



## 1H 2010 Results Presentation



September 2010

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# Agenda

**1. 1H 2010 Operating and Financial Results**

**2. Market Update**

**Appendix**

# Key Financials

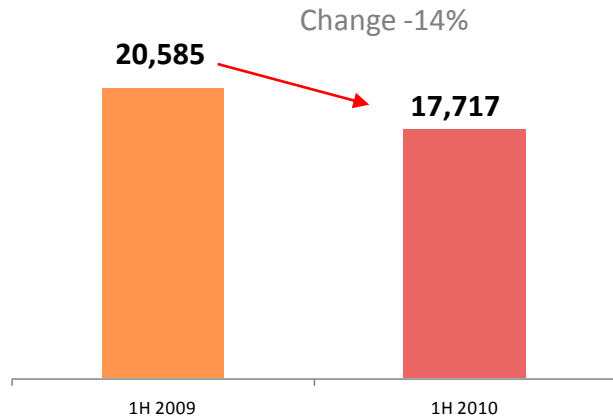
RUB '000	1H 2009	1H 2010
Revenues	20,585	17,717
EBITDA	5,696	2,923
EBITDA margin	28%	17%
Normalised operating profit	4,538	1,729
Normalised operating profit %	22%	10%
Changes in fair value of investment property	(2,134)	-
Reported net profit	(137)	(675)
<hr/>		
Gross cash flow	5,707	2,927
Operating cash flow	92	(2,286)
<hr/>		
Capitalised capital expenditure	3,781	1,819
	<b>31.12.2009</b>	<b>30.06.2010</b>
Total debt	39,541	35,891
Cash and bank deposits	2,896	7,694
Net debt	36,645	28,198
Net debt/EBITDA	2.5	2.4

Notes: The financial measures described in the notes below are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information

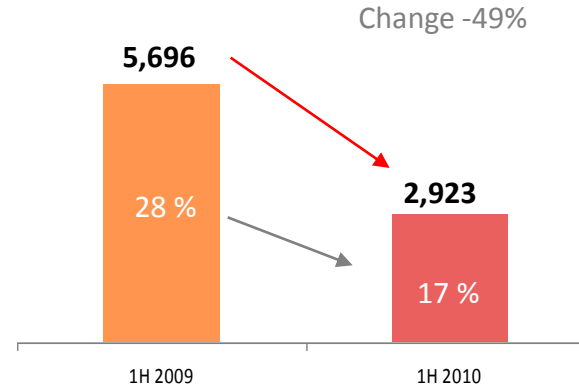
- 1) EBITDA equals to operating profit plus depreciation and amortization of fixed assets and intangible assets less changes in the fair value of investment property less impairment of goodwill
- 2) EBITDA margin equals to the ratio between EBITDA and sales revenue (unaudited)
- 3) Normalised operating profit equals to operating profit less the effects of revaluation of investment property and impairment of goodwill, which are non-cash items (unaudited)
- 4) Normalised net profit calculated as net profit excluding effects of revaluation of investment property and impairment of goodwill (incl. recalculation of deferred tax) (unaudited)
- 5) Gross cash flow represents operating profit before changes in working capital and provisions (unaudited)

