

# JSC OPIN

## 2006 Operational Results



**OPIN**

INVESTMENT  
AND DEVELOPMENT  
GROUP

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# 2006 Operational Results

# Financial highlights

US\$m (or as indicated)	31 Dec 2006	31 Dec 2005
Assets	1 655.5	598.8
Long term loans and borrowings	45.6	221.4
Short term loans and borrowings	154.7	3.4
Equity attributable to shareholders of the parent company	1 261.7	244.3
Total number of shares outstanding*	9 484 976	3 590 000
NAV per share, US\$	133.0	68.1
	2006	2005
Revenue	85.6	93.1
Gross profit	34.0	34.7
EBITDA	70.9	26.7
Net profit attributable to shareholders of the parent company	58.1	14.1

- **Assets** grew by more than **2.5 times**
- **Equity** attributable to shareholders of the parent company increased **5 times**
- **Net asset value per share** has **doubled** in the year, up by US\$65
- **EBITDA** up US\$44.2m on 2005 results, a **166% increase**
- **Net profit** was up 312% on 2005, up by **US\$44m**

\*excluding 266 000 treasury shares as of 31 Dec 2006

# OPIN share performance

- RTS listing (with unlisted GDRs)
- Market capitalisation circa US\$ 2bn<sup>(1)</sup>
- Average monthly over-the-counter trade volume is approximately US\$30m<sup>(2)</sup>



# New projects and acquisitions of the Group

- In November 2006 the Group acquired a 100-percent share in Bank Tower LLC within the framework of **Sakharov Business Plaza** development (a Class A business center), resultantly, the Group obtained **total control rights over the project**.
- Construction of **OPIN Plaza**, a class A multi-purpose office and business complex, **commenced**. Design and survey works are currently underway.
- Construction **commenced** on a multifunctional complex close to **Neglinnaya** Street with a total area of over 18,000m<sup>2</sup>. Design works are currently underway.
- In December 2006 the Board of Directors resolved that the Group will participate in a program of acquisition of new land plots in the Moscow, Tver, and Yaroslavl Regions (**the “Land Acquisition Program”**) for a total amount of circa **US\$395m**. As of 31 December 2006, US\$31m has been invested pursuant to this Program.
- The Company's land holdings increased by approximately **130 hectares** in 2006 (Lukino, Gorky-10, Pavlovo-2, Large Pestovo). As of 31 December 2006, land holdings totaled over 770 hectares. During the year, the Company invested **US\$345 million** for the subsequent acquisition of over 2,000 hectares (Large Pestovo, Timonino, Zavidovo, Sochi).

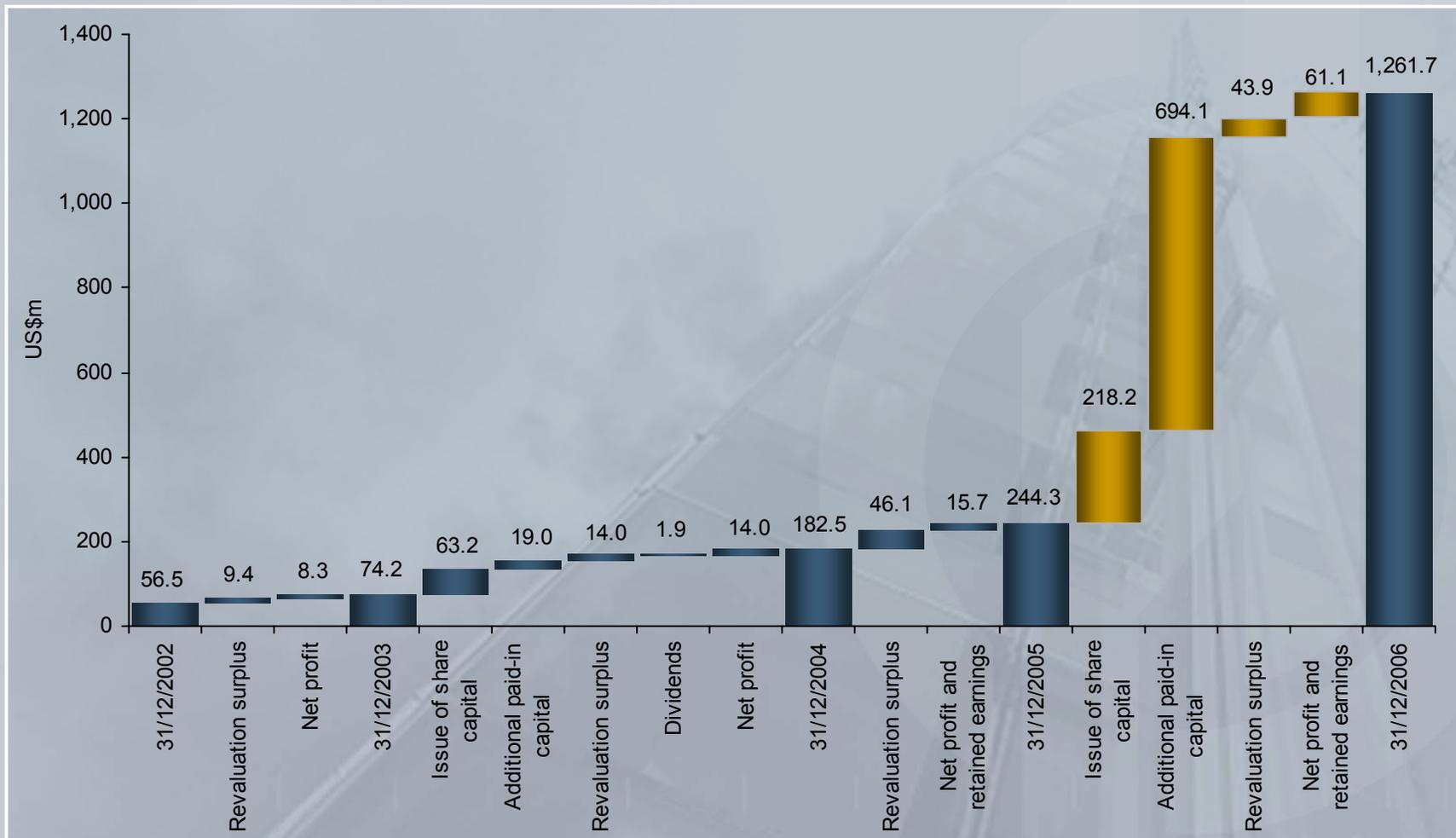
# New projects and acquisitions of the Group: Key Events 2007

