Portfolio Valuation Report

Various real estate assets in St. Petersburg & Leningradskaya Region, Moscow & Moscow Region and Yekaterinburg, Russia

Prepared for:
OJSC “LSR Group”

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Floor 17, Block C
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Moscow, Russia
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APPENDICES

The Directors
LSR Group OJSC (the "Company")
36 Kazanskaya Street
St. Petersburg 190031
Russia

01 October 2008

Dear Sirs

LSR GROUP – VALUATION OF VARIOUS DEVELOPMENTS IN ST. PETERSBURG AND THE LENINGRADSKAYA REGION, MOSCOW AND THE MOSCOW REGION AND YEKATERINBURG

In accordance with your instructions, we have pleasure in reporting to you as follows:

1. SCOPE OF INSTRUCTIONS

We, LLC "DTZ Debenham Zadelhoff Limited" (DTZ), have prepared a Market Valuation for each Property (as defined below) in accordance with the terms set out in this Valuation Report and its Appendices.

The properties that are the subject of this Valuation Report, each a "Property" and together the "Properties" are listed as follows:

LSR Group OJSC
Portfolio Assets
Schedule of Properties
(valuation as of 30 June 2008)

No	Development Project	Address	Site Area, ha	Gross buildable area, sq m	Net sellable / leasable area, excl. car parking, sq m	Construction start date (month / year)	Estimated completion date (month / year)	Project completion, %	Presold / preleased of net sellable / leasable areas, excl. car parking, %	Tenure	Development strategy
Properties held as investment											
Saint Petersburg & Leningradskaya Region											
Existing buildings											
1	Apollo	Dobrolubova prospect, 8	0,24	8 454	6 073	completed		-	93%	Leasehold	Hold
2	Gelious	Marata street, 47-49	n/a	3 909	2 977	completed		-	87%	Freehold	Hold
3	Litera	Galernaya street, 10	0,09	2 379	2 167	completed		-	100%	Freehold	Hold
4	Kazanskaya 36	Kazanskaya street, 36	0,25	6 673	5 080	completed		-	100%	Freehold	Hold
5	Zolotaya Kazanskaya	Kazanskaya street, 44	0,15	3 078	2 731	completed		-	100%	Leasehold	Hold
Moscow & Moscow Region											
Existing buildings											
6	Tverskoy boulevard 16	Tverskoy boulevard, 16	0,14	3 648	2 659	completed		-	-	Leasehold	Hold
Properties held for future development											
Saint Petersburg & Leningradskaya Region											
Office centres											
7	Okhtinskaya Vertikal	Vyborgskii reg., Energetikov St.,9, A	10,47	485 576	278 111	Jul-10	Jul-15	0%	0%	Freehold	Build and Hold

	Phase 1		10,47	194 230	111 650	Jul-10	Jul-13	0%	0%	Freehold	Build and Hold
	Phase 2			203 940	114 492	Jul-11	Jul-14	0%	0%	Freehold	Build and Hold
	Phase 3			87 406	51 969	Jul-12	Jul-15	0%	0%	Freehold	Build and Hold
8	Vali Gribalevoy	Gribalevoy St., 9	0,75	46 038	29 324	Sep-09	Jul-15	0%	0%	Freehold	Hold
9	Salova, 61	Frunzensky reg., Salova St.61	2,50	139 588	91 696	Jul-08	Jul-11	3%	0%	Leasehold	Build and Hold

Land plots for residential development

10	Ruchi	Piskarevskiy prospect, 145	336,87	4 277 933	2 468 000	Jun-12	Dec-20	0%	0%	Freehold	Hold

Properties in the course of development

Saint Petersburg & Leningradskaya Region

Elite class residential

11	Hermitage View House (residential)	Zoologicheskiy lane, 2-4	0,25	11 620	6 818	Aug-08	Jun-12	7%	0%	Freehold	Build and Sell
12	Smolniy Quarter (residential)	Central district, quarter 1030A-1 / 1030A-2	4,26	100 471	48 539	Nov-08	Dec-12	2%	0%	Leasehold	Build and Sell
13	Nevskiy 1	Nevskiy prospect, 1	0,22	13 470	5 488	Jan-09	Dec-11	11%	0%	Leasehold	Build and Sell
14	Paradniy Quarter (residential)	Paradnaya St., 1-3, Radisheva St., 35,39	9,60	217 977	91 646	Mar-08	Dec-12	29%	43%	Investment contract	Build and Sell
	Phase 2, bldgs 1,2,3		9,60	89 076	43 815	Jan-06	Dec-08	60%	82%	Investment contract	Build and Sell
	Phase 3, bldgs. 6,7			66 085	24 168	Jun-08	Jun-10	5%	12%	Investment contract	Build and Sell
	Phase 3, bldgs. 4,5,8			62 816	23 663	Dec-09	Jun-13	1%	0%	Investment contract	Build and Sell
15	Radisheva	Radisheva St., 39 liter M	0,85	29 900	18 656	Oct-08	Dec-11	2%	0%	Freehold	Build and Sell
16	Shpalernaya 60 Phase 3	Shpalernaya street, 60, liters I, D	0,13	4 427	4 028	Jun-07	Mar-09	24%	51%	Leasehold	Build and Sell
17	Dom u Morya	Martynova emb., 74,70,62	3,77	44 461	32 515	completed		89%	66%	-	Sell
	Phase 1	Martynova emb., 74	2,58	29 360	21 572	completed		91%	69%	Leasehold	Sell
	Phase 2	Martynova emb., 70	0,21	1 212	1 212	completed		63%	0%	Leasehold	Sell
	Phase 3	Martynova emb., 62	0,98	13 889	9 732	completed		88%	68%	Freehold	Sell
18	Residence at Suvorovskiy	Suvorovskiy prospect, 63 B	1,25	64 849	38 519	Jul-07	Dec-08	37%	26%	Leasehold	Build and Sell
19	Suvorovskiy 32	Suvorovskiy prospect, 32	1,13	27 934	19 270	Sep-08	Dec-11	2%	0%	Investment contract	Build and Sell
20	Konung	Vyborg town, Severniy Val street, 3	0,25	5 438	4 190	completed		100%	23%	Freehold	Sell
21	Kamenoostrovskaya Kollektsiya	Kamenoostrovskiy prospect, 56-62	0,76	19 588	13 379	Jun-06	Dec-08	53%	5%	Leasehold	Build and Sell
22	Deputatskaya	Deputatskaya street, 34 liter A	0,83	20 954	15 702	May-09	Nov-11	1%	0%	Freehold	Build and Sell
23	Michmanskaya	Michmanskaya, lit.1	7,36	262 787	152 089	Jan-10	Dec-13	0%	0%	Investment contract	Build and Sell
24	Kovenskiy	Kovenskiy lane, 5	0,39	10 901	6 552	Apr-09	Oct-11	1%	0%	Investment contract	Build and Sell

Business class residential

25	Sophia	Yuzhnoe shosse, 55, site 1,2,3,4,5,6	20,00	513 000	360 400	Feb-11	Dec-15	0%	0%	Freehold	Build and Sell
26	Kovsh	Vyborg town, Rostovskaya, Dimitrova St.	1,25	39 360	23 803	Apr-09	Apr-12	0%	0%	Freehold	Build and Sell
27	Dom u Komendantskoy ploshadi	Ozero Dolgoe district,quarter 25A, 48A, 49	3,18	49 699	32 059	Sep-06	Sep-09	42%	47%	Leasehold	Build and Sell
	bldgs 48A		3,18	19 205	12 353	Sep-06	Dec-08	55%	72%	Leasehold	Build and Sell
	bldgs 49			30 494	19 706	Apr-07	Sep-09	35%	32%	Leasehold	Build and Sell

Mass market residential

28	Dolgoozerniy	Dolgoozernaya street, site 1	4,03	109 790	79 074	Oct-06	Dec-09	59%	44%	Leasehold	Build and Sell
	Phase 2		4,03	42 821	31 683	Oct-07	Dec-08	78%	65%	Leasehold	Build and Sell
	Phase 3			34 174	25 327	Dec-06	Dec-09	60%	54%	Leasehold	Build and Sell
	Phase 4			32 795	22 064	Dec-06	Dec-09	35%	1%	Leasehold	Build and Sell
29	Fortuna	Mebelnaya street, site 3	4,45	101 024	69 632	Sep-06	Oct-09	49%	73%	Leasehold	Build and Sell
30	Pulkovskiy Posad	Pulkovskoe shosse, liter K, 30	8,25	99 158	70 021	Oct-06	Sep-10	36%	45%	Freehold	Build and Sell
	Phase 2		8,25	4 373	4 082	Oct-06	Oct-07	100%	95%	Freehold	Build and Sell
	Phase 3			26 798	22 056	Jan-07	Sep-08	87%	92%	Freehold	Build and Sell
	Phase 4			23 264	17 500	Jan-07	Oct-09	23%	17%	Freehold	Build and Sell
	Phase 5			44 723	26 383	Mar-09	Sep-10	8%	17%	Freehold	Build and Sell
31	Antey	Kosmonavtov prospect, site 10, 63	7,08	202 200	127 082	Jan-07	Dec-11	18%	22%	Freehold	Build and Sell
	Phase 1		7,08	37 054	26 685	Jan-07	Jun-09	60%	77%	Freehold	Build and Sell
	Phase 2			64 313	36 945	Jul-07	Dec-10	12%	1%	Freehold	Build and Sell
	Phase 3			52 544	38 035	Aug-07	Dec-09	7%	17%	Freehold	Build and Sell
	Phase 4			48 289	25 417	Mar-08	Dec-11	4%	0%	Freehold	Build and Sell
32	Yuzhniy	Leninskiy prospect, quarter 15,18	9,33	363 865	259 335	Sep-07	Dec-11	6%	4%	Leasehold	Build and Sell
	Phase 1		1,55	55 591	39 536	Apr-08	Dec-10	5%	0%	Leasehold	Build and Sell
	Phase 2		1,65	54 994	41 232	Aug-08	Dec-11	1%	0%	Leasehold	Build and Sell
	Phase 3		1,80	54 804	39 454	Oct-08	Dec-10	2%	0%	Leasehold	Build and Sell
	Phase 4		0,99	40 324	28 413	Sep-07	Dec-10	21%	37%	Leasehold	Build and Sell
	Phase 5		1,83	80 746	57 378	Aug-08	Dec-11	5%	0%	Leasehold	Build and Sell
	Phase 6		1,51	77 406	53 322	Mar-08	Dec-10	9%	0%	Leasehold	Build and Sell
33	Karolina	Narodnaya street, site 1	2,16	56 537	32 966	Apr-08	Dec-10	2%	0%	Leasehold	Build and Sell
34	Tsvetnoy Gorod	Piskarevskiy prospect, 145	274,50	3 906 828	2 232 000	Sep-10	Dec-20	0%	0%	Freehold	Build and Sell