# Key Financials

## Sales (RUB m)



## EBITDA (RUB m) and EBITDA margin (%)



## Sales revenue and EBITDA breakdown<sup>1</sup>

### 1H 2010 Sales revenue breakdown



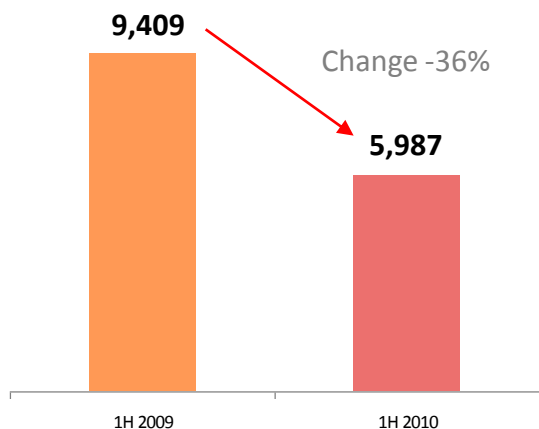
### 1H 2010 EBITDA breakdown



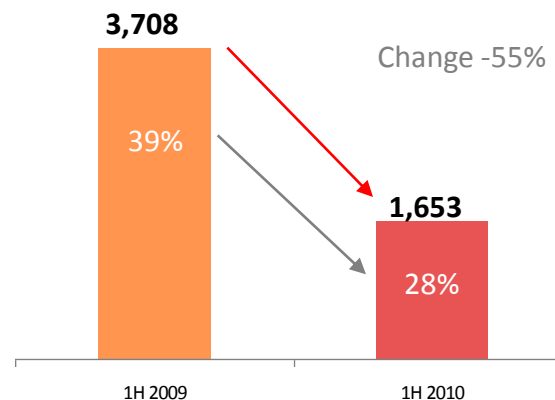
Note: 1) Before inter-group eliminations, unallocated amounts and other operations

# Real Estate Development

Sales (RUB m)



EBITDA (RUB m) and EBITDA margin (%)



## Key financials

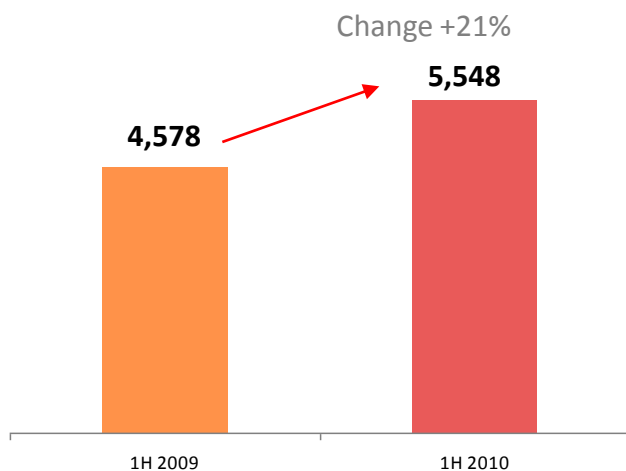
	Total <sup>1</sup>			Elite Real Estate			Business Class & Mass-Market Real Estate in St. Petersburg			Business Class & Mass-Market Real Estate in Urals		
	1H 2009	1H 2010	Change	1H 2009	1H 2010	Change	1H 2009	1H 2010	Change	1H 2009	1H 2010	Change
New contract sales (th sqm)			%	9	14	46%	28	39	39%	12	14	17%
Transferred to customers (th sqm)			%	14	8	-40%	66	72	9%	32	5	-84%
Sales revenue (RUB m)	9,409	5,987	-36%	3,240	1,161	-64%	4,516	4,260	-6%	1,456	240	-84%
EBITDA (RUB m)	3,708	1,653	-55%	1,865	518	-72%	1,477	1,048	-29%	349	60	-83%
EBITDA margin (%)	39%	28%	-	57%	45%	-	33%	25%	-	24%	25%	-
Gain/Loss on revaluation of investment property (RUB m)	(2,134)	-	-	(2,134)	-	-	-	-	-	-	-	-

Notes: Total is shown after inter-segment eliminations and before inter-group eliminations and unallocated amounts

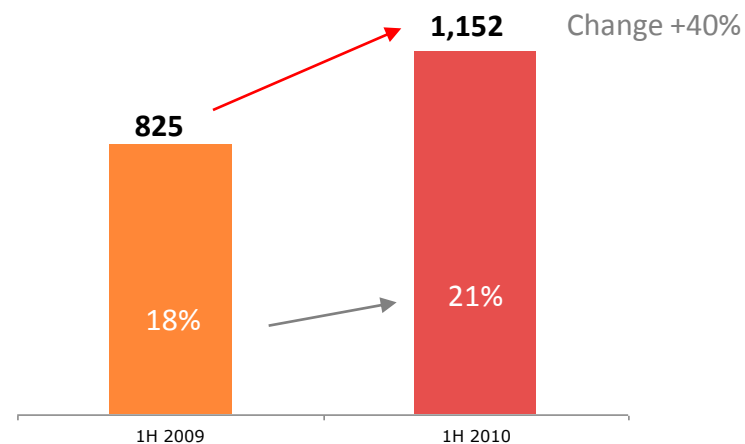
1) Also includes Gated Communities, Real Estate Moscow and other minor operations

