

Dmitry Lutsenko: Good morning everyone. Let me introduce all the participants of the conference: Mr. Andrey Titunik, Head of Real Estate Department, who is in the instant, round-the-clock contact with our clients, is at my right hand. Also to my right is Denis Khimilyayne, advisor to Chairman of our company's Board of Directors, responsible for all internal corporate matters, related to investments society, and, at my left hand is Mr. Alexander Paperno, a well-known person, whose each and every speech ends up with contradiction.

To begin, I would like to state that market is in fever. Everyone wants to know what is going on. A month ago we were the first ones to initiate communication with media society with the statement that in the panic situation the only way to confront rumors and hearsay with is the truth, straight from the very source to the very recipient. In this respect all present here, to some extent, have something to do with our, first of all, liabilities. At some point we used to say "Thank you", now we say to everyone "Thank you very much".

We would like to say that Real Estate market as a trade has existed for millenniums, and had seen numerous blizzards and turmoil over this time. The fact that this crisis is not the first for Russia adds to extend an intriguing component, but does not make things worse. Talking about world assets, real estate property contributes to 90% of these assets; therefore it would be wrong to make an assumption that accumulation of these assets will cease in 2008.

The purpose of our meeting is to give an account of our vision of the corporation in 2008 based on 9 months results, give the next three months forecast, and to comment on the current real estate market situation. At the end of the conference we will respond to your questions with interesting and comprehensive answers.

Mr. Khimilyayne will open our meeting and will briefly go over the figures, specified in hand-outs provided. This is what we essentially declare and will continue to report about ourselves.

Denis Khimilyayne: Good afternoon, colleagues. We've handed out documents which you welcome to examine. This is our 2007 report, our small presentation, based on our projects overview; you've also received our forecasts consistent with new conditions. As of today, total amount of Group's actual debt equals \$900 million. We need to pay off \$100 million by the end of 2008. We are planning to pay off around \$500 million next year. Our aim is to proactively accumulate cash liquidity. We do not start with any new projects and do not foresee new additional expenses related to land plots acquisition. First six months of 2008 revenue had already surpassed influx volume of 2007 – about one billion dollars. Cash inflow for the third quarter of 2008 is at \$400 million. Indicators for the month of September show positive, we have received around \$200 million on our accounts. Talking about EBITDA values and profit, this year we are hoping to arrive at \$2 billion indicator, and at about \$800-900 million with EBITDA. According to our prognosis, net profit will amount to \$500 million. Further, Andrey Natanovich will brief you on sales rate.

Dmitry Lutsenko: Preceding the following speech a bit, I would like to say that this is not a revel at the time of Plaque. We would like to disclose the real figures and to lay down our foresights. The first part of our presentation was devoted to real numbers, while the second and the most desired, entertaining and captivating part we shall devote to expectations.

Andrey Titunik: It is difficult today to make a short-term forecasts; it rather seems logical to talk about past panic-stricken September. Total amount of contracts executed in September exceeded \$135 million. Major transactions were settled not only in commercial real estate area (Federation Tower and MIRAX PLAZA); apartment purchases by private parties had contributed to a substantial value of transactions. That is, the trend is as follows: there are fewer and fewer investors, buying apartments intended for re-sale, while there are lots of people, willing to improve their living conditions or to purchase an apartment in the reputable area of Moscow.

Today's real estate market is very limited in terms of decent housing supply, where one can live not having to worry about his family's wellbeing (gated community, security, school in the close proximity). There is almost nothing to choose from in Moscow, and Mirax today is seen as one of those developer companies offering this very type of housing: both in projects already completed with choice of either fitted-out or unfinished apartments, as well as in projects under construction. That is, there were quite a lot of people coming and buying. Some people at certain point felt unsure and decided to put off their purchase, but I can assure you that this purchase was not put off for good, but for some time. I should say that now, in October, the demand had decreased a little, although call volume remained the same. Thus I conclude that there is an interest in the real estate market, its just the future tendencies are to some extend unclear. Our main emphasis today is continued communication, constant e-mail exchange, social events, meetings, etc. with the clients.