- In January 2007, the Group acquired companies owning approximately **1,237 hectares of land in the Tver Region (Zavidovo)** at an aggregate price of US\$85 million. As of 31 December 2006 the Group paid in full the advance amount due from it under the relevant sale and purchase contracts.
- In February 2007 the Group acquired a company owning rights to approximately **0.8 hectares of land in the town of Sochi** at an aggregate price of US\$12 million. As of 31 December 2006 the Group paid in full the advance amount due from it under the relevant sale and purchase contracts.
- The Company continues to seek to boost its sales revenues. In 2007, the Company has continued its growth strategy with the disposal of cottages in two cottage villages, **Martemianovo** and **Pavlovo-2**.

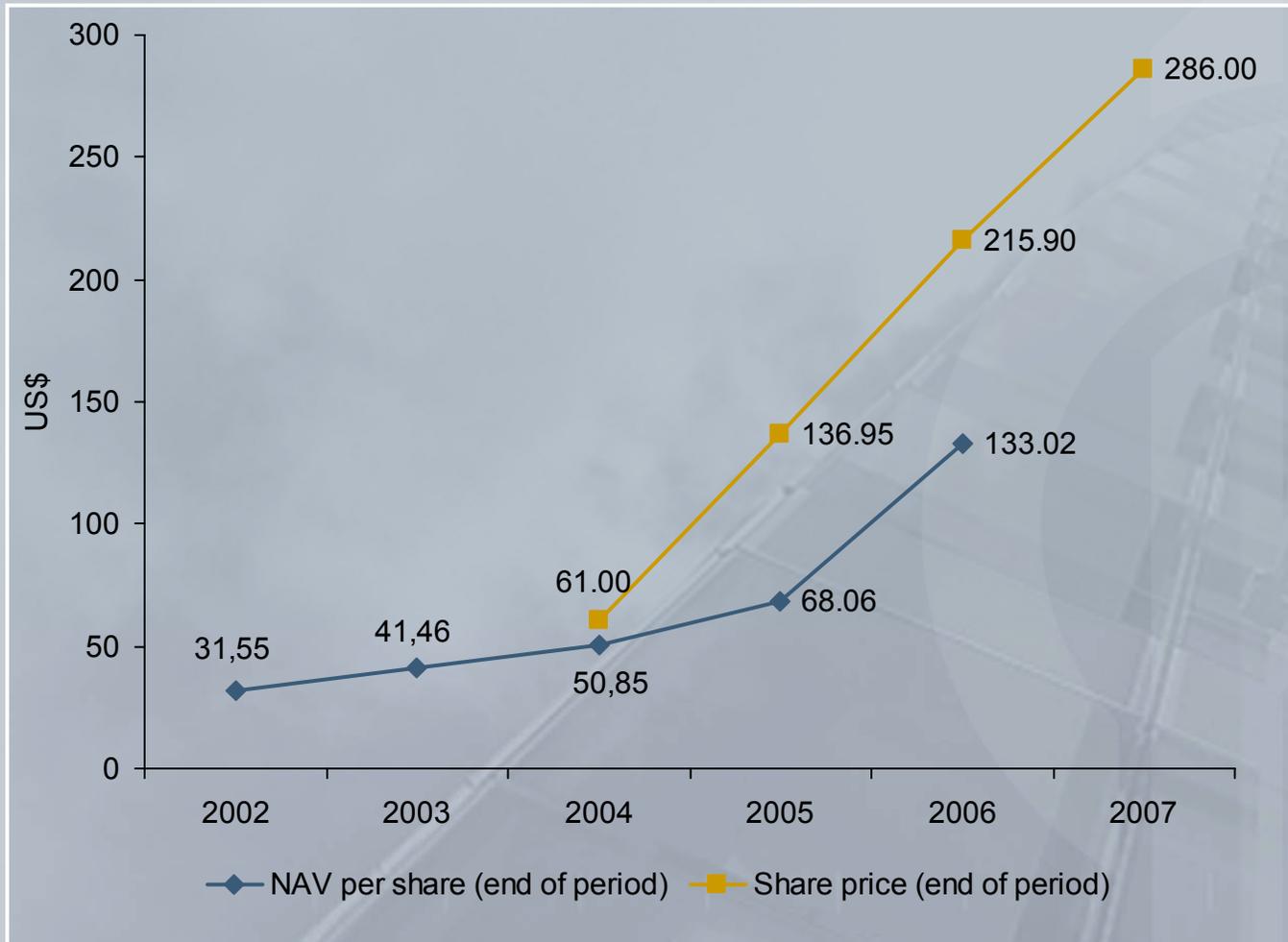
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## Boosting Net Asset Value