# Construction

Sales (RUB m)



EBITDA (RUB m) and EBITDA margin (%)



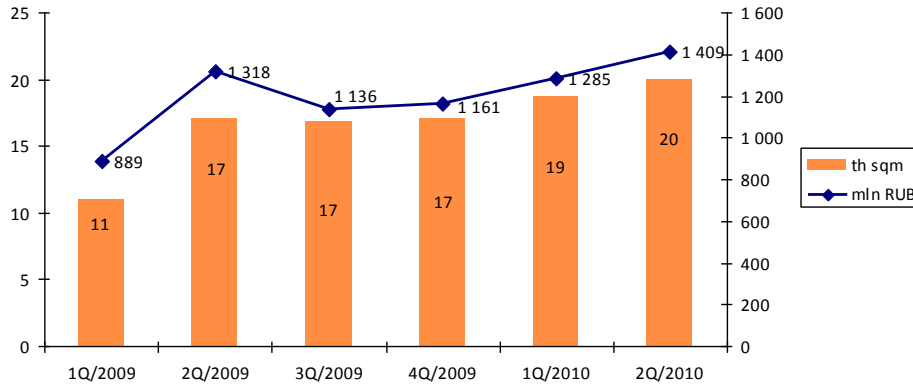
## Key financials

	Total		
	1H 2009	1H 2010	Change
Sales volume (th. sqm)	199	211	6%
Sales revenue (RUB m)	4,578	5,548	+21%
EBITDA (RUB m)	825	1,152	+40%
EBITDA margin (%)	18%	21%	-

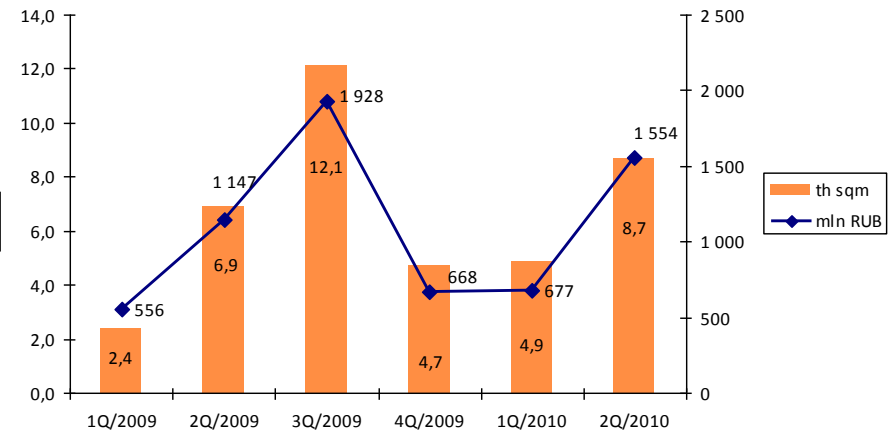
Notes: Total is shown after inter-segment eliminations and before inter-group eliminations and unallocated amounts