	Phase 1		7,10	238 733	130 000	Sep-10	Dec-14	0%	0%	Freehold	Build and Sell
	Phase 2		267,40	3 668 095	2 102 000	Jun-12	Dec-20	0%	0%	Freehold	Build and Sell
35	Yugnaya Aquatoria	Krasnoselskiy Region, Doblesti street	23,90	568 278	423 560	Jun-10	Jun-14	0%	0%	Leasehold	Build and Sell
36	Avrora	Belisheva St., 9A	15,00	390 270	276 800	Sep-09	Dec-12	0%	0%	Investment Contract	Build and Sell
37	Vostok	Badaeva St., 19A	1,58	59 655	40 850	Jul-09	Sep-11	0%	0%	Investment Contract	Build and Sell

Office centres

38	TOC na Leningradskom	Vyborg town, Leningradskiy prospect, 17	0,19	9 161	6 778	Oct-07	Apr-10	2%	0%	Freehold	Build and Hold
39	Kuybisheva	Kuybisheva street, 13 liter B	0,19	11 513	7 530	Mar-09	Aug-11	4%	0%	Freehold	Build and Hold
40	Smolniy Quarter (offices)	Central district, quarter 1030A-1 / 1030A-2	4,39	198 140	129 938	Jun-07	Jun-13	5%	0%	Leasehold	Build and Hold
	Phase 1		4,39	68 985	37 781	Jun-07	Dec-10	6%	0%	Leasehold	Build and Hold
	Phase 2			129 155	92 157	Dec-08	Jun-13	4%	0%	Leasehold	Build and Hold
41	Paradniy Quarter (offices)	Paradnaya St., 1-3, Radisheva St., 35,39	9,628*	37 626	25 085	Jan-06	Mar-13	30%	0%	Investment Contract	Build and Sell
	Phase 1, bldgs. 12-15		9,628*	15 125	10 589	completed		69%	0%	Investment Contract	Build and Sell
	Phase 2, bldgs. 11			5 545	3 978	Jan-06	Jun-09	14%	0%	Investment Contract	Build and Sell
	Phase 3, bidgs. 16			5 064	3 219	Jun-07	Jun-09	23%	0%	Investment Contract	Build and Sell
	Phase 3, bidgs. 17,18			11 892	7 298	May-09	Mar-13	1%	0%	Investment Contract	Build and Sell
42	Hermitage View House (offices)	Zoologicheskiy lane, 2-4	0,15	19 374	7 104	Aug-08	Jun-12	6%	0%	Freehold	Build and Hold
43	Electric City	Medikov street, 10	7,38	362 060	187 820	Jan-08	Dec-11	6%	0%	Freehold	Build and Hold
44	Kamenoostrovskaya Kollektsiya	Kamenoostrovskiy prospect, 58-60	0,83	8 158	7 460	Aug-09	Aug-11	1%	0%	Leasehold	Build and Hold

Country houses

45	Repino-Leninskoe	Leningradskaya Region, Leninskoe setl.	207,86	-	-	-	-	19%	-	Freehold	-
	Phase 1 - Noviy Mir		20,00	15 810	15 810	2004	2011	54%	67%	Freehold	Build and Sell
	Phase 2 - Park Way		8,66	5 700	5 700	2005	2011	41%	29%	Freehold	Build and Sell
	Phase 3 - Elegiya	Land plots	5,70	-	45 330	-	-	28%	4%	Freehold	Sell
	Phase 4 - Severnoe	Land plots	64,72	-	228 000	-	-	28%	0%	Freehold	Sell
	Phase 5 - Country Club	Land plots		-	150 000	-	-	22%	0%	Freehold	Sell
	Phase 6 - Park Perspektiv	Land plots	12,57	-	153 000	-	-	10%	0%	Freehold	Sell
	Phase 7 - Pobeda L-Park	Land plots	18,44	-	136 600	-	-	15%	0%	Freehold	Sell
	Phase 8 - Butterfly		14,92	13 760	13 760	2010	2013	1%	0%	Freehold	Build and Sell
	Phase 9 - Dachnoe		29,97	21 250	21 250	2008	2013	1%	0%	Freehold	Build and Sell
	Phase 10 - Khaapala, Country villa	Land plots	32,88	-	269 235	-	-	9%	0%	Freehold	Sell

46	Zhemchuzhina Razliva	Leningradskaya Region, Sestroretsk town	6,84	8 200	8 200	2005	2008	49%	51%	Investment Contract	Build and Sell

Moscow & Moscow Region

All properties

47	Noviy Balchug	Sadovnicheskaya street, 9, bldgs. 1,2,3	0,42	24 815	15 815	May-08	Dec-10	5%	0%	Leasehold	Build and Hold
48	Davydkovskaya	Davydkovskaya street, 16	1,14	41 819	19 090	Mar-04	Jan-07	99%	91%	-	Sell
49	Grunvald	Moscow Region, Zarechye settlement	4,10	61 829	23 138	Mar-05	Dec-08	52%	55%	Investment Contract	Build and Sell
50	Leningradskoe shosse 58	Leningradskoe shosse, 58, bdgs 14, 21	1,81	129 000	70 000	Apr-10	Dec-12	0%	0%	Leasehold	Build and Sell

Yekaterinburg

Mass market residential

51	Shirokaya Rechka	Michurinskiy settlement	51,60	641 519	500 000	Mar-12	Mar-17	0%	0%	Freehold	Build and Sell
52	40-Letiya Komsomola	40-Letiya Komsomola St., 2b	9,87	141 444	100 050	May-11	May-13	0%	0%	Leasehold	Build and Sell

**site area for all Paradniy Quarter phases*

We have been instructed to prepare this Valuation Report as at 30 June 2008. We, OOO “DTZ Debenham Zadelhoff Limited”, have prepared a Market Valuation for each Property (as defined below) in accordance with the terms set out in this Valuation Report and its Appendices.

We confirm that the valuations contained in this Valuation Report have been made in accordance with the appropriate sections of the Practice Statements, Guidance Notes and United Kingdom Practice Statements (“UKPS”) contained within the Royal Institution of Chartered Surveyors (the “RICS”) Appraisal and Valuation Manual (also known as the “Red Book”, 6th edition), issued by the RICS and that such valuations have been undertaken by valuers, acting as external valuers, qualified for the purpose of the valuation. Although this is a United Kingdom basis for valuation, it is internationally accepted as a basis of arriving at the valuation of real estate wherever situated.

We confirm that this Valuation Report is a Regulated Purpose Valuation as defined in the Red Book. In preparing this Valuation Report, we have complied with the requirements contained within the provisions of PR 5.6.5G of the Prospectus Rules (and related guidance) published by the Financial Services Authority.

2. BASIS OF VALUATION

Our opinion of the Market Value (as defined below) of each Property has been primarily derived using comparable rents, yields and sale prices from recent market transactions on arm's length terms.

In accordance with the Company’s instructions, we have undertaken our valuations on the following basis of Market Value.

The valuations contained in this Valuation Report are predicated on the following three Assumptions. Firstly, that the ground lease relating to each Property, to the extent that such leases currently exist, can be extended, effectively in perpetuity, on similar terms to the existing leases.

Secondly, as land leases are effectively non-transferable in Russia, we have assumed that each lease (or leases) relating to a Property is held by a special purpose vehicle (“SPV”), and that the shares in each SPV can be sold.

Thirdly, as part of our valuation, we have taken into consideration several land plots in the **Ruch'i** district (constituting an aggregate area of 2,391,490 square meters) that are currently the subject of binding sale and purchase agreements between certain of LSR's indirect subsidiaries and ZAO Plemennoi Zavod Ruchi (the "Seller"). These plots are a part of the 20 adjacent land plots in the Ruch'i district that LSR intends to either develop or hold for investment in the future. The transfers of the other Ruch'i land plots have been completed.