# Net Asset Value growth

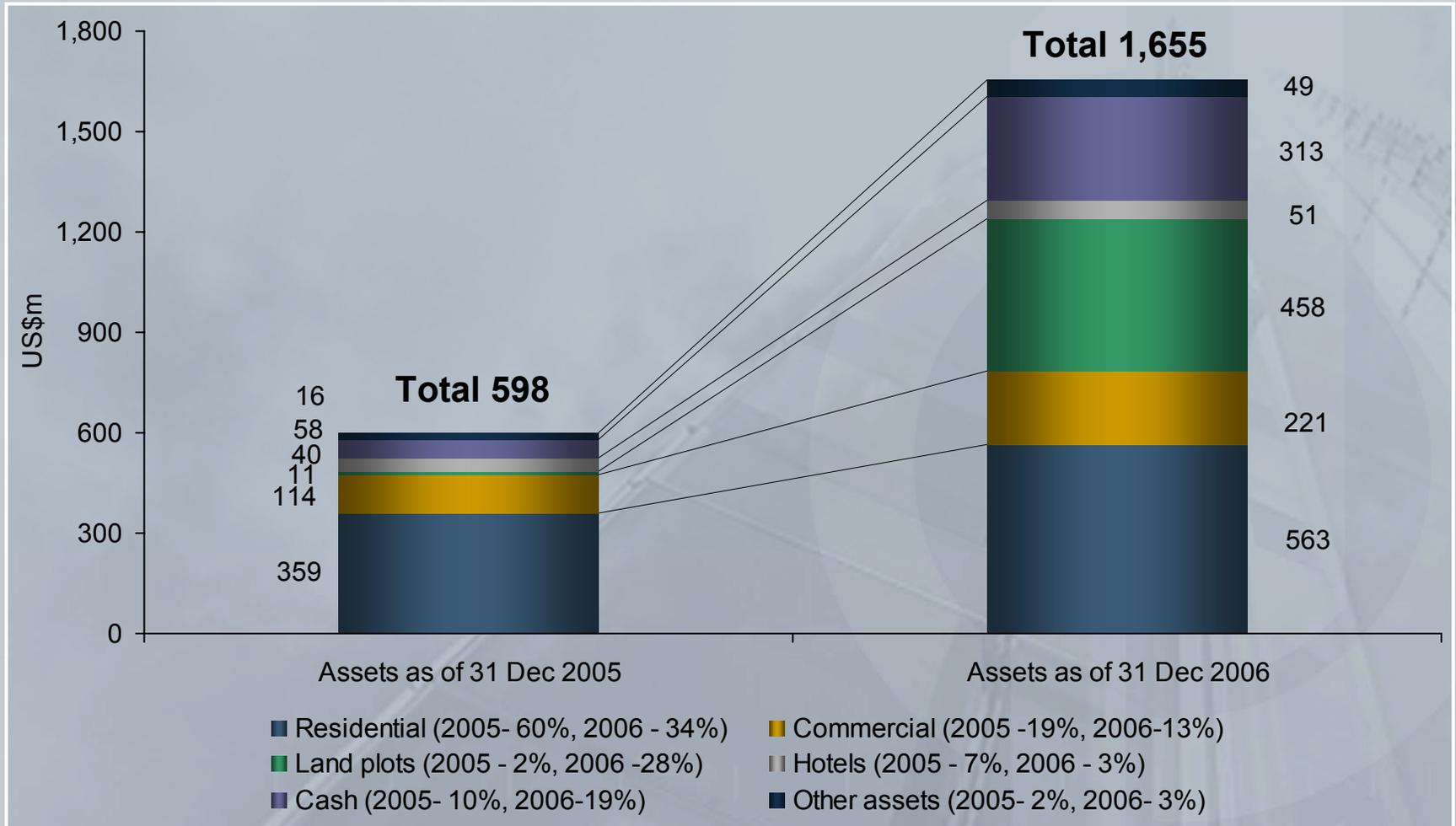


# Net Asset Value per share and share price dynamics



- NAV per share growth amounted to US\$ 64.96 or more than 95% in 2006
- As of 31 Dec 2006 the Company's shares traded at a **62% premium to NAV**