# Real Estate Development Sales in St. Petersburg

**New Contract Sales in Mass Market Segment  
(excluding governmental contracts)**



**New Contract Sales in Elite Segment**





# Projects Launched In 2010

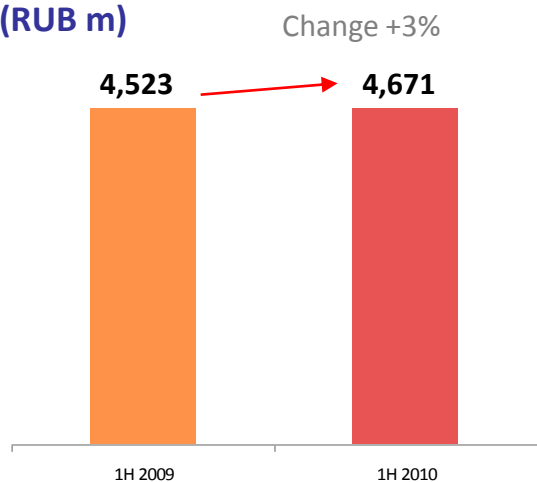
	Net sellable area (sq.m)	Start of Construction	Start of pre-sales
<b>Elite Real Estate in St. Petersburg</b>	<b>47,580</b>		
Venice	15,728	March 2010	March 2010
Smolny Squarter Phase 1	26,218	June 2010	June 2010
Kovenskiy	5,634	November 2010	November 2010
<b>Mass Market and Business Class Real Estate in St. Petersburg</b>	<b>401,255</b>		
Aurora	261,900	September 2009	4Q 2010
Vostok	40,842	July 2009	4Q 2010
Antey, Block 5 & 7 <sup>1</sup>	22,265	March 2010	March 2010
Yuzhny, site 1 block 1, 2 & site 6 <sup>1</sup>	59,529	April 2010	April 2010
Karolina, site 1, Phase 2 <sup>1</sup>	12,428	June 2010	June 2010
<b>Real Estate in Moscow</b>	<b>171,198</b>		
Nakhabino	152,000	September 2010	3Q-4Q 2010
Novaya Balashikha, Sakramento	19,198	July 2010	4Q 2010
<b>Real Estate in Yekaterinburg</b>	<b>31,217</b>		
Kalinovsky Phase 3 h.14 & 15	13,600	August 2010	August 2010
Tokarey	17,617	September 2010	September 2010

Notes:

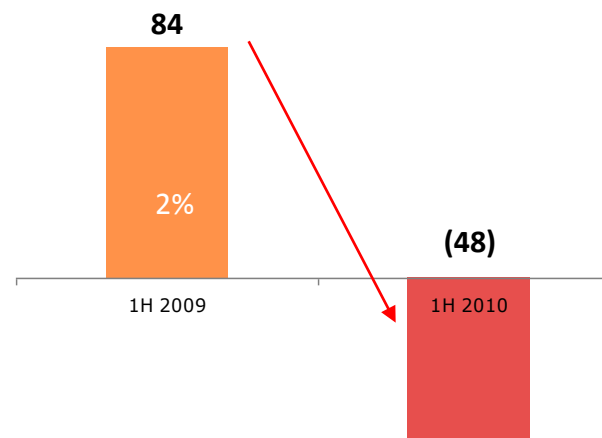
1) Construction works at the initial stages were frozen on these projects during the crisis

# Building Materials

## Sales (RUB m)



## EBITDA (RUB m) and EBITDA margin (%)



## Key financials

	Total <sup>1</sup>			Reinforced Concrete			Ready-Mix Concrete			Bricks			Aerated Concrete		
	1H 2009	1H 2010	Change	1H 2009	1H 2010	Change	1H 2009	1H 2010	Change	1H 2009	1H 2010	Change	1H 2009	1H 2010	Change
Sales volume (th. cub. m)	-	-	-	122	159	30%	346	485	40%	89	77	-13%	324	367	13%
Sales revenue (RUB m)	4,523	4,671	3%	1,361	1,678	23%	1,077	830	-23%	715	562	-21%	775	690	-11%
EBITDA (RUB m)	84	(48)	-	25	(42)	-	(52)	62	-	94	(71)	-	(24)	12	-
EBITDA margin (%)	2%	-	-	2%	-	-	-	7%	-	13%	-	-	-	2%	-

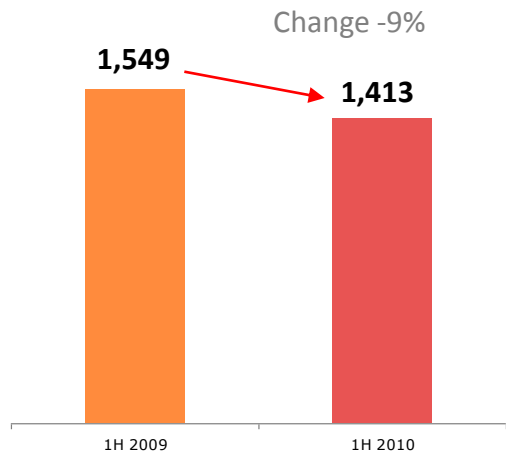
Notes: Total is shown after inter-segment eliminations and before inter-group eliminations and unallocated amounts