Pursuant to a regulation dated May 16, 2006, the Seller has the statutory right to purchase the above mentioned land plots from the City of St. Petersburg (the "Government") at a fixed non-negotiable price, subject to certain legal formalities having been completed, such as land surveying, plot mapping and registration of the plot by the State Committee on Land Resources in the State Land Cadastre. The plots are currently at a final stage of undergoing through this transfer process. At the current state all land plots are in process of registration of ownership rights of ZAO Plemennoi Zavod Ruchi. LSR believes that the acquisition process will be fully completed in 4 quarter 2008. LSR sees little to no risk in the completion of these sale and purchase agreements for the following reasons:

All plots are subject to contracts with the Seller, enforceable by Law. The Seller has no right to change the value or other significant terms of the contracts.

Our valuation is subject to our standard valuation terms and conditions and assumptions which are included in this Valuation Report in Appendices I and II. Where appropriate, the Company has confirmed that our assumptions (as set out in Appendix II) are correct so far as they are aware. In the event that any of our assumptions prove to be incorrect, the valuations contained in this Valuation Report should be reviewed and modified as required.

Each Property has been valued in accordance with the requirements of the Red Book on the basis of “Market Value”. This is defined in the Red Book as:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's - length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

3. TENURE AND TENANCIES

We have had access to copies of the reports on title of land and buildings and are advised that the title is marketable and the properties are free from encumbrances, mortgages and charges, except those described below. We have also assumed, that no other documents exist which may invalidate or otherwise weaken the strength of these documents.

We are unsure whether there may be occupational leases existing over a number of the buildings on a number of the land plots subject to development. If this is the case, our valuation assumes that vacant possession of these buildings can be obtained within 6 months.

In assessing gross development values of the completed commercial elements of the relevant Property, we have assumed that the Properties will be let on 5 year ‘triple net’ leases. A lease drawn on triple net terms means that tenants are responsible for repairs, service charge and insurance.

In those instances where the Properties are held in part ownership, our valuations assume that these interests are capable of sale in the open market without any restriction from the co-owner and that there are no encumbrances within the share agreements which would impact upon the saleability of the Properties concerned. In addition, with regard to those Properties where rights of ownership have yet to be fully purchased, our valuations take into account all outstanding payments required to be made in order to acquire full ownership.

Certain of the Properties are held leasehold on ground leases from St. Petersburg and Moscow City Authorities. The standard terms of such ground leases are that rents are reviewed annually (upwards or downwards) in accordance with a city-wide formula that is set by St. Petersburg and Moscow City authorities.

As some land leases are however held by SPVs, we therefore value each such lease on the Assumption that the shares in each such SPV can be sold and, that no other assets or liabilities are held by that SPV that might affect the ability to sell the shares.

Whilst in Russia the lessee of a ground lease has a priority right to renew the lease upon expiry, on the same terms and conditions, the effectiveness of this right remains largely untested in the market. Our valuation is predicated on the Assumption that the ground lease of each Property can be extended, effectively in perpetuity, on similar terms to the existing leases.

Whilst the leases provide a 'use designation' of the land, the lessee is still required to obtain from the relevant city authorities a Project (i.e. design documentation) which confirms the architectural, planning, engineering and other requirements of development. Where a considered development scheme differs from that anticipated by the Project (or where no Project exists), our valuation assumes that the required variation to the landlord's (i.e., the relevant city authority's) permission will be forthcoming without material cost or delay.

In the event that a lessee (i.e., a developer) has not completed development by any completion date stipulated in the lease, the rights to complete the development could be delayed or lost entirely. Similarly, where development has not commenced by the end date of the lease, the government could decline to renew the lease on the grounds that the land is not used in accordance with its designation. Accordingly there is a risk that where Projects or permissions to start construction works are not in place, the government could rescind the grant of the lease and in turn prevent the use of land in accordance with its designation, providing grounds for cancellation / non-renewal of the land lease. For the purposes of this valuation, we have made the assumption that no such delay or prevention will occur and, if necessary, short-term leases will be extended / renewed by the government to facilitate the deferred commencement / completion of construction by the Company.

Once the lessee of the land lease develops the land, the ownership of the buildings upon the land effectively ensures a perpetual right to occupy the land irrespective of the existence or otherwise of a ground lease.

Unless disclosed to us to the contrary and recorded in the Appendices, each valuation is on the basis that:

- the relevant Property possesses a good and marketable title (albeit in the case of land leases through the sale of shares of the lessee company), free from any unusually onerous restrictions, covenants or other encumbrances;
- where the interest held in the relevant Property is leasehold, there are no unreasonable or unusual clauses which would affect value and no unusual restrictions or conditions governing the assignment or disposal of the interest;
- leases to which the relevant Property may be subject are on standard market terms, and contain no unusual or onerous provisions or covenants which would affect value;
- all notices have been served validly and within appropriate time limits;
- the Property excludes any mineral rights; and
- vacant possession can be given for all accommodation which is not leased.

We have been provided with estimations of current land lease rents payable by the Company. We confirm that where appropriate, land lease rents have been deducted in our Market Valuations and opinions of Market Valuation on Completion. We would caution that the land lease rents are estimates, and as such we reserve the right to reappraise our valuations in the event that the finalised land lease rents differ materially from those currently quoted. It is our opinion that the Company's estimates appear reasonable.

There are a number of properties in the portfolio, highlighted below, where 100% of rights do not belong to LSR Group or its subsidiaries:-

1. **Grunvald** development, situated in Zarechye settlement, Moscow Region. In accordance with an investment contract No. F504/03 dated 17 December 2003 signed between Federal Security Service of Russian Federation, which holds the land plot, and ZAO "Mosstroyrekonstruktsiya" (LSR Group subsidiary), the company will get 70% of areas in the property (residential area and parking lots) after completion.

2. **Kovenskiy** development, situated at 5 Kovenskiy lane, St. Petersburg. In accordance with agreement of joint investment activity No. 1-K5 dated 29 August 2007 signed between OOO “Lenestateproekt” and OAO “SKV SPb” (LSR Group subsidiary), the company will get 66.7% of areas in the property after completion.

3. **Suvorovskiy 32** development, situated at 32 Suvorovskiy prospect, St. Petersburg. In accordance with an investment contract No. 01-8/327 dated 16 November 2005 between Military Academy of Connection and OOO “LenSpetsSMO “Promstroymontazh” (LSR Group subsidiary), the company will get 70% of residential areas and 100% of commercial areas, OR, the company will get 100% of areas in the property if they provide equivalent residential areas in mass market residential buildings to Military Academy of Connection. The company has decided to go with the second option.

Comments on property rights:-

Noviy Balchug – development project situated at bldgs. 1, 2, 3, Sadovnicheskaya Street 9, Moscow. In accordance with:-

- asset 16 of Federal Law No. 189-FZ dated 29 December 2004 “Regarding the issuing of a new Housing Code”;
- asset 36 of Housing Code of Russian Federation No. 188-FZ dated 29 December 2004; and
- asset 36 of Land Code of Russian Federation No. 136-FZ dated 25 October 2001

A land plot under a multi-owned residential building should belong to the apartment owners on the basis of equity ownership. The lease agreement for this land plot between Moscow Government and LSR Group subsidiary cannot be signed until all building occupiers will be moved out. Currently, OOO “Velikan 21 vek” (LSR Group subsidiary) have to resettle 816.07 sq m in these 3 buildings (total area 4,360.8 sq m). The completion of the process is scheduled for February 2009. At the current stage there is an Act of Permitted Use signed by the city authorities in respect of the future development active until 8 August 2009. After the existing buildings will be fully resettled and the short lease agreement will be signed, the Company will receive a construction permission.

Nevskiy, 1 – development project situated at 1, Nevskiy prospect, St. Petersburg. The building is in ownership rights of an LSR Group subsidiary (OJSC “Stroitelnaya Korporatsiya Sankt Peterburga”). The land plot under the building is currently in lease by the subsidiary and some third party companies. In accordance to the land lease agreement No. 10/ZD-01170 dated 1 November 1996, the subsidiary holds 988 sq m. The companies hold rest 1,209 sq m of the land plot. In September 2006 the subsidiary bought out lease rights for the premises from the companies in accordance with an agreement dated 12 September 2006. At the current moment a process of registration of a new lease agreement for a single occupier, LSR Group, is in process.

Paradniy Quarter – development project situated at Paradnaya and Radisheva streets, St. Petersburg. The land plot under the development is in ownership of Russian Federation and in perpetuity rights of 131 KEU Glav KEU (Ministry of Defense) in accordance with the perpetuity certificate 78-AB No. 540614 dated 08 February 2007. ZAO SP “Petr Velikiy” is a general investor in accordance with an investment contract No. 08-8/289 dated 30 March 2005 signed with Ministry of Defense subdivisions. The investment contract assumes that the Ministry of Defense subdivisions will get 30% of residential areas in the completed buildings, while ZAO “Paradniy Kvartal” (LSR Group subsidiary), being a co-investor of the project in accordance with an agreement dated 23 September 2005 signed between ZAO SP “Petr Velikiy” and ZAO “Paradniy Kvartal”, will receive all areas in completed buildings with exception of 12,147.96 sq m of built-in premises (ZAO SP “Petr Velikiy” share is a building 13 with total area of 4,598.4 sq m, commercial premises in buildings 5 and 6 with total area of 1,845.45 sq m; OAO “SKV SPb” (LSR Group subsidiary), which is also a co-investor for of the project in accordance with an agreement dated 23 September 2005, will get an apartment with total area of 128.4 sq m, commercial premises with total area of 977.3 sq m and the whole building 12 with total area of 4,598.4 sq m). In valuation we have taken into account only shares of ZAO “Paradniy Kvartal” and OAO “SKV SPb”.