# The Group's assets by segment



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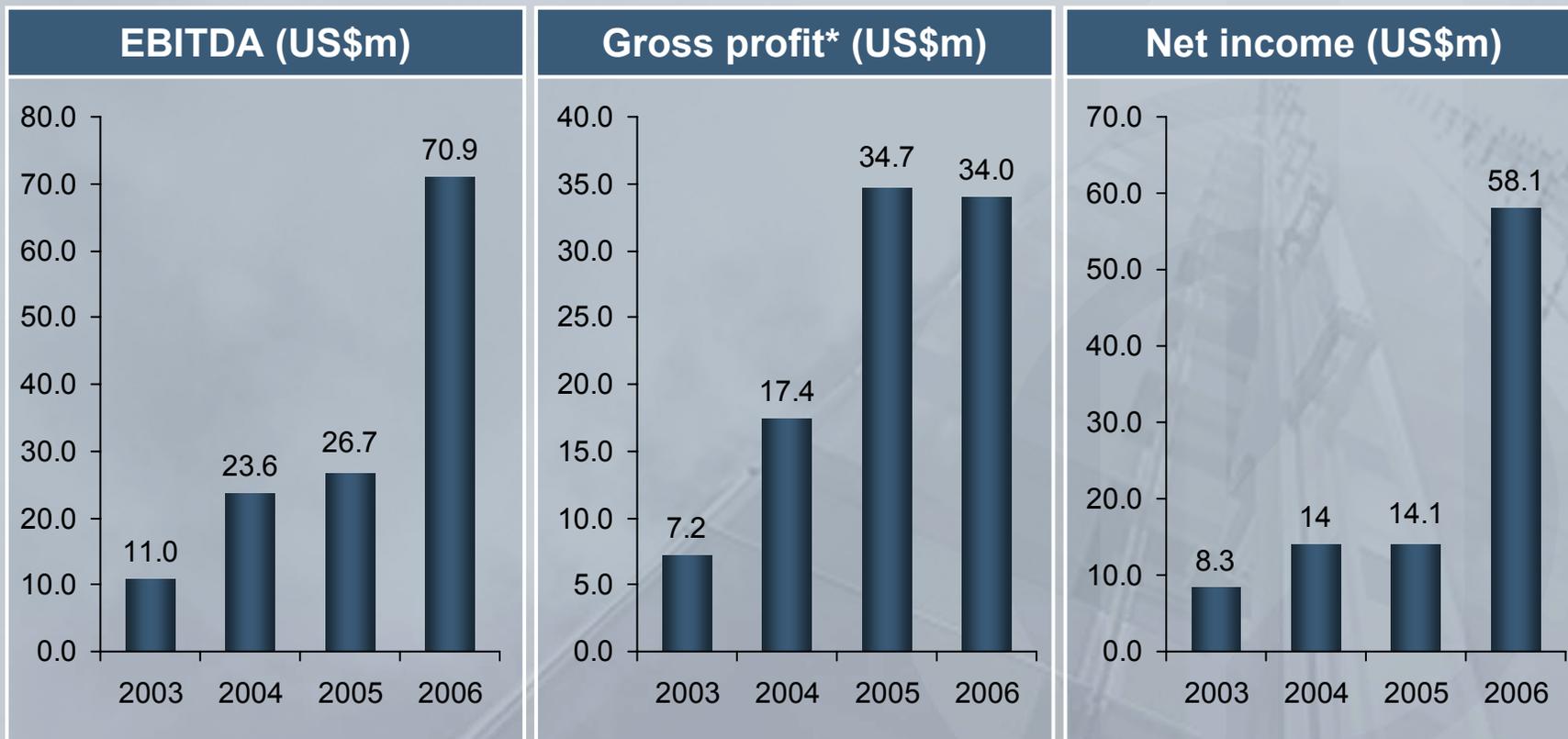
The Group's  
operations  
generating current  
income

# Group's revenue by segment



- In 2006 the Group's sales amounted to US\$85.6 million. Sales from the construction contracts in relation to **Pavlovo-1** and **Pestovo** projects and sale of land plots amounted to 67% of total sales.
- *Securing the highest possible profit margins:* the Group sells cottages in **Pavlovo-1** at highest market price in 2007-2008.
- Cash received in 2006 under the **Pestovo** project have not been fully reported as revenue as a result of *negotiations with customers on architectural details not yet being finalized*.
- *Land plots in Pestovo project were revalued in 2006* which resulted in both a reduction of the amount to be reported as revenue under construction contracts and decreasing profit margins.