For Bricks sales volume is shown in millions of non-formatted units

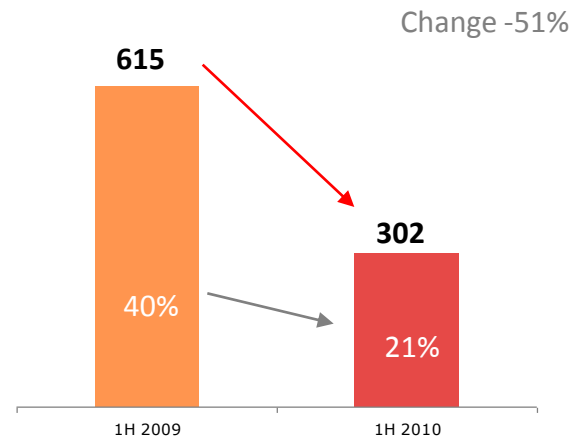
1) Also includes our other minor building materials operations

# Aggregates

## Sales (RUB m)



## EBITDA (RUB m) and EBITDA margin (%)

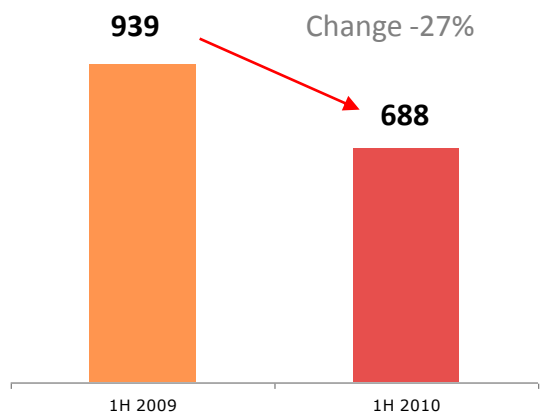


## Key financials

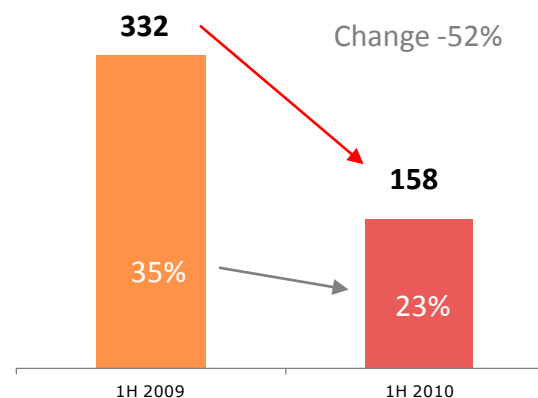
	Total			Sand			Crushed Granite		
	1H 2009	1H 2010	Change	1H 2009	1H 2010	Change	1H 2009	1H 2010	Change
Sales volume (th. cub. m)	-	-	-	4,679	3,883	-17%	1,411	1,706	21%
Sales revenue (RUB m)	1,549	1,413	-9%	920	819	-11%	632	618	-2%
EBITDA (RUB m)	615	302	-51%	521	335	-36%	95	(33)	-
EBITDA margin (%)	40%	21%	-	57%	41%	-	15%	-	-

# Construction Services

Sales (RUB m)



EBITDA (RUB m) and EBITDA margin (%)

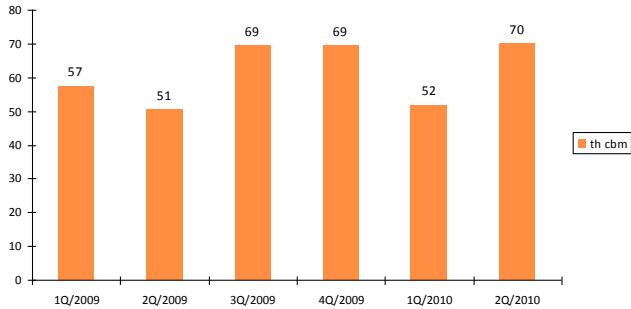


## Key financials

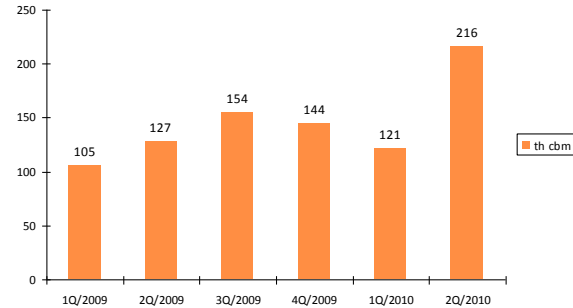
	Total		
	1H 2009	1H 2010	Change
Sales revenue (RUB m)	939	688	-27%
EBITDA (RUB m)	332	158	-52%
EBITDA margin (%)	35%	23%	-