Davydkovskaya – a residential building, situated at 16 Davydkovskaya Street, Moscow. At the current stage a land plot under the building belongs to the apartment owners on the basis of equity ownership in accordance with the relevant Housing Code of Russian Federation.

In all cases detailed above, we have taken account of these circumstances in our valuations.

The number of properties which belong to LSR Group subsidiaries were under **security interest** in relation with the terms of the loan facilities provided by the banks:

1. The following properties were under security interest in relation with the terms of the loan facilities provided by Sberbank:

   - A land plot located at: Leningradskaya Region, Vyborgskiy district, Leninskaya volost, Leninskoe settlement with total area of 328,788 sq m (Khaapala). Mortgage is active till 04 June 2010.

   - A land plot located at: Leningradskaya Region, Vyborgskiy district, MO “Pervomayskoe selskoe poselenie”, Leninskoe settlement, Alakyul, site 10, with total area of 467,346 sq m (combines cottage settlements Country Club, Severnoe, Park Perspektiv). Mortgage is active till 23 January 2012.

   - A land plot located at: Leningradskaya Region, Vyborgskiy district, Leninskaya volost, Leninskoe settlement, Alakyul, site 7, 8, with total area of 299,700 sq m (combines cottage settlement Dachnoe). Mortgage is active till 23 January 2012.

     At the current stage an agreement with the bank has been concluded and a process of lifting the mortgage has started for the land plot with total area of 328,788 sq m (Khaapala) and the land plot with total area of 299,700 sq m (Dachnoe).

   - Premises at liter A, 1/4, Nevskiy prospect, St. Petersburg, with total area of 4,178 sq m. Mortgage is active till 09 March 2011.

2. The following properties were under security interest in relation with the terms of the loan facilities provided by OAO "Bank VTB Severo-Zapad":

   - Buildings at liter A, 2-4, Zoologicheskiy lane, with total area of 3,044 sq m;
   - A land plot at liter B, 2-4 Zoologicheskiy lane with total area of 4,005 sq m, at which these above mentioned buildings are located. Mortgage is active till 14 July 2011.

In accordance with a letter of OAO “Bank VTB Severo-Zapad” No. 6364 dated 08 April 2008, the security for above mentioned properties was lifted. In the letter the bank approves demolition of these buildings.

4. NET ANNUAL RENT

Because none of the subject development Properties are leased to tenants on the date of Valuation, the “net annual rent” for each Property, where relevant, is referred to in the appended Schedules as the Estimated Market Rented Value on Completion. For the purposes of this exercise, we have defined “Net Annual Rent” as:

"the current income or income estimated by the valuer:

(i) ignoring special receipts or deductions arising from the property;
(ii) excluding Value Added Tax and before taxation (including tax on profits and any allowances for interest on capital or loans); and
(iii) after making deductions for superior rents (but not for amortization), and any disbursements including, if appropriate, expenses of managing the property and allowances to maintain it in a condition to command its rent".

5. TOWN PLANNING

We have not performed searches of any sort, but have generally relied on guidelines provided under the Moscow City 2020 Structure Plan, the St. Petersburg City 2015 Structure Plan and the Yekaterinburg City 2025 Structure Plan, information provided by the Company and the Project documentation (where in existence) in respect of each of the Properties.

In accordance with Article 7 of the Land Code of the Russian Federation, land in the Russian Federation is divided into specific categories by designated purpose. Land of a specific category is used in accordance with this designated purpose. The way land is administered is determined based on its affiliation with one category or another and permitted use in accordance with the zoning in the area.

The planning and approvals process in Russia is extremely bureaucratic and fraught with uncertainty. A number of preliminary planning approvals are required in order to receive a land lease and following the granting of the lease, it is necessary to obtain the approval of a "Project" (i.e. design documentation) through a department of the relevant city authority. Following these approvals, confirmation of technical conditions from the main utility providers, fire, health and safety, environmental protection and sanitary departments of the authority is required. The “Project” provides the basis upon which a formal planning approval may be sought and outlines the necessary contributions and technical requirements of the utility providers.

We have been provided with Project documentation for the subject development sites and accordingly make what we consider to be reasonable provisions within our calculations for the time taken to 'receive' approval of the Project, and the likely costs to be incurred / contributions which maybe payable to the utility providers. We would caution that these are estimates only and actual payments may differ from these estimates.

Where a property is held for development or is subject to the granting of a land lease, and at the date of this valuation the terms of the Project are not finalised, our valuation takes into account any additional reasonable risks of delay and cost in receiving the Project. We have assumed that there are no unforeseeable circumstances that would cause additional cost or delay in excess of those generally experienced.

Each valuation has been prepared on the basis that the relevant Property has been built either prior to planning control or in accordance with a valid planning permission and is being occupied and used without any breach of planning or building regulations.

Except where stated otherwise, each valuation has assumed that each Property is not affected by proposals for road widening, compulsory purchase, planning inquiry, or archaeological investigation.

It is stressed that under Russian law, the construction of buildings and other premises may only be carried out based upon an approved Project, and after all the appropriate permissions are obtained. The scope of necessary approvals and documentation required depends on the type of work to be carried out.

In all developments, each valuation assumes that all required planning permission consents will be received within a normally acceptable timescale and that there are no issues which would materially delay the issuance of the required consent, or have a material effect on value or marketability.

Although where appropriate we have considered the Company's development plan for each Property, each valuation reflects our opinion of an appropriate development that could reasonably be expected to form the basis of an offer for a Property by a third party. Therefore our valuations do not necessarily reflect the Company's intended investment / development programme.

6. STRUCTURE

We have neither carried out a structural survey of each Property, nor tested any services or other plant or machinery. We are therefore unable to give any opinion on the condition of the structure or services at any Property. Each valuation takes into account any information supplied to us and any defects noted during our inspection, but otherwise are on the basis that there are no latent defects, wants of repair or other matters which would materially affect each valuation.

We have not inspected those parts of each Property which are covered, unexposed or inaccessible and each valuation is on the basis that they are in good repair and condition.

We have not investigated the presence or absence of High Alumina Cement, Calcium Chloride, Asbestos and other deleterious materials. In the absence of information to the contrary, each valuation is on the basis that no hazardous or suspect materials or techniques have been used in the construction of any property that is to be demolished as part of the development process.

7. SITE AND CONTAMINATION

We have not investigated ground conditions/stability and each valuation assumes that buildings that have been constructed, and will be constructed, have made, or will have, appropriate regard to existing ground conditions. Where the relevant Property has development potential, our valuation is made on the basis that there are no adverse ground conditions which would affect building costs. We are aware that there may be underground metro lines in close vicinity of a number of the sites. Should underground levels not be physically possible, this will call the financial viability of the development proposals into question.

Where the Company has supplied us with a building cost estimate, we have relied on it being based on complete information regarding existing ground conditions. We have considered the Company's construction estimates in the light of typical market norms.

We have not carried out any investigations or tests, nor been supplied with any information from the Company or from any relevant expert that determines the presence or otherwise of contamination (including any ground water). Accordingly, our valuation has been prepared on the basis that there are no such matters that would materially affect our valuation.

8. PLANT AND MACHINERY

Process-related plant / machinery and tenants' fixtures / trade fittings have been excluded from each valuation.

9. INSPECTIONS, AREAS AND DIMENSIONS

We have inspected each existing Property internally and externally from ground level and each development site externally from ground level in a period from 2 July 2008 to 4 July 2008 by Linda Amirova, licensed Russian Valuer, and Olga Dudina. We have however undertaken an inspection of two development sites in Yekaterinburg on 27 December 2007 and 20 February 2008, which has been acquired by the Company. Alexander Yakovlev, licensed Russian Valuer, undertook the inspection.

The buildings currently occupying any of the sites are not the Company’s intended developments and will be demolished to facilitate redevelopment. No measured surveys have been carried out by DTZ and we have relied entirely on the site and floor areas and dimensions provided to us by the Company. We have assumed that these are correct and calculated on the appropriate basis, as normally adopted by the local property market. In the event that developable areas quoted herein differ for any reason from those ultimately constructed, we reserve the right to reappraise our valuation.

In relation to all the land sites, it was not possible to accurately determine the extent of the site boundaries as these were not clearly shown on site.

10. SOURCES OF INFORMATION

All formal information relating to a Property has been provided to DTZ by the Company. Each valuation is based on the information which has been supplied to DTZ by the Company or which we have obtained in response to our enquiries. We have relied on this information as being correct and complete and there being no undisclosed matters which would affect each valuation.

11. GENERAL PRINCIPLES

In respect of tenants' covenants, whilst we have taken into account market information of which we are aware, we have not received a formal report on the financial status of any prospective tenant. We have assumed that all leased space will be let at market levels.

Where we have reflected development potential in a valuation, we have assumed that all structures at such Property will be completed using good quality materials and first class workmanship and that the relevant Properties will be let to tenants who satisfy the Company's proposed tenant mix policy and are of reasonable covenant status and on typical market lease terms.

Allowances have been made for legal and agents' expenses of realisation arising from a sale or development of each Property.