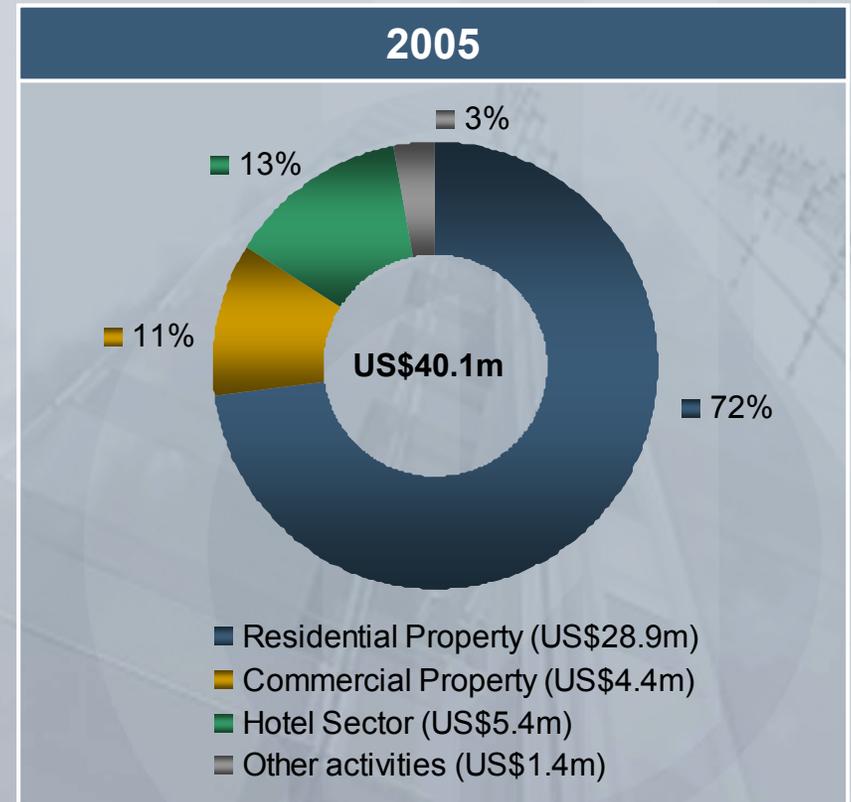
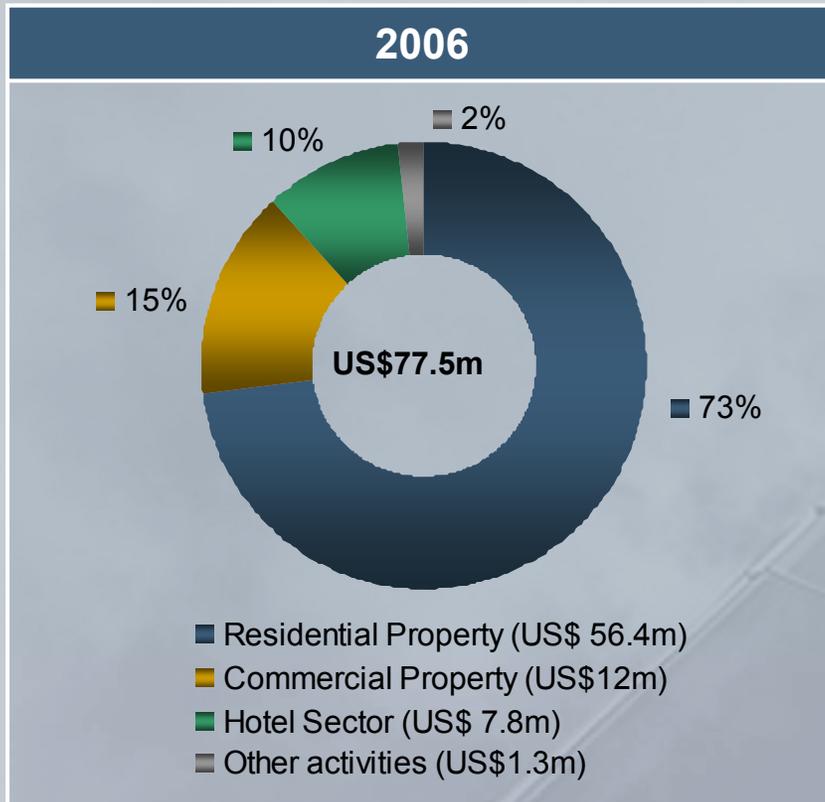
# EBITDA and net income growth



- **EBITDA** has grown by US\$ 44.1m or by **65%**
- **Gross profit\*** has remained at last year level due to margin ratio growth from 37% to 40%.

\* Gross profit without gain on investment property revaluation

# Gross Profit Split\* by business segments of the Group



- **By 2006 gross profit increased by US\$37.4m, i.e. nearly doubled \***

*\*given the increase in investment property fair value*

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## Cash flow

# Cash flow

US\$m	2006	2005
Cash at the beginning of the period	55.4	58.4
Cash, (used in)/ received from operations	44.6	(1.5)
Cash used in investment activities	(667.5)	(200.2)
Cash from financial activities	879.6	199.0
Effect of foreign exchange rates	1.3	(0.1)
<b>Cash at the end of period</b>	<b>313.4</b>	<b>55.4</b>

