 31 December 2007 would have changed significantly. The revenue and the profit of the acquired subsidiaries included in the consolidated financial statements for the year ended 31 December 2007 since their dates of acquisition to the reporting date was not significant.

At the dates of the acquisitions:

	<u>'000 USD</u>
Net assets acquired:	
Capital advances	62
Land under development (Note 9)	365,007
Property under development (Note 9)	273
Value added tax recoverable	18
Trade accounts receivable	5
Other receivables and prepaid expenses	3,429
Loans issued	37
Cash and cash equivalents	288
Deferred tax liability (Note 19)	(83,917)
Long-term loans	(1,583)
Short-term loans and accrued interest	(268)
Trade and other accounts payable	(15,719)
Tax liabilities, other than income tax liabilities	(32)
Current income tax liability	(248)
Total	<u>267,352</u>
Fair value of net assets attributable to 100% ownership interest	267,352
Goodwill	-
Consideration given:	
Satisfied by cash	(65)
Capital advances	(265,598)
Accounts payable for the acquisition of subsidiaries	(1,689)
Total	<u>(267,352)</u>
Net cash inflow arising on acquisition:	
Cash consideration	(65)
Cash and cash equivalents acquired	288
Cash received, net of cash paid on acquisition of subsidiaries	<u>223</u>

35. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 “Related party disclosures”, represent:

- (a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Group (includes holding companies, subsidiaries and fellow subsidiaries);
- (b) associates – enterprises in which the Group has significant influence and which are neither a subsidiary nor a joint venture of the investor;
- (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group;
- (d) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors and officers of the Group (also non-executive directors and close members of the families of such individuals);
- (e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Group and enterprises that have a member of key management in common with the Group;
- (f) parties with joint control over the Group;
- (g) joint ventures in which the Group is a venture; and
- (h) post-employment benefit plans for the benefit of employees of the Group, or of any entity that is a related party to the Group.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Group had the following transactions outstanding with related parties as of 31 December 2007 and 2006:

‘000 USD	31 December 2007		31 December 2006	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Prepaid interest on loans (entities with joint control or significant influence over the entity)	-	-	68	68
Receivables from customers under construction contracts (key management personnel of the entity or its parent)	-	31,500	89	11,006
Other receivables and prepaid expenses (entities with joint control or significant influence over the entity)	1,545	6,367	172	2,878
Long-term loans (entities with joint control or significant influence over the entity)	22,460	92,193	25,000	45,590
Accrued interest (entities with joint control or significant influence over the entity)	-	882	-	2,055
Advances received from customers for inventories (key management personnel of the entity or its parent)	32,618	123,626	1,505	57,377
Accounts payable to employees (key management personnel of the entity)	5,963	8,048	946	3,727
Cash and cash equivalents (entities with joint control or significant influence over the entity)	110,386	427,092	175,026	313,400

Included in the consolidated income statement for the year ended 31 December 2007 and 2006 are the following amounts which arose due to transactions with related parties:

'000 USD	Year ended 31 December 2007		Year ended 31 December 2006	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Revenue under construction contracts	3,503	95,370	1,442	45,490
Thereof entities with joint control or significant influence over the entity	60	-	1,401	-
Thereof key management personnel of the entity or its parent	3,443	-	41	-
Revenue from land sold (key management personnel of the entity or its parent)	1,023	39,566	1,866	11,282
Revenue on rendering other services (entities with joint control or significant influence over the entity)	-	1,862	423	5,435
Commission on received bank guarantee (entities with joint control or significant influence over the entity)	-	-	289	289
Bank charges (entities with joint control or significant influence over the entity)	179	395	238	312
Interest income (entities with joint control or significant influence over the entity)	4,894	27,921	6,672	14,257
Interest expense (entities with joint control or significant influence over the entity)	266	10,691	338	11,534
Cost of hotel services (entities with joint control or significant influence over the entity)	267	13,427	221	12,209
Management fees (entities with joint control or significant influence over the entity)	100	100	25	25
Key management personnel compensation:				
Payroll and related taxes	12,227	22,941	4,740	13,151
Insurance	43	669	143	527
	12,270	23,610	4,883	13,678

During the year ended 31 December 2007 the Group accrued an interest of USD 2,522 thousand on a loan received from a related party, of which USD 267 thousand is recorded as interest expense and USD 2,255 is capitalized in the cost of long-term assets. During the year ended 31 December 2007 the Group paid interest to a related party of USD 1,896 thousand.