None of the Valuations contained in this Valuation Report makes any allowance either for the cost of transferring sale proceeds internationally or elsewhere within the Company, or for any restrictions on so doing.

No account has been taken of any leases granted between subsidiaries of the Company, and no allowance has been made for the existence of a mortgage, or similar financial encumbrance on or over any Property. Where a grant may have been received, no allowance has been made in our valuations for any requirement to repay the grant.

A purchaser of a Property is likely to want to obtain further advice or verification relating to certain matters referred to above before proceeding with a purchase.

The valuation of each Property has been undertaken by Mr. Chris Dryden BLE MA MRICS, Mr. Alexander Yakovlev, licensed valuer, and Miss Linda Amirova, licensed valuer.

Each valuation assumes that there is an active letting and funding market.

12. SPECIAL ASSUMPTIONS, RESERVATIONS AND DEPARTURES

DTZ can confirm that each valuation is not made on the basis of any departures from the Practice Statements contained in the Red Book unless specifically stated herein. Subject to the general limitations of our inspections and sources of information set out above, each valuation is not subject to any specific reservations in relation to restricted information or property inspection.

13. DISCLOSURE

The member of The Royal Institution of Chartered Surveyors who is named in Section 11 has previously been a signatory to the valuations provided to the Company for the same purposes as this Valuation Report.

DTZ have previously carried out these valuations for the same purpose as this Valuation Report on behalf of the Company.

14. NO SIGNIFICANT CHANGE

The subject developments comprise development sites, many of which are sites in the course of construction. As such, there will have been significant changes to a number of the developments as construction continues. In some cases, sales of properties will have resulted in a material negative change in value. These changes however have not required us to revise our assumptions in this Valuation Report.

15. DISCLOSURES REQUIRED UNDER THE PROVISIONS OF UKPS 5.4

LLC “DTZ Debenham Zadelhoff Limited” is an independent company being part of the DTZ Zadelhoff Tie Leung Central and Eastern European Network. In relation to the preceding financial year the proportion of the total fees payable to DTZ by the Company was less than 5% of DTZ Debenham Zadelhoff Limited’s turnover and we anticipate that it will remain less than 5% in the financial year to 30 April 2008.

16. AGGREGATE VALUATION

Subject to the foregoing, and based on current values as at 30 June 2008, DTZ are of the opinion that the aggregate of the Market Value of each beneficial share of the freehold and leasehold rights to each development in which the Company has an interest (albeit indirectly through the shares of special purpose vehicles), as set out in the Schedules, and on the basis of the Assumptions as described above is the total sum of:

LSR Group OJSC
Portfolio Assets
Schedule of Values
(valuation as of 30 June 2008)

No	Development Project	Site Area, ha	Net sellable / leasable area, excl. car parking, sq m	Unsold / unleased net area, excl. car parking, sq m	Unsold / unleased car parking lots	Outstanding land acquisition cost, US$ ****	Construction budget, US$	Estimated outstanding construction costs, US$	Developer's profit used, %	Market Value of 100% ownership, US$	Valued Interest, % (LSR Legal Share)	Market Value, US$
	Properties held as investment											
	Saint Petersburg & Leningradskaya Region											
	Existing buildings											
1	Apollo	0,24	6 073	426	37	-	$0	$0	-	$48 020 000	100,000%	**$48 020 000**
2	Gelious	n/a	2 977	391	13	-	$0	$0	-	$15 430 000	100,000%	**$15 430 000**
3	Litera	0,09	2 167	0	-	-	$0	$0	-	$8 185 000	100,000%	**$8 185 000**
4	Kazanskaya 36	0,25	5 080	0	-	-	$0	$0	-	$25 820 000	100,000%	**$25 820 000**
5	Zolotaya Kazanskaya	0,15	2 731	0	-	-	$0	$0	-	$12 360 000	100,000%	**$12 360 000**
	Moscow & Moscow Region											
	Existing buildings											
6	Tverskoy boulevard 16	0,14	2 659	-	-	-	$0	$0	-	$47 362 000	100,000%	**$47 362 000**
	Total Properties held as investment									$157 177 000		$157 177 000

Properties held for future development

Saint Petersburg & Leningradskaya Region

Office centres

7	Okhtinskaya Vertikal	10,47	278 111	278 111	2 990	$0	$704 085 200	$703 928 575	25%	$112 440 111	90,700%	**$101 983 181**
	Phase 1		111 650	111 650	1 362	$0	$281 633 500	$281 570 850				
	Phase 2	10,47	114 492	114 492	1 106	$0	$295 713 000	$295 647 218				
	Phase 3		51 969	51 969	522	$0	$126 738 700	$126 710 507				
8	Vali Gribalevoy	0,75	29 324	29 324	275	$0	$69 057 000	$69 025 396	20%	$17 758 058	100,000%	**$17 758 058**
9	Salova, 61	2,50	91 696	91 696	1 207	$304 247	$223 276 941	$216 641 135	20,00%	$43 590 960	100,000%	**$43 590 960**

Land plots for residential development

10	Ruchi	336,87	2 468 000	2 468 000	20 850	$0	$5 554 143 086	$5 554 143 086	20,00%	$860 603 935	94,000%	**$808 967 699**
	Total Properties held for future development									$1 034 393 064		$972 299 898

Properties in the course of development

Saint Petersburg & Leningradskaya Region

Elite class residential

11	Hermitage View House (residential)	0,25	6 818	6 818	60	$98 209	$36 486 331	$33 977 082	12,50%	$138 529 304	100,000%	**$138 529 304**
12	Smolniy Quarter (residential)	4,26	48 539	48 539	874	$1 664 439	$151 199 373	$147 564 732	15,00%	$369 711 614	100,000%	**$369 711 614**
13	Nevskiy 1	0,22	5 488	5 488	27	$997 990	$46 818 142	$41 823 334	12,50%	$81 536 722	100,000%	**$81 536 722**
14	Paradniy Quarter (residential)	9,60	91 646	52 537	1 264	$39 413 592	$279 922 375	$199 064 516	-	$262 792 172	100,000%	**$262 792 172**
	Phase 2, bldgs 1,2,3		43 815	7 703	288	$19 276 165	$126 260 215	$50 449 741	7,50%	$14 045 458		
	Phase 3, bldgs. 6,7	9,60	24 168	21 171	517	$10 054 713	$77 974 445	$74 008 230	15,00%	$248 746 714		
	Phase 3, bldgs. 4,5,8		23 663	23 663	459	$10 082 714	$75 687 715	$74 606 545				
15	Radisheva	0,85	18 656	18 656	171	$146 203	$62 771 621	$61 462 571	12,50%	$80 862 100	100,000%	**$80 862 100**
16	Shpalernaya 60 Phase 3	0,13	4 028	1 981	14	$3 388	$14 463 994	$11 018 865	7,50%	$8 581 544	100,000%	**$8 581 544**
17	Dom u Morya	3,77	32 515	11 089	186	$76 356	$105 606 679	$11 910 152	-	$142 385 238	100,000%	**$142 385 238**
	Phase 1	2,58	21 572	6 776	120	$76 356	$61 464 547	$5 518 949	5,00%	$87 119 740		

	Phase 2	0,21	1 212	1 212	-	$0	$3 881 630	$1 421 269	5,00%	$17 585 480		
	Phase 3	0,98	9 732	3 101	66	$0	$40 260 503	$4 969 935	5,00%	$37 680 018		
18	Residence at Suvorovskiy	1,25	38 519	28 343	272	$36 700	$96 252 999	$61 094 214	12,50%	$159 648 084	100,000%	**$159 648 084**
19	Suvorovskiy 32	1,13	19 270	19 270	249	$23 501 586	$54 439 010	$53 608 342	15,00%	$49 112 866	100,000%	**$49 112 866**
20	Konung	0,25	4 190	3 214	19	$0	$8 318 529	$0	5,00%	$11 174 895	100,000%	**$11 174 895**
21	Kamenoostrovskaya Kollektsiya	0,76	13 379	12 761	98	$66 754	$33 175 016	$15 605 425	10,00%	$82 131 584	100,000%	**$82 131 584**
22	Deputatskaya	0,83	15 702	15 702	114	$337 472	$52 511 539	$52 030 049	15,00%	$92 392 096	100,000%	**$92 392 096**
23	Michmanskaya	7,36	152 089	152 089	1 700	$92 807 490	$427 258 296	$426 840 917	20,00%	$114 525 537	100,000%	**$114 525 537**
24	Kovenskiy	0,39	6 552	6 552	77	$10 611 558	$21 372 962	$21 222 891	12,50%	$5 948 084	100,000%	**$5 948 084**

Business class residential

25	Sophia	20,00	360 400	360 400	3 000	$10 794 065	$963 635 800	$963 235 185	15,00%	$251 809 406	97,434%	**$245 347 977**
26	Kovsh	1,25	23 803	23 803	202	$1 088 800	$68 217 269	$68 156 730	12,50%	$1 561 047	80,000%	**$1 248 838**
27	Dom u Komendantskoy ploshadi	3,18	32 059	16 854	19	$19 300	$62 897 624	$36 255 083	-	$25 366 479	100,000%	**$25 366 479**
	bldgs 48A	3,18	12 353	3 500	11	$7 441	$23 443 215	$10 607 868	10,00%	$3 075 285		
	bldgs 49		19 706	13 354	8	$11 859	$39 454 409	$25 647 215	12,50%	$22 291 194		