# Sales of Building Materials and Aggregates in St. Petersburg

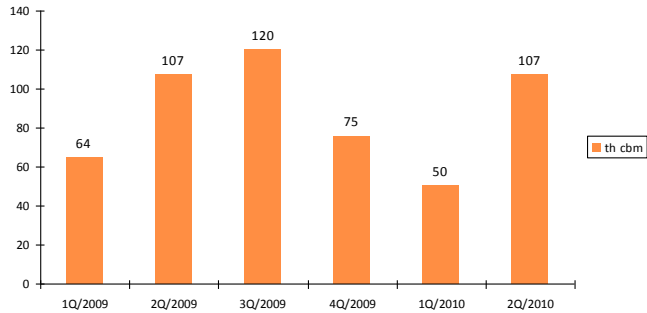
Sales of Reinforced Concrete



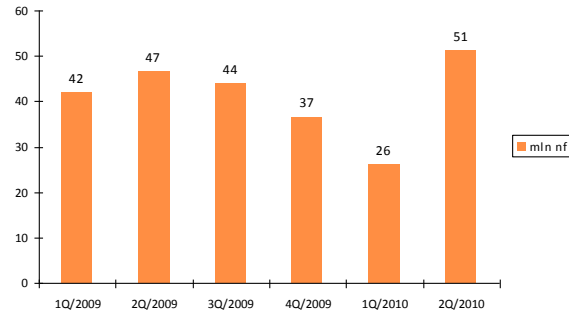
Sales of Ready-Mix Concrete



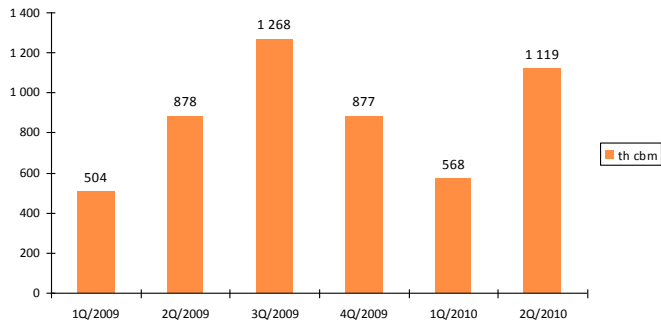
Sales of Aerated Concrete



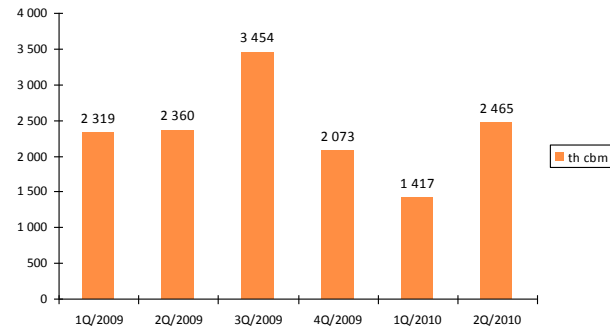
Sales of Bricks



Sales of Crushed Granite

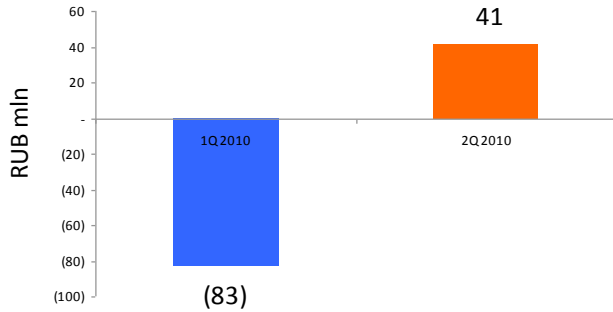


Sales of Sand