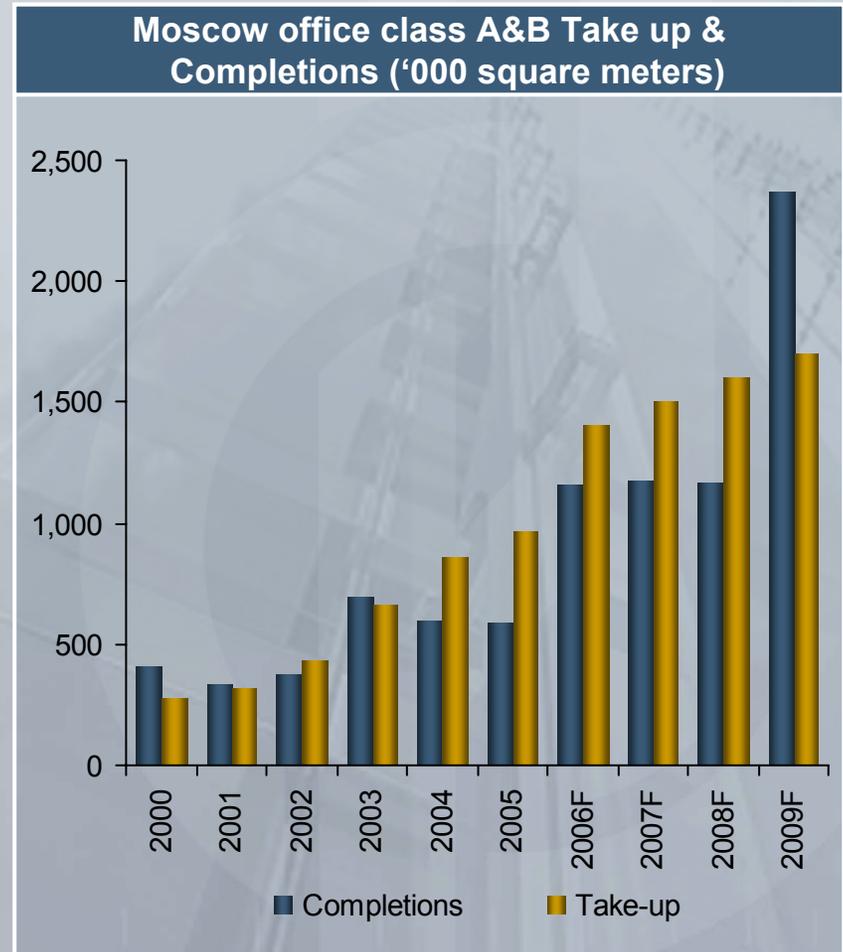
- Increase of cash inflow from operations was mostly due to cash receipts from clients of **Pestovo Project**
- Cash outflow for investment activities increased due to acquisition of subsidiaries and land plots
- Increase in cash inflow from financial activities was mostly due to cash inflow from new share issues

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# APPENDICES

# Appendix 1: Market Key Themes

- The market for quality properties is at a very early stage of growth after years of soviet and transition periods
- Strong economic fundamentals drive growth across all segments of the Russian real estate market
- Abundance and diversity of long term investment opportunities with high return potential; but
  - ▶ High entry barriers for development companies
  - ▶ Scarcity of land plots suitable for high-end property development
  - ▶ Lack of professional developers with high transparency
- 'Quality' is the most scarce characteristic
- Strong investor demand for high quality investment grade opportunities
- Experienced large-cap companies are well placed to participate in the most attractive projects



Source: Jones Lang LaSalle

# Appendix 1: Market Residential property market

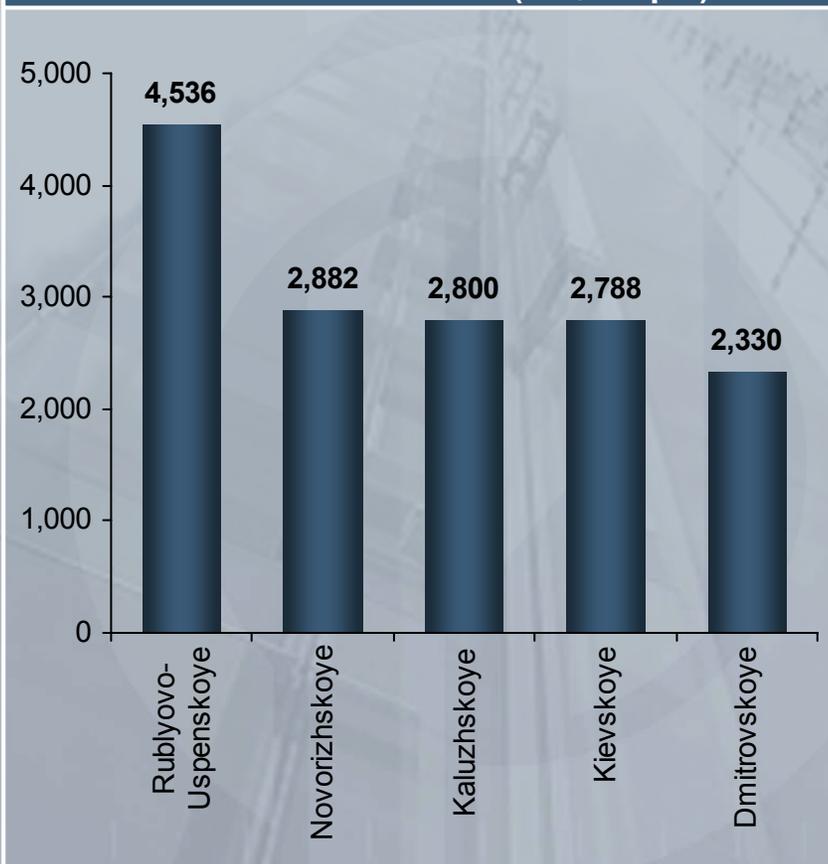
## Key drivers

- Emergence of an affluent upper middle class – the number of US Dollar millionaires in Russia increased by 17% and reached 103 000 people in the year 2005 (Source: Merrill Lynch and Cap Gemini).
- Growing demand for quality houses in Moscow suburbs
- Undervalued agricultural land plots suitable for conversion into residential land
- High entry barriers / High capital requirements