As a matter of fact, we are constantly working with our database of about three and a half thousand people. And people value and understand that, and very significant percent of contracts made with people coming on the referral basis. That is, a story told at someone's party, a word of mouth. That is, one may say that client, who already occupies his/her apartment or already bought it, is the most loyal sales assistant. When the transaction is closed, he/she is able to see through the after-sale services, that there is an instant contact, communication, positive news sharing, etc.

Dmitry Lutsenko: Thanks, Andrey. Next we give the floor to Mr. Paperno, whose speech will cover issues on budgetary performance, and specifically in its vendor-related part. It is crucial that people, related to this group of partners, have a clear understanding of our viewpoint. Last few years gave us the feeling of "eternal blessing", where last equally applied to both developers and contractors. Hope, they will understand us. But in the uncertain market situation, the first thing we should do is to drop the labor prices. And here, our so-to-say confrontational approach, when we do have payments due but we do not pay, has to be seen as our call for a dialogue with them. Contractor fees are double-priced.

Construction cost that we've reached had long been above \$2000, which by all means resulted from our loose attitude and their very sneaky tricks. Therefore, I am counting on support from all market players. Our proposal is to lower but all labor costs without

exception, by 25%. We shall be forced not to do any more business with those partners, who would not agree to such terms. It is important to understand, that all attempts, originating from this group, to misinform the public, have to do with silent confrontation, coming close to strike, between developers and contractors. All they have made on us over five years, all this basting fat – they've got to melt it down now, through lowering their margins, among other things.

Alexander Paperno: Greetings, friends. About a month ago we had a meeting with contractors to inform them that we are discontinuing the practice of advanced payments. This is our corporate viewpoint, which is fully justified in the current market. Once again, a few words on how we see the market. If only not long ago – a few month back – construction market was a Sellers market, when buyer used to come for the product, and we wanted to have contractors more involved, we wanted to offer them more sites, than actually available. Today, the number of financially sound Clients and developers is declining, and therefore we are moving towards Buyers market. We openly disclose this situation, without holding anything back and are continuing to state so. That means looking at the overall picture two month ago our advance payments were by far greater than debts. Now we've almost evened up these figures. Ideally, they have to be reversed. Therefore, we are making payments to practically everyone, where we were able to negotiate pricing. We've parted with number of our partners – those continuing to live in the past. They think everyone owes them. It will not be like that.

Thus, from the payments priorities standpoint, fulfillment of public liabilities to investors and banks; obligations to Clients, who came to us with their cash, come forward; while contractors, frankly, will be getting their pay subject to incoming payments from our Clients. That social group, which was getting reach with us, in our opinion, will have to share our burden with us. We've got money, and our position gets stronger. And this general thought is associated with the fact that while available funds are in place, payments to contractors will be made selectively. They've got it. We are not holding back this viewpoint of ours. Because it is not clear how thing will develop further. It's better if we have more available funds, to make sure all clients and investors feel happy and confident. Including contractors. That's about it, briefly.

Dmitry Lutsenko: I will take over the lead and would like to say that a month ago we've made a statement concerning the suspension of financing of Projects in the pre-design stage, those where construction had not commenced yet. We would like to reconfirm once again that financing is cut off only for projects at the pre-design stage, those in business-plan state. Projects in the construction phase, and there are about 8 of those in Russia, namely in Moscow, will be carried through. We will come back to this issue once market outlook clears up. We are not ready yet to talk about neither “selling” nor “suspending”, because Russian is a very flexible language, and multiple interpretations may take place. Of these we not going to neither sell nor suspend any. We emphasize that we cut off financing of the projects in the pre-construction phase. We have quite a number of such projects. About 50 count. Talking about projects in the construction phase, total volume of unsold premises is 1 million square meters. What multiplier shall we use to multiply 3,000 dollars, 5,000 dollars - in any case, it will be a figure resembling billion US dollars.