Mass market residential

28	Dolgoozerniy	4,03	79 074	44 371	90	$5 714 323	$138 749 495	$57 405 941	-	$80 606 084	100,000%	**$80 606 084**
	Phase 2	4,03	31 683	11 000	-	$1 697 173	$50 900 130	$11 288 126	10,00%	$22 818 033		
	Phase 3		25 327	11 618	-	$2 328 265	$44 581 051	$17 811 533	10,00%	$21 208 796		
	Phase 4		22 064	21 753	90	$1 688 885	$43 268 314	$28 306 282	15,00%	$36 579 255		
29	Fortuna	4,45	69 632	18 962	290	$2 321 677	$142 537 507	$72 153 383	15,00%	$10 753 880	100,000%	**$10 753 880**
30	Pulkovskiy Posad	8,25	70 021	38 496	296	$36 617	$139 876 361	$89 425 292	-	$43 840 098	99,995%	**$43 837 906**
	Phase 2	8,25	4 082	209	-	$0	$5 549 267	$0	5,00%	$1 135 837		
	Phase 3		22 056	1 830	-	$8 711	$36 221 754	$4 556 449	7,50%	$7 768 626		
	Phase 4		17 500	14 575	-	$7 481	$33 880 024	$26 046 898	12,50%	$17 576 856		
	Phase 5		26 383	21 882	296	$20 425	$64 225 316	$58 821 945	15,00%	$17 358 779		
31	Antey	7,08	127 082	99 618	539	$44 434	$260 540 610	$213 932 041	-	$125 774 207	100,000%	**$125 774 207**
	Phase 1	7,08	26 685	6 116	-	$6 353	$49 002 046	$19 368 399	10,00%	$11 908 476		
	Phase 2		36 945	36 637	237	$13 962	$78 196 541	$68 921 816	15,00%	$48 751 864		
	Phase 3		38 035	31 448	-	$8 819	$73 076 694	$67 620 661	15,00%	$35 596 270		
	Phase 4		25 417	25 417	302	$15 300	$60 265 329	$58 021 165	15,00%	$29 517 597		

32	Yuzhniy	9,33	259 335	248 872	203	$27 248 532	$481 234 696	$450 715 760	-	$188 795 941	100,000%	**$188 795 941**
	Phase 1	1,55	39 536	39 536	-	$2 211 520	$71 584 674	$68 281 803	12,50%	$32 654 934		
	Phase 2	1,65	41 232	41 232	-	$3 210 869	$76 412 416	$75 359 851	12,50%	$29 855 438		
	Phase 3	1,80	39 454	39 454	-	$3 312 655	$71 305 488	$70 104 769	12,50%	$29 938 858		
	Phase 4	0,99	28 413	17 950	-	$1 559 872	$53 257 619	$42 299 972	12,50%	$17 361 990		
	Phase 5	1,83	57 378	57 378	146	$8 995 842	$109 399 993	$104 343 328	15,00%	$38 874 716		
	Phase 6	1,51	53 322	53 322	57	$7 957 774	$99 274 506	$90 326 036	15,00%	$40 110 005		
33	Karolina	2,16	32 966	32 966	154	$3 172 236	$68 449 051	$66 843 074	15,00%	$22 540 901	100,000%	**$22 540 901**
34	Tsvetnoy Gorod	274,50	2 232 000	2 232 000	19 160	$0	$5 030 248 914	$5 029 045 171	-	$794 192 430		**$750 556 604**
	Phase 1	7,10	130 000	130 000	2 160	$0	$314 835 814	$313 632 071	15,00%	$66 928 666	100,000%	**$66 928 666**
	Phase 2	267,40	2 102 000	2 102 000	17 000	$0	$4 715 413 100	$4 715 413 100	20,00%	$727 263 764	94,000%	**$683 627 938**
35	Yugnaya Aquatoria	23,90	423 560	423 560	4 410	$13 204	$991 333 470	$990 676 991	20,00%	$171 074 344	100,000%	**$171 074 344**
36	Avrora	15,00	276 800	276 800	800	$74 553 591	$594 104 576	$594 104 576	17,50%	$162 493 118	100,000%	**$162 493 118**
37	Vostok	1,58	40 850	40 850	60	$10 777 744	$85 541 465	$85 541 465	15,00%	$27 520 260	100,000%	**$27 520 260**

Office centres

38	TOC na Leningradskom	0,19	6 778	6 778	-	$560 619	$13 958 193	$13 610 652	14,00%****	$17 132 087	80,000%	**$13 705 670**
39	Kuybisheva	0,19	7 530	7 530	54	$45 828	$19 820 761	$19 015 952	13,00%****	$26 672 261	100,000%	**$26 672 261**
40	Smolniy Quarter (offices)	4,39	129 938	129 938	1 161	$8 188 510	$290 807 337	$276 302 541	-	$458 924 215	100,000%	**$458 924 215**
	Phase 1	4,39	37 781	37 781	470	$3 778 946	$85 624 863	$80 305 659	15,00%	$157 723 489		
	Phase 2		92 157	92 157	691	$4 409 564	$205 182 475	$195 996 882	17,50%	$301 200 726		
41	Paradniy Quarter (offices)	9,628*	25 085	25 085	188	$11 359 826	$65 180 957	$45 392 153	-	$260 624 193	100,000%	**$260 624 193**
	Phase 1, bldgs. 12-15	9,628*	10 589	10 589	77	$4 767 269	$22 554 446	$6 970 944	5,00%	$130 716 867		
	Phase 2, bldgs. 11		3 978	3 978	23	$1 778 816	$12 422 696	$10 633 217	10,00%	$40 531 474		
	Phase 3, bidgs. 16		3 219	3 219	27	$1 463 185	$9 180 752	$7 061 054	10,00%	$32 052 442		
	Phase 3, bidgs. 17,18		7 298	7 298	61	$3 350 556	$21 023 063	$20 726 938	12,50%	$57 323 410		
42	Hermitage View House (offices)	0,15	7 104	7 104	101	$106 393	$37 838 264	$35 464 172	13,50%****	$22 669 610	100,000%	**$22 669 610**
43	Electric City	7,38	187 820	187 820	2 663	$712 274	$521 461 855	$490 023 578	15,50%****	$649 287 014	100,000%	**$649 287 014**
44	Kamenoostrovskaya Kollektsiya	0,83	7 460	7 460	-	$1 356 870	$17 517 369	$17 351 864	12,50%	$26 371 227	100,000%	**$26 371 227**

Country houses

45	Repino-Leninskoe	207,86	-	-	-	$0	$110 986 031	$89 618 484	-	$131 929 438	100,000%	**$131 929 438**
	Phase 1 - Noviy Mir	20,00	15 810	5 283	-	$0	$26 348 912	$12 225 627	7,50%			

	Phase 2 - Park Way	8,66	5 700	4 040	-	$0	$9 499 608	$5 630 839	7,50%			
	Phase 3 - Elegiya	5,70	45 330	43 506	-	$0	$1 043 553	$751 444	7,50%			
	Phase 4 - Severnoe	64,72	228 000	228 000	-	$0	$3 817 342	$2 763 477	7,50%			
	Phase 5 - Country Club		150 000	150 000	-	$0	$2 511 409	$1 954 831	7,50%			
	Phase 6 - Park Perspektiv	12,57	153 000	153 000	-	$0	$2 537 570	$2 277 609	7,50%			
	Phase 7 - Pobeda L-Park	18,44	136 600	136 600	-	$0	$2 287 057	$1 935 467	7,50%			
	Phase 8 - Butterfly	14,92	13 760	13 760	-	$0	$22 932 387	$22 727 848	12,50%			
	Phase 9 - Dachnoe	29,97	21 250	21 250	-	$0	$35 415 204	$35 150 214	15,00%			
	Phase 10 - Khaapala, Country villa	32,88	269 235	269 235	-	$0	$4 592 990	$4 201 129	7,50%			
46	Zhemchuzhina Razliva	6,84	8 200	4 059	-	$167 070	$23 727 925	$12 104 992	12,50%	$9 305 428	100,000%	**$9 305 428**

Moscow & Moscow Region

All properties

47	Noviy Balchug	0,42	15 815	15 815	170	$13 167 765	$44 116 901	$41 964 848	15,00%	$167 136 834	99,999%	**$167 135 163**
48	Davydkovskaya	1,14	19 090	1 737	6	$126 709	$27 666 228	$235 317	5,00%	$14 117 537	99,999%	**$14 117 396**
49	Grunvald	4,10	23 138	10 501	186	$18 059 352	$80 545 888	$38 987 231	12,50%	$35 452 204	99,999%	**$35 451 849**
50	Leningradskoe shosse 58	1,81	70 000	70 000	1 300	$17 905 757	$202 084 463	$201 908 786	comparable approach	$119 495 348	99,999%	**$119 494 153**

Yekaterinburg

Mass market residential

51	Shirokaya Rechka	51,60	500 000	500 000	-	$0	$635 200 000	$635 200 000	22,50%	$84 422 994	100,000%	**$84 422 994**
52	40-Letiya Komsomola	9,87	100 050	100 050	1 280	$1 769 894	$159 284 727	$159 284 727	20,00%	$25 391 076	100,000%	**$25 391 076**
	Total Properties in the course of development									$5 554 591 501		$5 500 750 065
	GRAND TOTAL PORTFOLIO									**$6 746 161 565**		**$6 630 226 963**

* *annual rent rates, excluding VAT and OpEx*

***site area for all Paradniy Quarter phases*

**** including ground lease for a construction period, city share, investment contract conditions payment, settling, land redemption, etc.*

***** discount rate used in DCF calculation*

17. MARKET VALUE

It is our opinion that the Market Value of a perpetual interest in the Subject Properties, as at the date of valuation, **30 June, 2008**, subject to the assumptions and special assumptions and comments contained in this Report and Appendices, is

US$ 6,630,200,000
(Six Billion Six Hundred Thirty Million and Two Hundred Thousand US dollars)

The valuation stated above, of **US$ 6,630,200,000** represents the aggregate of the current values attributable to each of the individual properties and should not be regarded as a valuation of the portfolio as a whole in the context of a single sale. We set out the value ascribed to each Property in the Schedules.