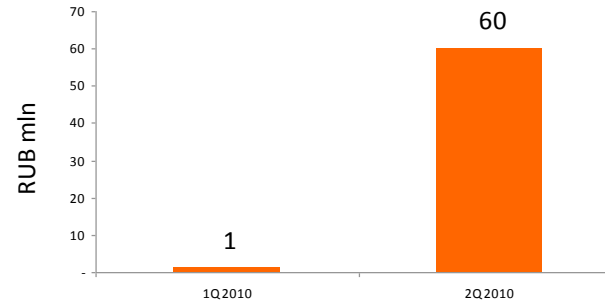


# EBITDA in Building Materials and Aggregates

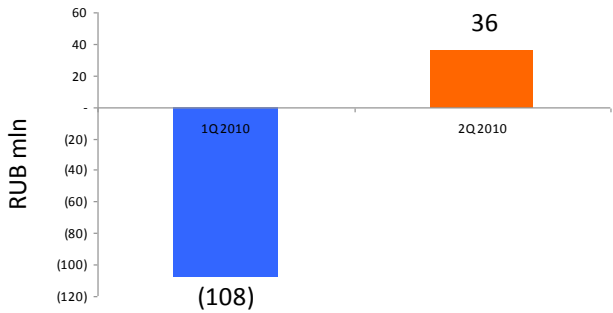
Reinforced Concrete



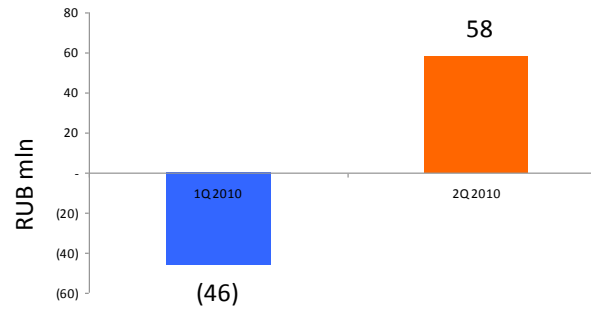
Ready Mix Concrete



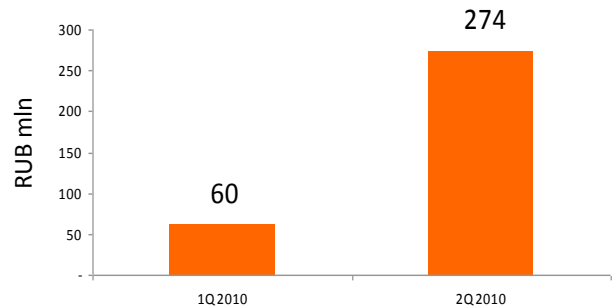
Bricks



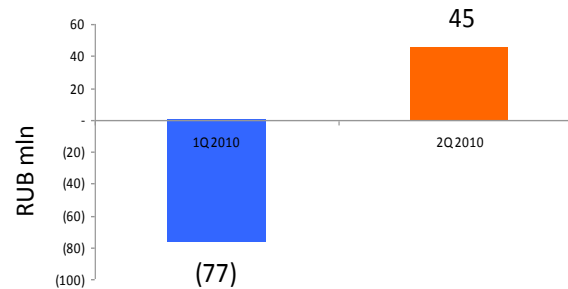
Aerated Concrete



Sand

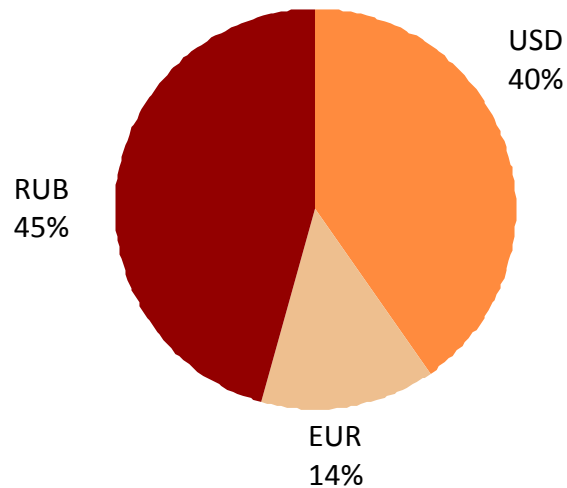


Crushed Granite

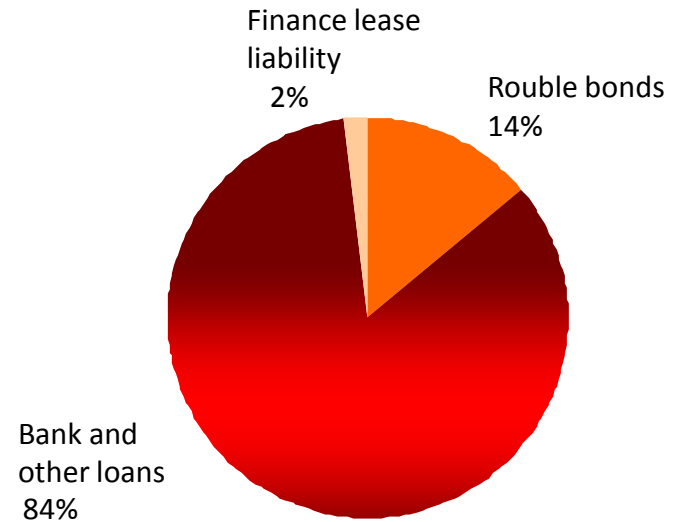