Therefore we would like to say that for at least another 6 month we'll keep busy with what we build and sell. Our future developments and projects under-construction are represented in all segments: just-below business class residential, business-class residential, luxury apartments, Class A and B offices, hotels. We have sufficient strength margin in all segments. This is a reason to keep our viewpoint open. It's a hard time now. Whatever happens at the financial market affects other markets in one way or another. We intended to survive this crisis. And expend our today's share. This has to be made clear. That's why all these talks about crisis are market gamble to some extent. All major developers explicitly suspended their projects given current market conditions. Thus, the assumption that market will offer lots of new and attractive projects exactly in six months from now is quite debating – it will thin out by half. This factor is accounted for by everyone expecting to survive the crisis. Therefore it is obvious, that in six months we will have clear idea of whether the group is going to achieve targeted rate or not. It has to be made clear that our business margin allows us for price adjustment if not by several times, but at least at a significant percentage. So far we simply have only luck of interest, as well as luck of transactions. Price level is so far even, but will, quite possibly, require adjustments.

Alexander Paperno: So far we were closing transactions at the former price level. Our profit margin on EBITDA remains at about 40-45%, and over 9 months of this year we can see what it is. It is pointless to try guessing what will happen down the road in the current situation. We've had meetings with analysts from number of countries – no one can say for sure.

Dmitry Lutsenko: Those clients who bought real estate in our residential complexes had by all means benefited from it. Those who are only going to buy count on market decline. It is frustrating for us to find ourselves between these two worthy groups of people. We have got enough assets to live through this situation.

Let's proceed to our interactive part. We will be happy to answer your questions, should you have any. I am sure you do.

Alexander Belykh: Thank you very much for the presentation. You have mentioned a reduction in prices. Assuming it will be the case, what could be seen as non-crucial for you? Percentage-wise?

Dmitry Lutsenko: I hope it will drop at the most by 25%. If it hits 25%, we can talk about an endless drop.

Andrey Titunik: Another category of price drop is extension of an installment payment period. It is also very important. In fact, we are currently working on this issue.

Unknown 1: Could you please tell us when the 2007 report is to be issued?

Dmitry Lutsenko: The 2007 report has been completed and what is more the presentation has been handed out to all of you here.

Unknown 1: We have heard that 2 billion dollars would be allocated. What are Mirax chances to get supported by Moscow government? And in which way?

Dmitry Lutsenko: What I can say is that eventual \$2 billion allocation is not enough to save the day because the year 2007 showed 10-15 billion in market volume (developer inflow). If we are talking about liabilities one or two billion will not fill the gap. The point is how they are going to assist. Helping mass developers is a social measure. It makes more sense than to help us. All we need from the Government is to reduce a time period for getting approvals. Construction of some our projects in Moscow goes slightly before issue of documents. It might be better if the authorities assisted with documents processing, rather than merely give money.

Unknown 2: How the liquidity balance will affect the next quarter? That is, what payments are foreseen and by what means these payments will be financed?

Alexander Paperno: As we have already stated we are to pay off \$100 million by the end of the year. Payment will be made by installments as 2 tranches, \$50 million each: \$50 million is to be paid off in October, another \$ 50 million – in December. Evidently, we have about \$200 million on balance now. I estimate that we will have over \$200 million by December.

Unknown 2: What is meant by “there are credit sources and lines which have not been drawn down yet”?

Alexander Paperno: We have always had and still have such an option. As things go now, it makes no sense to raise capital through the credit market; and given current rates, we are not ready to comment.

– Don’t you have any existing agreements?

- A representative from Zenit Bank is standing right next to you. We signed an overdraft contract and other agreements with this bank. Our company’s position is to repay everything and to take out nothing.

Unknown 4: There is a precedent when an issuer company such as TMB Bank had provided an early pay-back offer of any volume which they are ready to buy back at a certain price. It means that one can create a volume. It is not the matter of volume but the matter of price which is of concern now.

Dmitry Lutsenko: We certainly have to diversify cash funds to maintain the present level of our production liquidity.

Unknown 5: You have total of about one million square meters. At a rough estimate, your expenses may reach 3 billion in 2009. By what means are you planning to finance these projects?

Denis Khimilyayne: Our expenses are about 1.5 billion.

- A few minutes ago, you said that the construction cost was \$ 3,000 per square meter.

Dmitry Lutsenko: This is a net cost of sales.

Alexander Paperno: There are few different aspects here. We are talking now about the year 2009. Construction of the second part of Kutuzivskaya Milya Project is expected to be launched in 2009. Number two, if you monitor the price analysis for construction materials, you will see the prices for steel, reinforcements and concrete going down. We have mentioned \$2,000 per square meter. Now everything is changing.