## Key characteristics

- Emergence of high-end locations as stand-alone submarkets
- Accelerating growth in sale prices
- More demanding buyers
  - ▶ Increasing due diligence requirements
- Complicated government regulation
- Higher margin on completed houses versus construction contracts

Average prices for cottages within 15 - 30 km from MKAD distance (US\$ / sq m)



Source: Blackwood, 2006

# Appendix 1: Commercial property market

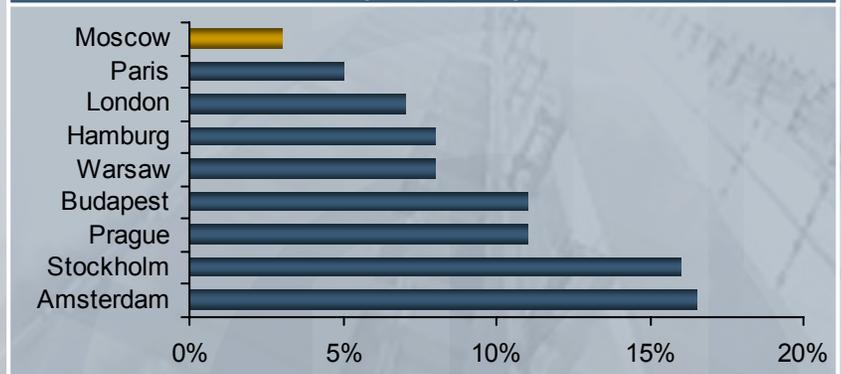
## Key drivers

- Strong economic fundamentals
- High demand from both Russian and international companies
- Insufficient supply of Class A space

## Main characteristics

- High barriers to entry, scarcity of land plots
- Low vacancy rates for Class A and B office space in Moscow
  - ▶ 0.9% for class A office
  - ▶ 4.2% for class B offices space in Q4 2006
- Increase in durations and volumes of lease contracts
- Diminishing capitalization rates due to strong investor demand

Vacancy rates for all office classes  
(Q2 2006)



Office stock per capita, sq m  
(Q4 2006)



Source: Jones Lang LaSalle

# Appendix 1: Retail property market

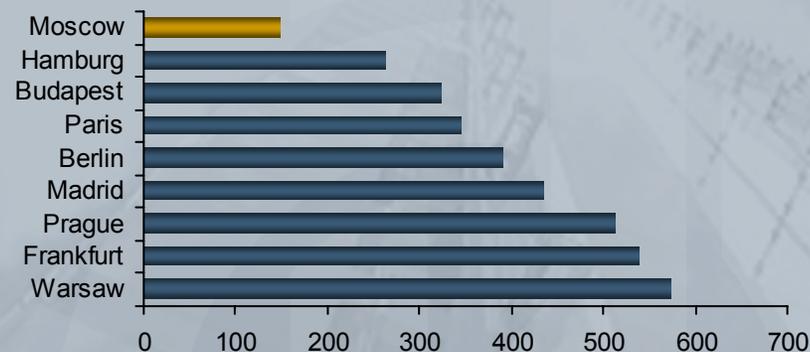
## Key drivers

- Strong growth in real wages and disposable income
- Move from street retail to modern shopping centres
- Western and local retailers expanding their presence
- Increasing competition in Moscow Oblast for large scale upmarket retailers
- Regions start developing

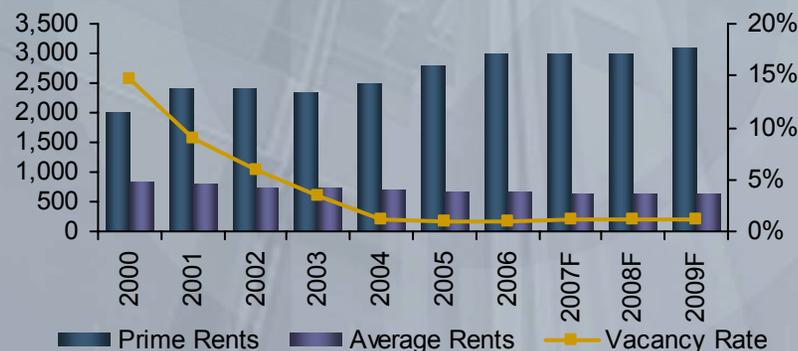
## Main characteristics

- Insufficient supply of quality retail space
- Low vacancy rates for retail space (apprx. 1%)
- Pre-leases and wait-lists for good locations
- Some of the highest rental rates in Europe

Shopping centre stock sq m per 1,000 inhabitants (2006)



Retail rents in US\$/sq m/year and vacant stock, % (2006)