As detailed above, The Company has yet to acquire several land plots at Ruch'i, extending to 239.15 hectares. We estimate the value attributable to the land yet to be acquired by The Company to be US$610,958,028. In the event The Company does not complete the acquisition of these land plots at Ruchi, the Market Value of the subject properties, subject to the assumptions and remaining special assumptions and comments contained in this Report and Appendices, would be adjusted accordingly.

DTZ has based its valuation of the Properties on assumptions as to the expected highest and best use of each Property by a typical local developer in Russia, considering the spectrum of available uses. As a result, the description of each of the developments, and the accompanying valuation, reflects our reasonable expectations as to what a typical Russia developer may build on the Property, as well as the amount that such a developer would likely pay for the relevant Property in its current state. Our valuations are not based on the Company's planned use of the properties, and we do not make any judgment as to whether the Company may achieve a higher or better use of such properties as a result of its experience, expertise, commercial network, market insight and any advantage of scale.

We have considered an appropriate development commencement date and development period for each Property in isolation, based on each Property's particular circumstances. Each valuation does not consider any effect of multiple properties being developed concurrently (e.g. any resource, expense or savings issues if undertaken by a single developer), or released to the market (occupation or investment) together.

18. CONFIDENTIALITY

The contents of this Valuation Report, together with its Appendices and Schedules may be used only for specific purpose to which they refer and we hereby give our consent for this Valuation Report and any Appendices and Schedules to be included within the Prospectus for that purpose. Consequently, and in accordance with current practice, no responsibility is accepted to any party in respect of the whole or any part of their contents other than in connection with the purpose of this Valuation Report. Such publication or disclosure will not be permitted unless, where relevant, it incorporates the Special Assumptions referred to herein. For the avoidance of doubt such approval is required whether or not LLC “DTZ Debenham Zadelhoff Limited” are referred to by name and whether or not the contents of our Valuation Report are combined with others.

Yours faithfully

C.W.F. Dryden

CHRIS DRYDEN
CHARTERED SURVEYOR
DIRECTOR
FOR AND ON BEHALF OF DTZ

APPENDICES

APPENDIX I: GENERAL PRINCIPLES ADOPTED IN THE PREPARATION OF VALUATIONS AND REPORTS

Valuation Methodology

In arriving at our opinion of Market Value of the Company's portfolio, we have adopted the residual method of valuation for all the plots of land and those developments in the course of construction. In the case of standing investment property, we have adopted a rent and yield approach to valuation.

The subject properties within the portfolio include a number of development projects at different development stages, a number of which are on site currently, with the remainder being at varying stages of the development process.

Residual site appraisal methodology is standard accepted practice for calculating Market Value of development sites. The methodology is straightforward: firstly, we calculate the valuation of the development on completion, termed the Gross Development Value (GDV). For commercial property this is undertaken by applying our opinion of achievable rent per sq m (at today's prices) to the predicted net area of the building on completion. We then apply a market capitalisation rate to the resultant net operating income. In the case of residential property, we apply our opinion of an appropriate capital rate per sq m to gross internal area. This gives us the GDV of the proposed development.

Having calculated the end value, we must then subtract all costs associated with the development. This includes not only build costs, but also infrastructure, drainage etc., plus all professional fees involved in the construction of the project – architect, project manager, structural engineer, etc. In addition, we must also take full account of development finance costs, sales and letting fees throughout the development process plus the developer's profit (developer's profit levels must be disassociated with that of contractor's profit, which is included in the build cost per sq m). Once all outgoings have been deducted, the sum left is the residual site value, i.e. the sum of money left that a third party developer can pay for the site, given the construction of the proposed subject development.

Typically, positive land values are generated but on occasions residual site appraisal results in a negative land value. This would mean that on the basis of the financial and technical assumptions employed by the developer, the development is financially unviable.

A main point to note in residual site appraisal methodology is that all revenues and costs are those that are achievable in the current market. In all cases, we are not projecting rents, capital values, capitalisation rates or construction costs.

In adopting the residual approach to valuation, there are two different methodologies which can be used by the valuer to assess Market Value. First, the discounted cash flow (DCF) methodology, which involves the calculation of the net present value (NPV), of all future costs and income to be incurred and generated by the development of the property. This cash flow is discounted at an appropriate rate and in turn generates a NPV of the cash flow which is the sum available for the purchase of the site at the date of valuation.

The second methodology, using the residual valuation adopts the more straightforward residual method, which does not entail the use of a full discounted cash flow. In this case, the timing of the different development stages is reflected in terms of the cost of financing the development, as is the income generated upon completion and prior to sale.

In undertaking the land plot valuations on behalf of the Company, DTZ have utilised residual valuations with the use of 'Circle Visual Developer' valuation software. The 'Circle' residual method contains a variety of different variables, each of which are significant drivers to value. The main drivers to value are income (be it rent or sale prices), development costs, capitalisation rate/exit yield and within the DCF model, discount rate. From our experience, we are aware that small changes in any one of these variables can result in relatively significant changes in Market Value of land and it is therefore important that each of these variables be thoroughly market tested in order for the inputs to be deemed supportable. The fact that these variables can have such a significant impact on value has led DTZ to not incorporate any projections within our valuations, as in our opinion this will call into question the robustness of the market values. This is in accordance with RICS guidelines.

Some commercial properties (TOC at Leningradskom, Kuybisheva, Electric City, Zoologicheskiy), which are a part of the portfolio, were also valued for IFRS purposes. In accordance with IAS 40, commercial properties for IFRS purposes we carried out these valuations using the DCF approach.

As stated above, while preparing our market valuations of all sites, we have adopted residual site appraisal valuation methodology.

DTZ have relied on sales and rent comparisons in calculating appropriate Gross Development Values of the subject development stock. We are able to obtain sufficient detail on individual sales and lettings in the market to be able to utilise these figures as a benchmark, from which appropriate adjustments can be then be made.

In preparing the valuations of the standing investment property, we have adopted an investment / income approach, which is the standard real estate investment methodology applied to the valuation of income producing properties and proceeds on the basis that the value of an investment property is a function of its income profile (i.e. the rental return it pays to its own). The same valuation principle is applied to bonds and company shares. Thus, for example, the value of a share is determined by considering its price to earnings ratio. In the same manner, an investment property's value is determined by considering the relationship between the price paid for the property and its annual returns (or earnings) to the owner of the property in annual rent. This annual return to the investor is called the property's yield and represents the annual percentage return an investor will derive from the investment's rental stream expressed in relation to the price paid for the property. Therefore, a property producing an equivalent yield (or all risks yield) over the life of the investment of 5% returns 5% of the price paid for the property every year. In this case it would take 20 years of income to replace the capital value paid for the property. If this property were a share, its price to earnings ratio would be 20 (assuming there was no change in the level of the rental income stream over these 20 years).

The initial yield paid for a property is hence the price paid for a property divided by the current or passing rent derived from the property at the time of purchase, expressed as a percentage. Properties are therefore valued by discovering the yields paid for similar investment properties in the current market and, after making appropriate adjustments for the risk/return dynamics of the property being valued, the adjusted yield is applied to the income produced by the property being valued to produce a Market Value for the property. The rental income stream is, therefore, multiplied by the appropriate yield to produce the capital value/ Market Rent of the property.

In valuing the investment properties, we have had regard to the limited investment transaction evidence available in the market. The only evidence in the market at present is evidence of the initial yields (or cap rates) paid for similar properties or properties in the same market sector (offices in this case) and LOIs on similar properties, which reflect initial yield bid levels currently being experienced in the market.

It should be noted that we have, where appropriate, reflected reversionary potential in the initial yield levels we have applied to the relevant subject properties when valuing them. Logically, the initial yield that an investment purchaser will pay for a property will be lower where a reversion is expected in a short space of time, however, what is crucial when determining the cap rate (or initial yield) to apply to an investment property is how long the investor will have to wait to realize the reversion to Market Rental levels (as typical investors cannot contemplate initial and running yield levels below the levels of the interest rates they are paying when debt purchasing properties in the long term). Therefore, we have applied slightly lower initial yields where reversions are close to the valuation date, but have made adjustments to the initial yield where reversions are 3 or 4 years in the future as these return levels are unsustainable when compared to current debt funding rates.

Importantly, values of a number of the developments in the commercial portfolio have reduced this time because we have taken a more conservative view as to the level of reversion potential in these schemes.

We list below the general principles upon which valuations and reports are normally prepared, which shall apply unless specifically mentioned otherwise in the foregoing Valuation Report.