Dmitry Lutsenko: Now, if we talk cash flow in figures. We discuss how much could be sold, of those we build so much. While we are here, some projects are being constructed. There is never more than one million square meters at any given point.

- In fact eight projects to be sold are totaling one million square meters. No more, no less. It is clear. The question is by what means you are going to finance construction of the projects which are not suspended.

Dmitry Lutsenko: Our budget for 2009 includes about one billion dollars for construction needs.

- Does it mean that you are planning to finance without attracting investments?

Dmitry Lutsenko: All the same, we profit from sales of our projects and then finance. Make sale at the construction phase.

- Considering the market situation in 2008, are you planning 2 billion in sales this year? Supposing that the market declines by 50% next year, your net sales profits would be only one billion. You need to pay interests from this amount and pay your contractors while your construction expenses being only one billion.

Dmitry Lutsenko: For the time being, we have got enough assets for six months.

- So, in other words, you do not anticipate slump in demand for residential real estate and sagging of prices, do you?

Dmitry Lutsenko: Do you know any case where prices slumped by 50 % over six months ever in the history?

- It is simply that in the steady market we used to have beyond-normal increase in demand for residential real estate in Moscow. It might be the case now with abnormal decrease. The same as our stock market is going down by 15% a day, the demand for residential real estate may drop as well.

Alexander Paperno: It is not exactly like that, because, as a matter of fact, it depends on the amount of square meters per capita in a given city. The population of this city is about 20 million people. We build and commission at the best of times 5 million square meters. I do not think that we will commission as much as that this year. This is why the shortage of real estate supply is still acute. That's it. When it comes to 50% drop, nobody could know for sure whether it will happen or not. I can say for sure that if prices drop by 50%, prices for reinforcing steel and concrete will also drop, and even more than by half. Thus our net cost will decrease as well. If the market was to develop in a regular way, even in the worst-case scenario, we would have made \$ 3 billion in sales this year.

Andrey Titunik: With the standard payment by installments, 50% was to be paid up front and another 50% later on. Certainly, there might be different cases and exceptions where more real estate is bought. In other words, we have substantial sums which will roll over into the next year.

Unknown 6: What is your opinion on the investment property portfolio? Is it time to sell it out?

Dmitry Lutsenko: There is something very particular about development in preconstruction phase. Since a project is developed in a specific way, it is practically impossible for the project to change hands. In any case, attempts of this sort will be made. Obviously, developers have built up major investment projects portfolios over the recent years. There are numerous examples.

Unknown 7: Given that companies will not be able to complete all the projects being developed now and that you decided not to buy land and projects on paper, do you consider the possibility to acquire projects you find attractive which will be offered for sale, even uncompleted?

Dmitry Lutsenko: Certainly we are planning to overcome the crisis and increase our presence in this market by acquiring those who have had bad luck.

- To what extend?

Dmitry Lutsenko: For now we should live through today. Tomorrow may be seen in different ways.

- If we consider different scenarios: good, worst-case and average, how much are you ready to spend?

Dmitry Lutsenko: We have now 10-15% of the market. We are ready to double this figure.

Unknown 8: You were talking about the pay-back-and-not-make-debts position. If we look at operating cash flow and investment cost, could you give approximate figures?

Denis Khimilyayne: Revenue - 650 million dollars. Our expenses are about 120 million dollars a month at the most, therefore positive balance can be quite easily calculated.

- How much must be paid back in the first quarter of 2009?

Alexander Paperno: In the first quarter of 2009 200 million dollars are to be definitely paid back. There is a buy-back offer for the amount of 180 million dollars as well.

Dmitry Lutsenko: I would like to clarify that it is not that we are not ready to borrow; it is just that in our understanding the present rate of investor's interest does not match the real situation. We agree that half a year ago the price level did not correspond to its level either, but we have been punished for that. I think that in 3-4 months we will find a reason to meet with investors again.

Alexander Paperno: One should clearly understand that the money we were talking about is long-term money. The money offered to us for a term of 1 year does not attract us. If we get the proposals for 2-3 years, better for 5 years, at reasonable interest rate, come over, we will have a talk.

- What is the rate of reasonable interest?