During the year ended 31 December 2006 the Group received a loan from a related party amounting to USD 25,000 thousand. During the year ended 31 December 2006 the Group repaid a loan from a related party amounting to USD 50,000 thousand.

During the year ended 31 December 2006 the Group accrued loan interest of USD 5,515 thousand of which USD 338 thousand is recorded as interest expense and USD 5,177 is capitalized in the cost of long-term assets. During year ended 31 December 2006 the Group paid interest to a related party of USD 4,692 thousand.

During the year ended 31 December 2006 the Group paid commission of USD 204 thousand on a bank guarantee received.

36. BUSINESS SEGMENTS

Financial information relating to the Group's consolidated segments is as follows for the year ended 31 December 2007 and 2006:

'000 USD	Land holdings	Resi- dential property	Com- mercial property develop- ment	Com- mercial property	Hotel opera- tions	Others	Elimi- nations	Group total Year ended 31 December 2007 '000 USD
REVENUE								
External sales	20,275	114,172	236	3,734	24,121	2,118	-	164,656
Inter-segment sales	-	28	-	755	9	19	(811)	-
Total revenue	20,275	114,200	236	4,489	24,130	2,137	(811)	164,656
RESULT								
Segment profit before income tax	8,640	26,622	5	36,514	11,139	45	-	82,965
Unallocated expenses, net								13,175
Profit before income tax								96,140
Segment capital additions	733,834	80,560	75,988	597	1,434	829	-	893,242
Unallocated capital additions								742
Capital additions								893,984
Segment depreciation expense	-	488	-	-	1,444	66	-	1,998
Unallocated depreciation expense								593
Depreciation expense								2,591

'000 USD	Land holdings	Resi- dential property	Com- mercial property develop- ment	Com- mercial property	Hotel opera- tions	Others	Elimi- nations	Group total
								Year ended 31 December 2006
								'000 USD
REVENUE								
External sales	-	55,398	-	3,355	20,027	6,809	-	85,589
Inter-segment sales	-	-	-	626	43	25	(694)	-
Total revenue	-	55,398	-	3,981	20,070	6,834	(694)	85,589
RESULT								
Segment profit before income tax	-	56,430	-	12,012	7,182	1,180	-	76,804
Unallocated expenses, net								(5,616)
Profit before income tax								71,188
Segment capital additions	416,927	193,381	54,743	-	10,780	-	-	675,831
Unallocated capital additions								235
Capital additions								676,066
Segment depreciation expense	-	465	-	-	1,415	-	-	1,880
Unallocated depreciation expense								495
Depreciation expense								2,375

Financial information relating to the Group's consolidated segments is as follows as of 31 December 2007 and 2006:

'000 USD	Land holdings	Resi- dential property	Com- mercial property develop- ment	Com- mercial property	Hotel opera- tions	Others	Group total
							31 December 2007
							'000 USD
OTHER INFORMATION							
Segment assets	1,340,853	863,371	693,912	87,202	60,859	342	3,046,539
Unallocated assets							452,105
Eliminations							(210)
Total assets							3,498,434
Segment liabilities	133,832	246,463	119,694	16,898	24,455	7,098	548,440
Unallocated liabilities							180,154
Eliminations							(210)
Total liabilities							728,384

'000 USD	Land holdings	Resi- dential property	Com- mercial property develop- ment	Com- mercial property	Hotel opera- tions	Others	Group total
							31 December 2006
							'000 USD
OTHER INFORMATION							
Segment assets	457,573	564,027	183,975	37,419	52,438	481	1,295,913
Unallocated assets							359,692
Eliminations							(126)
Total assets							1,655,479
Segment liabilities	15,743	270,243	63,579	8,871	24,886	1,628	384,950
Unallocated liabilities							8,934
Eliminations							(126)
Total liabilities							393,758

37. COMMITMENTS AND CONTINGENCIES

Capital commitments – As of 31 December 2007 commitments of the Group for capital expenditures outstanding under concluded contracts approximated USD 244 million. The Group has early termination rights for all concluded capital construction contracts.