Source: Jones Lang LaSalle

# Appendix 1: Hotel Sector

Three stars hotels segment has significant growth potential

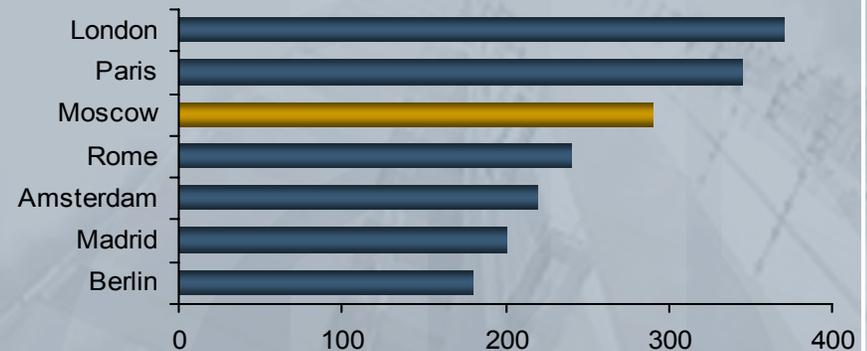
## Key drivers

- Growing number of business travellers and tourists
- Closure of several large 'Soviet' hotels
- Insufficient supply of quality hotels in recent years

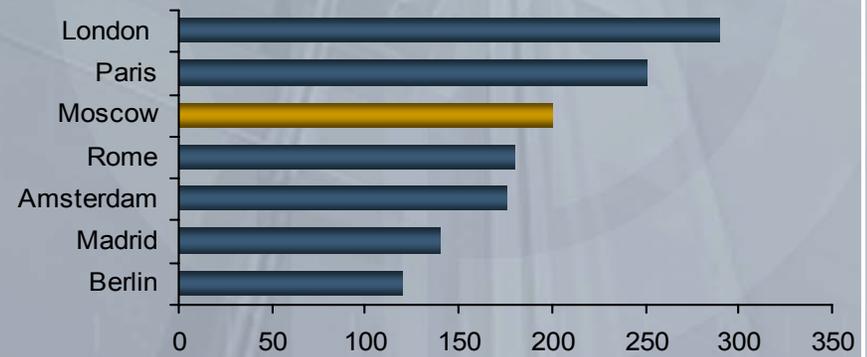
## Key characteristics

- High occupancy rates, particularly midweek
- High room rates

Average price per hotel room (1H 2006)



Average return rate per one hotel room (1H 2006)



Source: Jones Lang LaSalle

# Appendix 2: Developing projects portfolio

## Residential property

Fully acquired	Land size for the project, ha	Land size owned by the group as of 31.12.06, ha	Value under IFRS, US\$m	Impact on NAV, US\$m (in 2006)	Impact on NAV, US\$m (cumulative)
Pavlovo-1	69.1	56.1	39.4	-	13.7
Pavlovo -2	82.9	82.9	93.2	15.6	26.4
Pestovo	128.9	121.9	64.4	17.5	30.5
Novorizhski	202.5	202.5	77.3	4.4	4.2
Martemyanovo	228.9	228.9	72.0	4.7	23.6
Gorki-10	29.9	29.9	61.7	15.8	15.8
Large Pestovo	37.3	37.3	19.3	-	-
Samara	16.9	16.9	11.3	0.2	0.7
Sochi***	2.0	2.0	9.8	-	1.5
<b>Total as of December 31, 2006</b>	<b><u>798.4</u></b>	<b><u>778.4</u></b>	<b><u>448.4</u></b>	<b><u>58.1</u></b>	<b><u>116.4</u></b>
<b>Being acquired</b>					
Zavidovo*,**	1 236.6	-	85.0	-	-
Large Pestovo (addit. part)*, ****	962.7	-	200.0	-	-
Timonino*	136.7	-	47.8	-	-
Sochi (addit. part)*,**	0.8	-	12.0	-	-
Land acquisition program*	-	-	31.0	-	-
<b>Expected estimates</b>	<b><u>2 336.8</u></b>	<b>-</b>	<b><u>375.8</u></b>	<b>-</b>	<b>-</b>

Board of Director has approved the amount of US\$ 395m for buying land within the Land Acquisition Program

\*capital advances

\*\* acquired in 2007

\*\*\*lease rights, taking into account the capex as of 31.12.06

\*\*\*\* acquisition of up to 1,000 ha within Large Pestovo perimeter is possible

# Appendix 3: Developing projects portfolio

## Commercial property

	Net Rentable Area, '000 sq. m.	Land plot size, ha	Value under IFRS*, US\$m	Impact on NAV, US\$m (2006)	Impact on NAV, US\$m (cumulative)
Sakharov Business Plaza**	63.0	1.4	95.1	1.6	6.5
Raikin Retail and Entertainment Centre	41.0	3.4	18.0	-	-
Meyerhold Office Centre**	7.1	1.1	22.5	5.7	15.6
Opin Plaza**	52.8	1.1	14.4	0.8	1.7
Pavlovo Podvorye	37	12.8	22.2	2.0	6.4
Pavlovo School	-	10.4	9.0	1.5	3.8
<b>Total as of 31 December 2006</b>	<b>-</b>	<b><u>30.2</u></b>	<b><u>181.2</u></b>	<b><u>11.7</u></b>	<b><u>34.0</u></b>

\*CAPEX, as of 31.12.06 is accounted for

\*\*long-term lease right



**OPIN**

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