- 12%

- What currency?
- US dollars.

Unknown 9: How is financing of foreign projects structured?

Dmitry Lutsenko: Self-financing – everything earned there is spent there.

Unknown 10: How do you evaluate the market abroad?

Dmitry Lutsenko: The foreign real estate market is older than Russian that is why it is obvious that temporary suspension and response to it will not be as smooth as in Russia.

Unknown 11: There has been some information about suspension of Mirax Plaza Project in Kiev. How would you comment this situation?

Dmitry Lutsenko: The Ukrainian market demonstrates steady stagnation. In Kiev the real estate market has not been breathing for the last 6 months at all. In this situation it is not reasonable to push forward the construction. We will complete what is possible to complete, and then will hold on for economical and political situation to straighten up. We are working with a small number of subcontractors over there, and I think we will come to terms with them.

Unknown 12: What is the interest when buying out debt liabilities?

Dmitry Lutsenko: Not high right now.

Marina Vershinina: As soon as there is demand for it, the price may go up a bit.

Dmitry Lutsenko: We are buying out our debt liabilities to the extent possible in the range of 84-87% of the nominal.

Marina Vershinina: The latest price was 83.5.

Unknown 13: What is your forecast with regards to real estate market in general, in Russia, in Moscow?

Dmitry Lutsenko: It is important to understand that capitalism in Russia is about 20 years old; the real estate market is 10 years old. Obviously, this crisis is the first serious one and if there were statistical data, there would be a possibility to make some future estimates. As far as price adjustment assumptions – there should be no more than 25% of price drop. Real estate is an imperishable asset after all, the useful life of a building on average is 100 years.

- Japanese thought the same way.

Dmitry Lutsenko: It goes without saying that the Japanese crisis of the 80s was very deep, when the price for a 1 hectare of land was at 1 billion dollars. We would like to repeat once again that the real estate market is many years old, and what most important we are able and willing to stay in this market.

Dmitry Lutsenko: The figures presented are those comprehensible and appraisable. Should these trends change, we will be surely meeting with you to give an update on such changes.

- That is why I asked this question, everyone sitting in this room has his own vision of the situation and we would like to hear how you see it.

Dmitry Lutsenko: We are not going to have that kind of market growth we've had over the last 4-5 years – that is for sure.

Andrey Titunik: Lately I have observed the following scenario at negotiations – 85% of people I had a meeting with are ready to buy real estate, they are simply waiting for a right time to buy for the money they consider to be adequate. This shows that demand is in place. Yes, if we used to have 7-8 clients per day, now this is down to 3-4, and it does not mean we close deals, but the interest is still there. More than that, site visits went up but a few times, as one does not have to visit the head office – all information on the project can be provided on site at sales departments.

Dmitry Lutsenko: I would like to add that there is to some extent sort of irrational behavior on the market: about 10 days ago we closed the deal on the entire floor purchase at the Federation Tower for the amount of 40,000,000 dollars paid 100% upfront. How can this be explained? I don't know.

Unknown: What percentage of sales involves mortgage today? And how do your bank partners act?

Andrey Titunik: The percentage of mortgaged deals in Mirax Group was somewhat around 7-14%. Today it is down to 0%, as our main partner VTB 24 had shut down all credit line programs. Consequently many people intended to purchase apartments including all-cash, having heard this public statement from the bank, decided against such purchase.

Unknown: How can independent analysts confirm the amount of 2, 7 billion dollars in your budget?

Dmitry Lutsenko: Initially this amount was equal 5 billions, but we took into account up to 25% price fall, a little decrease in construction costs had also been considered.

Unknown: How many potential buyers regardless to the price level you will loose because they would go out of business; their jobs will not be paid, etc?

Alexander Paperno: We have no way of knowing how many will go out of business, like any other issue of macroeconomics this question is difficult to answer.

Dmitriy Lutsenko: If the question is essentially on deals been cancelled, then the answer is yes, it is the case.