Operating leases – The Group's future minimum rental payments under non-cancellable operating leases in effect as of 31 December 2007 and 2006 are presented in the table below.

	31 December 2007	31 December 2006
	'000 USD	'000 USD
Not later than 1 year	332	364
Later than 1 year but not later than 5 years	716	667
Later than 5 years	3,584	3,430
Total operating lease	4,632	4,461

Legal proceedings – From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

Taxes – Due to the presence in Russian commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed by the tax authorities of making arbitrary judgment of business activities, if a particular treatment, based on management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest and these could be significant. While the Group believes it has complied with all applicable regulations and requirements, these regulations and requirements are not always clearly written, are continually updated, are often ambiguous and may be retrospective in effect, and it is often difficult to predict future interpretations by regulatory authorities, and the outcomes of such interpretations. The management of the Group considers that the probability of any material sanctions being undertaken by local authorities against the Group is remote, and believes that no material fines or penalties will become payable. Tax years remain open to review by the tax authorities for three years.

Pensions and retirement plans – Employees receive pension benefits from the Russian Federation in accordance with the laws and regulations of the country. As of 31 December 2007 and 2006, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Operating environment – The Group's principal business activities are within the Russian Federation. Laws and regulations affecting business environment in the Russian Federation are subject to rapid changes and the Group's assets and operations could be at risk due to negative changes in the political and business environment.

38. SUBSEQUENT EVENTS

The general meeting of the Company's shareholders held on 25 January 2008 approved a capital increase, whereby up to 1,692,252 new ordinary shares each with a nominal value of 1,000 RUR would be issued through an open subscription. Shareholders are granted pre-emptive rights of purchase, pro rata to their existing shareholdings. The price of ordinary share for existing shareholders and new investors will not exceed the Ruble equivalent of USD 290 per new share at the exchange rate of the Central Bank of Russian the Federation determined on the date when the resolution of the Board of Directors on the placement price is adopted. On 29 February 2008 the Company registered a prospectus for the additional issue of shares with the FFMS. The FFMS have sanctioned circulation on additional 423,063 shares outside Russia.

In February 2008 the Group acquired, through its wholly-owned subsidiary Growth Technologies (Russia) Limited ("Growth Technologies"), all of the outstanding Class A Subordinate Voting Shares ("SVS") of Viceroy Homes Limited – the Canadian producer of fabricated homes for an aggregate purchase price of approximately CAD 33.7 million.

The SVS acquired by Growth Technologies represent approximately a 61% equity interest in Viceroy Homes Limited. In connection with the arrangement, JSC OPIN and Growth Technologies have acquired a call option from the holders of all other outstanding Class B Multiple Voting Shares of Viceroy Homes Limited with the intention to acquire them by the end of 2008.

In February 2008 the Group established under Russian jurisdiction the 100% interest subsidiaries Bukhta Kopri-no LLC and Microraion LLC, which are planned to be the entities for development of Group's projects in Yaroslavl region.

In February 2008 the Group established under Russian jurisdiction a 100% interest subsidiary Viceroy Homes Distribution LLC, which is planned to be the trading company for the houses produced by Viceroy Homes Limited.

Closed Unit Investment Fund Novy Dom was liquidated effective 1 January 2008. Liquidation of the fund has no effect on the Group's future activities.

In February 2008 Deutsche Bank based on the request of the Group established in Ireland the entity OPIN Securities Limited, which is the special purpose vehicle for a potential bonds issue in 2008.

On 7 March 2008 JSC OPIN placed Credit Linked Notes (CLN) for an amount of USD 99.9 million on an unsecured basis at the rate of interest 10.45% per annum for a term of 5 years under the ING Bank N.V. London Global Issuance Program.

39. RISK MANAGEMENT POLICIES

Management of risk is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to operating risk, credit risk exposures, market movements in interest rates and foreign exchange rates. A description of the Group's risk management policies in relation to those risks follows.