RICS Appraisal and Valuation Standards

All valuations are carried out in accordance with the Red Book and are undertaken by appropriately qualified valuers as defined therein.

Valuation Basis

All valuations are made on the appropriate basis as agreed with the instructing company in accordance with the provisions and definitions of the Red Book unless otherwise specifically agreed and stated. The specific basis of valuation adopted in relation to a particular instruction and the definition thereof is detailed in this Valuation Report.

No allowances are made in our valuations for any expenses of realization or to reflect the balance of any outstanding mortgages, either in respect of capital or interest accrued thereon.

It should be noted that our valuations are based upon the facts and evidence available at the date of valuation. It is therefore recommended that valuations be periodically reviewed.

Information Supplied

We accept as being complete and correct the information provided to us by the sources detailed in our Valuation Report, relating to items such as tenure, tenancies, tenants' improvements and other relevant matters. We have relied on this information and on there being no undisclosed matters which would affect our valuation.

Documentation and Title

We review documents of title and development permission as provided to us by the instructing company in so far as appropriate and necessary to assess the values reported herein. You should however appreciate that we are not legal advisers and, as such, we recommend that reliance should not be placed on our interpretation thereof without verification by your legal advisers.

Unless notified to the contrary, we assume that each Property has a good and marketable title (albeit where necessary through the sale of company shares), free from any unusually onerous restrictions, covenants or other encumbrances, and is free from any pending litigation. We further assume that all documentation is satisfactorily drawn and that there are no unusual or onerous clauses, restrictions, easements, covenants or other outgoings, which would adversely affect the value of the relevant interest(s).

Inspections

We undertake such inspections and conduct investigations as are, in our opinion, correct in our professional judgment, appropriate and possible in the particular circumstances. External inspections are carried out from ground level only.

Structural surveys

Unless expressly instructed, we do not undertake structural surveys, nor do we inspect those parts that are covered, unexposed or inaccessible, or test any of the electrical, heating, or other services. Any readily apparent defects or items of disrepair noted during our inspection will be reflected in our valuations, but no assurance is given that any Property is free from defect. We assume that those parts which have not been inspected would not reveal material defects which would cause us to alter our report and valuations.

Where we have been supplied with information on the condition of the structure and services our valuation reflects this. Otherwise, our valuation is on the basis that there are no latent defects, wants of repair or other matters which would materially affect our valuation.

Hazardous and deleterious materials

Unless expressly instructed, we do not carry out investigations to ascertain whether any building has been constructed or altered using deleterious materials or methods. Unless specifically notified, our valuations assume that no such materials or methods have been used. Common examples include high alumina cement concrete, calcium chloride, asbestos and wood wool used as permanent shuttering.

Site Conditions

Unless specifically requested, we do not carry out investigations on site in order to determine the suitability of ground conditions and services, nor do we undertake environmental, archaeological, or geo-technical surveys. Unless notified to the contrary, our valuations are on the basis that these aspects are satisfactory and also that the site is clear of underground mineral or other workings, methane gas, or other noxious substances.

Contamination

In preparing our valuations we assume that no contaminative or potentially contaminative use is, or has been, carried out at the Property.

Unless specifically instructed, we do not undertake any investigation into the past or present uses of either the Property or any adjoining or nearby land, to establish whether there is any potential for contamination from these uses and assume that none exist. However, should it subsequently be established that such contamination exists at any of the properties or on any adjoining land or that any premises have been or are being put to contaminative use, this may be found to have a detrimental effect on the value reported.

In preparing our valuations we have assumed that all necessary consents and authorisations for the use of the Property and the processes carried out at the Property are in existence, will continue to subsist and are not subject to any onerous conditions.

High voltage electricity supply apparatus

Where there is high voltage electrical supply equipment close to a Property, it should be noted that the possible effects of electromagnetic fields on health have been the subject of media coverage. Public perception may, therefore, affect marketability and future value of the Property.

Our valuations include items usually regarded as forming part of the building and comprising landlord's fixtures, such as boilers, heating, lighting, sprinklers and ventilation systems but generally exclude operational plant and machinery and those fixtures and fittings normally considered to be the property of the tenant.

Mortgages

No allowance is made for the existence of any mortgage, or similar financial encumbrance on or over the Property and no account taken of any leases between subsidiaries.

Government Grants

All valuations are given without any adjustment for capital based Government grants received or potentially receivable at the date of valuation.

Special Purchaser Value

Unless otherwise stated, our valuations do not reflect any element of marriage value or special purchaser value which could possibly be realized by a merger of interests or by a sale to an owner occupier of an adjoining property, other than as would be reflected in offers made in the open market by prospective purchasers apart from the purchaser with a special interest.

In the valuation of portfolios, each Property is valued separately and not as part of the portfolio. Accordingly, no allowance, either positive or negative, is made in the aggregate value reported to reflect the possibility of the whole or part of the portfolio being put on the market at any one time.

Overseas Properties

Our valuations of non-UK properties will be reported in United States Dollars (US$), this being the market norm. No allowance has been made for the transfer of funds outside Russia.

APPENDIX II: GLOBAL ASSUMPTIONS

A number of general assumptions have been made in developing the residual valuations, in addition to the assumptions and conditions above. These are summarised below:

Purchaser's Acquisition Cost

Acquisition costs are included in the calculation where appropriate.

Development Proposals

It has been assumed where project documentation exists, any development would conform to the overall size as provided to us unless it is reasonable to assume that development could take place in some other form.

Utilities and Road Improvement

In Russia, the cost of providing utilities and executing necessary road improvements can vary widely. Where utilities need to be provided or road works executed it has been assumed that the cost estimates supplied to us are accurate. Where these have not been provided, we have taken estimates based upon our experience in this market.

Construction Costs

Construction costs supplied by the Company have been utilised in our development appraisals, benchmarked against standard rates in the market. Rates used are assumed to equal what a third party developer/purchaser would be expected to incur in the course of the development of each project.

Construction Contract

Construction payments are assumed to follow S curve distribution.

Permit and Contribution Costs

Where there are outstanding permit costs or contributions payable to the City of Moscow, these have been assessed in line with the forecasts as supplied by the Company. Where we have made our own estimates, these have been based upon our general experience in this market.

In order to assess the capital value of a completed development, DTZ assumed that a property is to be held upon completion for a period until the net income stabilises, and that the property is then sold. This is a valuation technique and does not necessarily represent the intention of the owner in each circumstance.

Delivery Condition and Pricing

The properties include ongoing developments and properties held for development.

In Russia, apartments are typically exposed to pre-sales from an early stage. It is common practice to value apartments on a sq m basis with apartments at higher levels in a development typically commanding higher prices as opposed to the European norm of values based on an apartment size / room number basis.

Office premises in Russia are typically delivered in a finished open plan condition with retail space being delivered in a shell and core condition. All commercial space is typically leased or sold on a price reflecting a sq m value basis.

Returns

Comparable rental rates for commercial office space have been adopted in our cash flow valuation. Sale prices for residential developments have been assessed on current market prices.

These figures are based on research carried out by DTZ and market information. In respect of commercial rents they are exclusive of operating expenses and VAT.

Our opinion of yield is based in part on comparable sales and the general market sentiment that the increasing amount of investors seeking to purchase investment product in the region will have a downward pressure on returns over time.

Review/Renewal Period

This is the length of the initial leases. The rents for the initial leases remain fixed for their entire term and the rent during this period will depend upon the prevailing market rental rate in the year of completion. The length of initial leases has been assumed at 5 years.

Vacancy Rate

Void periods have been considered in relation to each development and depend upon the property class and the relative merits of each anticipated project.

Operating Expenses

For commercial properties these are assumed to be paid by the tenant at cost, and they are therefore cash flow and VAT neutral and they are not included in the valuation conducted by DTZ. An element of the non-recoverable service charges is included to reflect void areas. For residential properties it is also assumed that operating expenses will be passed through to residents in the form of a service charge or similar, which will be deemed to operate without surplus or deficit, that is "cash inflow equals cash outflow".

Debt Assumptions

There are wide variations as to the financing terms available in the as yet immature Russian property finance market and it is not therefore possible to apply standard terms. Therefore average yields are used to provide a consistent approach.

VAT Rate

The VAT rate has been taken at the current rate of 18%. The VAT rate is of importance because although in theory VAT in Russia is immediately recoverable from the government, the practice is slightly different. The VAT paid on construction and other development costs is considered a VAT credit account in favour of the landowner/developer. VAT on future rents can be retained and offset against the VAT account until the credit is eliminated. This has a significant effect on cash flow.

In the case of the development sites earmarked for commercial development, it has been assumed that all of the costs in association with the development of each Property will be subject to VAT and also that all of the tenants (where appropriate) will pay VAT. As such, these transactions are tax neutral and therefore we express the valuations net of VAT. In the case of residential property however, we understand that VAT is only partly recoverable for the construction period and that the developer should pay VAT on the basis of the difference between income from sales and all costs associated with the construction at the prevailing rate.

Agents and Brokers Fees

Standard market practice is to use brokers to lease commercial office and warehousing space. Accordingly, agents' letting fees have been accounted for in our valuation of office and warehousing premises. Retail space is however typically leased and residential space is typically sold by developers directly to the operators / public and hence agent's fees will not be incorporated in these elements of the valuation.

Taxes

No account of property tax is included in the Valuations as reported herein.