Andrey Titunik: And their share is not great. There are two segments: residential and commercial real estate; on residential I have statistics on percentage of telephone

cancellations from people, who put down 10-15% of the price, not because they do not like the apartment, but because they count on price decrease and prefer to wait. But as soon as there is a psychological barrier of 50-60% upfront payment, the client does not demand to cancel the contract. That is why all the clients who made adequate decisions in August-September, all of them remained. We have got a minimum number of cancellations and these are the people, who did not change their minds, they are in doubts: a) about their paying capacity or those people, who want to buy the apartment, but at a lower price. As far as commercial real estate is concerned, both individuals and businesses, many of whom appear in mass media, are now negotiating the contract termination, notwithstanding the fact, that they got it at the better price due to a longer installment term. In their case the question is about restructuring of payment schedule.

Unknown: In what way did the demand change, when Capital Group and Empire Tower came into the market?

Andrey Titunik: From my point of view it is very difficult in the present situation to have 62 or 72 levels and 50-60 apartment levels correspondingly. Federation Tower has been fully sold out. Due to the fact that we were the first to come into this market, we were the first to satisfy the demand of the high and mighties, therefore the product is unique and a person understands why he/she pays extra. Talking about Capital Group – we are offering absolutely different products, different floor spaces, different square areas, commissioning dates, floor-by-floor apartment distribution – in our case they start from level 70, in Capital Group's case they end at this level, that's why the product is unique and deserves awards.

Unknown: Two years ago when you were issuing bonds, the plan was to fully commission second phase of Federation Tower Complex, but the situation we observe is that the buildings are practically not growing. How would you comment on that?

Dmitry Lutsenko: Being that the near-by buildings are not going up creates this effect, and you feel that we are not going up. But in fact we are growing together with them. The Tower, which is behind your back, has a unique design, the complexity of which has been underestimated by us: steel goes into concrete, concrete into steel, then ears (*cantilevered elements of observation deck*) will appear; a very complex structure overall, the schedule has been adjusted considering the above-mentioned, but that's not for a full year time, we had no problems with neither tenants, nor investors.

- Is this a technical level? And when will it be completed?

Dmitry Lutsenko: Yes it is, and it will be completed November 10. We expect to be at Level 70 of the Tower by January 1st.

Alexander Paperno: The company policy is that the liabilities of any of our holding companies are the liabilities of the Group on a whole. All these talks about bankrupting one of the companies in the holding, and dump the rest are out of question for us entirely as unethical and in conflict with our World Model philosophy.

Unknown: Perhaps in this case it makes sense to issue a legal document, which will confirm your words, for instance Surety Commitment of the Group Head Company?

Dmitry Lutsenko: Perhaps, this process has administrators, who make responsible decisions.

Unknown: What is the structure of installment payments schedules for different types of real property?

Dmitry Lutsenko: At the present moment we are working exactly on restructuring and increase of installment term, the typical existing maximum installment payments term we had is 6 months, i. e. 100% of the apartment price is paid back in six months. As far as commercial real estate is concerned: 30-50% upfront, the rest by installments over 1.5 year period.

Unknown: You are saying that creditor portfolio will decrease by the end of the year, what will it be as of the end of the year?

Dmitry Lutsenko: By the year-end – about 700 million US dollars.

Unknown: What will happen to the Company rating?

Dmitry Lutsenko: The problem with the Company rating is that upon completion of restructuring, which we've talked about, we see that at some point the information about the structure changes did not reach HR. We were told that we would, along with that, take a look into your legal structure, in addition the market is falling down, but with that if we are to talk about the forecast, if I am not mistaken, they promised to come back to this issue by December, they are studying the market situation, changes in the company structure. We are in constant contact with the rating agencies; we hope that at least ratings will stay the same.

An unknown person: Can you quote the proportion rate between what is built and sold?

Dmitry Lutsenko: There is so called golden ratio: by the time the construction completed, 80% of the project should be sold. This applies to both offices and residential real estate, i. e. on an average the sales rate should allow to sell 80% of the project. This is our golden rule. Cessation of revenue inflow into project had always been a troubling sign for us.

May I be permitted to conclude our meeting, thank you for finding the time to be here. Before the adjourn, I would like to mention that on December 1st there will be an official opening of Grand Hyatt Hotel and Spa. I would like to invite everyone and to announce, that we are ready to listen and give answers to any questions you may have, because the only capital that we have gained is the trust of our clients and investors. Thank you very much and hope to see you again soon.

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