Credit risk – The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group does not hedge its credit risk.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one counterparty/customer, or groups of customers. Prior to entering into material contracts the Group undertakes due diligence procedures, which includes checking the financial condition and creditworthiness of the counterparty, its experience, expertise and reputation in the subject area of co-operation. The Group also obtains a legal opinion from its in-house or from independent legal counsel regarding the validity and enforceability of contracts and other material documentation in connection with the subject transaction. The Group's aggregate credit exposure to a particular counterparty/customer, or groups of customers once established by the Group's Investment Committee are subject to quarterly review and approval by the Investment Committee.

The Group's counterparties/customers are mainly contractors, buyers/sellers of property, tenants and banks. For each group the Group has developed additional procedures to mitigate credit risk.

Contractors: The Group seeks additional credit risk mitigation instruments, including safety deposits, completion and performance guarantees, issued by top-rated banks, and the use of professional advisors, providing quality control and technical supervision.

Buyers/Sellers of Property: Financial guarantees (bank guarantees, letters of credit or similar bank instruments) or advance performance of counterparty's obligations is usually required from each potential buyer/seller.

Tenants: The Group carries out due diligence procedures. Contracts with tenants include a safety deposit in the amount of lease payments for 1-6 months, which management believes provides sufficient amount to cover the costs and realize planned profit during any re-marketing period.

Banks and financial institutions: the Group undertakes due diligence procedure on banks and financial institutions, which are service providers for the Group, to ensure their creditworthiness. The Investment Committee establishes limits for aggregate credit exposure to banks and financial institutions. Such limits are subject to quarterly review. The Group maintains accounts with several banks to ensure the flexibility of its risk management policy implementation.

Maturity of financial instruments

'000 USD	Carrying amount					
	In the first year	In the second year	In the third to the fifth year	After the fifth year	Contractual amount	Year ended 31 December 2007
Financial assets						
Cash at bank and in hand	17,554	-	-	-	17,554	17,554
Time deposits	409,538	-	-	-	409,538	409,538
Trade and other receivables	38,973	-	-	-	38,973	38,973
Loans issued	20,473	-	-	-	20,473	20,473
Total financial assets	486,538	-	-	-	486,538	486,538
Financial liabilities						
Trade and other payables	27,681	-	-	-	27,681	27,681
Loans	103,882	67,750	22,460	1,983	196,075	196,075
Total financial liabilities	131,563	67,750	22,460	1,983	223,756	223,756
Net financial position	354,975	(67,750)	(22,460)	(1,983)	262,782	262,782

'000 USD	Carrying amount					
	In the first year	In the second year	In the third to the fifth year	After the fifth year	Contractual amount	Year ended 31 December 2006
Financial assets						
Cash at bank and in hand	18,314	-	-	-	18,314	18,314
Time deposits	295,086	-	-	-	295,086	295,086
Trade and other receivables	13,270	-	-	-	13,270	13,270
Loans issued	23,560	-	-	-	23,560	23,560
Total financial assets	350,230	-	-	-	350,230	350,230
Financial liabilities						
Trade and other payables	7,394	-	-	-	7,394	7,394
Loans	154,737	2,046	43,544	-	200,327	200,327
Total financial liabilities	162,131	2,046	43,544	-	207,721	207,721
Net financial position	188,099	(2,046)	(43,544)	-	142,509	142,509

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

Gearing ratio

	31 December 2007	31 December 2006
	'000 USD	'000 USD
Long and short term borrowings	196,075	200,327
Cash and cash equivalents	<u>(427,092)</u>	<u>(313,400)</u>
Net debt	(231,017)	(113,073)
Equity	2,770,050	1,261,721
Net debt to equity ratio	(8%)	(9%)

Currency risk – Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group minimizes, to the extent possible any disproportion between the currencies of its major income and expense items, and between its assets and liabilities.

Prior to 2007 the Group maintained the US dollar as the currency for most of its contracts with service providers, tenants, buyers and sellers of property, and debt instruments outstanding. By the end of 2007 most of the Group's contractors switched the terms of agreements to the Russian Rubles. This led to change in the functional currency of the Group from USD to RUR since 1 January 2008.

The Group does not hedge its currency risk.

Financial instruments by currency

'000 USD	USD	RUR	EUR	Total Year ended 31 December 2007
Financial assets				
Cash at bank and in hand	440	17,001	113	17,554
Time deposits	1,661	407,877	–	409,538
Trade and other receivables	16,469	22,504	–	38,973
Loans issued	–	20,473	–	20,473
Total financial assets	18,570	467,855	113	486,538
Financial liabilities				
Trade and other payables	3,260	24,421	–	27,681
Loans	194,092	1,983	–	196,075
Total financial liabilities	197,352	26,404	–	223,756
Net financial position	(178,782)	441,451	113	262,782

'000 USD	USD	RUR	EUR	Total Year ended 31 December 2006
Financial assets				
Cash at bank and in hand	516	17,777	21	18,314
Time deposits	-	295,086	-	295,086
Trade and other receivables	10,805	2,465	-	13,270
Loans issued	3,016	20,544	-	23,560
Total financial assets	14,337	335,872	21	350,230
Financial liabilities				
Trade and other payables	5,487	1,906	1	7,394
Loans	199,533	794	-	200,327
Total financial liabilities	205,020	2,700	1	207,721
Net financial position	(190,683)	333,172	20	142,509

Interest rate risk – Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments.

All the Group's debt instruments outstanding as of 31 December 2007 are fixed rate. The Group plans to continue borrowing at a fixed rate in the future. For any future borrowing at variable interest rate the Group will consider the possibility of hedging its interest risk.

Funding (cash flow) risk – Funding (cash flow) risk is the risk that the Group will not be able to settle all liabilities as they fall due. The Group's liquidity position is carefully monitored and managed. The Group has established budgeting and cash flow planning procedures to ensure it has adequate cash available to meet its payment obligations in due course.

The Management controls these types of risks by means of maturity analysis, determining the Group's strategy for the next financial period. Current liquidity is managed by the Treasury Department, which deals in the financial markets for current liquidity support and cash flow management.

The Group recognizes the capital intensive nature and modest liquidity of real estate. Therefore, the Group uses its best efforts to fund a significant portion of future cash needs through long-term borrowings and to maintain a high proportion of equity financing. The Group also tries to partially finance the development of its residential projects by receiving advance payments under construction contracts.

Included in note below is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

'000 USD	Weighted	Less	One to	Three	One	After	Carrying
	average						
	effective	month	months	one year	years	fifth	Year ended
	interest					year	31 December
	rate						2007
Financial liabilities							
Trade and other payables	-	4,279	9,075	14,327	-	-	27,681
Finance lease liability	13.0	33	65	311	2,243	10,098	12,750
Loans	10.3	882	-	103,000	90,210	1,983	196,075
Total financial liabilities		5,194	9,140	117,638	92,543	12,081	236,506

'000 USD	Weighted	Less	One to	Three	One	After	Carrying
	average						
	effective	month	months	one year	years	fifth	Year ended
	interest					year	31 December
	rate						2006
Financial liabilities							
Trade and other payables	-	5,862	1,532	-	-	-	7,394
Finance lease liability	13.0	23	45	217	1,583	8,956	10,824
Loans	11.0	1,987	-	152,750	45,590	-	200,327
Total financial liabilities		7,872	1,577	152,967	47,173	8,956	218,545

40. FINANCIAL INSTRUMENTS*Financial assets and liabilities*

	31 December 2007 '000 USD	31 December 2006 '000 USD
Liquid assets	447,565	336,960
Trade and other receivables	38,973	13,270
Total financial assets	486,538	350,230
Trade and other payables	27,681	7,394
Financial liabilities – current	103,882	154,737
Financial liabilities – non current	92,193	45,590
Total financial liabilities	223,756	207,721
Net financial position	262,782	142,509

By category

	31 December 2007 '000 USD	31 December 2006 '000 USD
Loans and receivables	59,446	36,830
Available-for-sale assets	427,092	313,400
Total financial assets	486,538	350,230
Financial liabilities at amortized cost	223,756	207,721
Total financial liabilities	223,756	207,721
Net financial position	262,782	142,509

Management considers that the fair value of financial instruments held by the Group did not materially differ from their carrying amounts.