# Debt Composition as of 30 June 2010

Gross debt by currency<sup>1</sup>



Gross debt composition



**Current ratings:**

Moody's: B2 (Stable) assigned June 2010

Fitch: B- (Stable) assigned June 2010

**Current weighted average rates for LSR borrowings:**

RUB – 11.08%

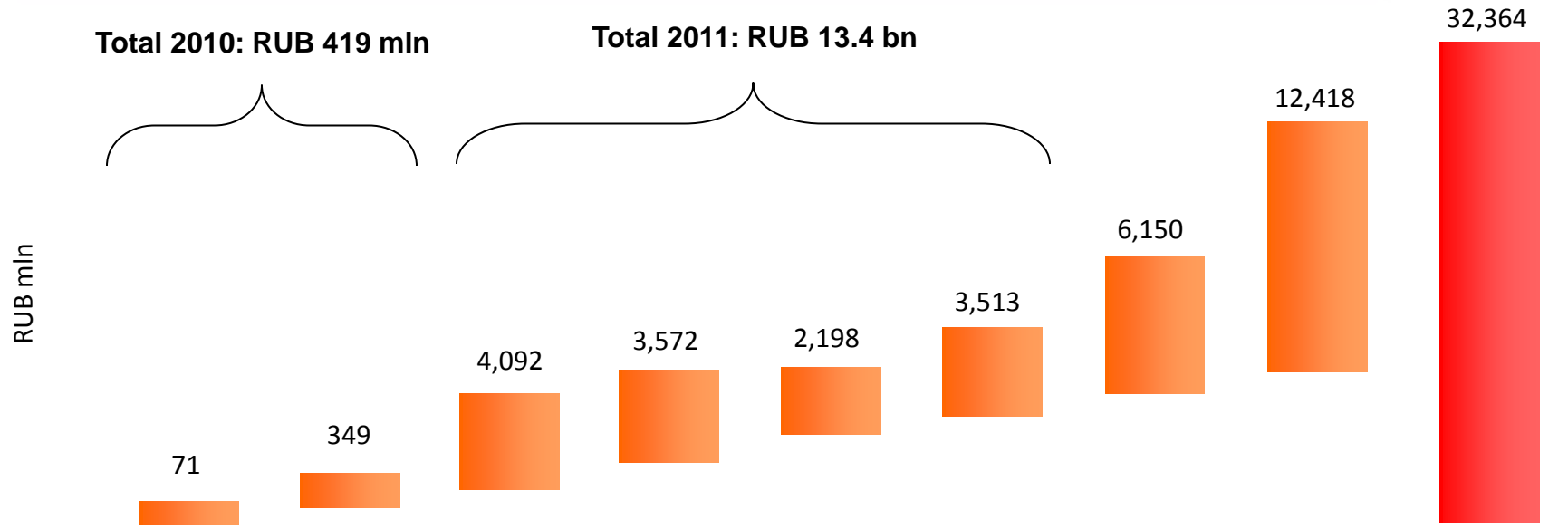
US\$ - 9.34%

EUR – 7.23%

Source: Company

Note: 1) excluding finance lease liability and other loans

# Debt Maturity Profile as of 31 August 2010



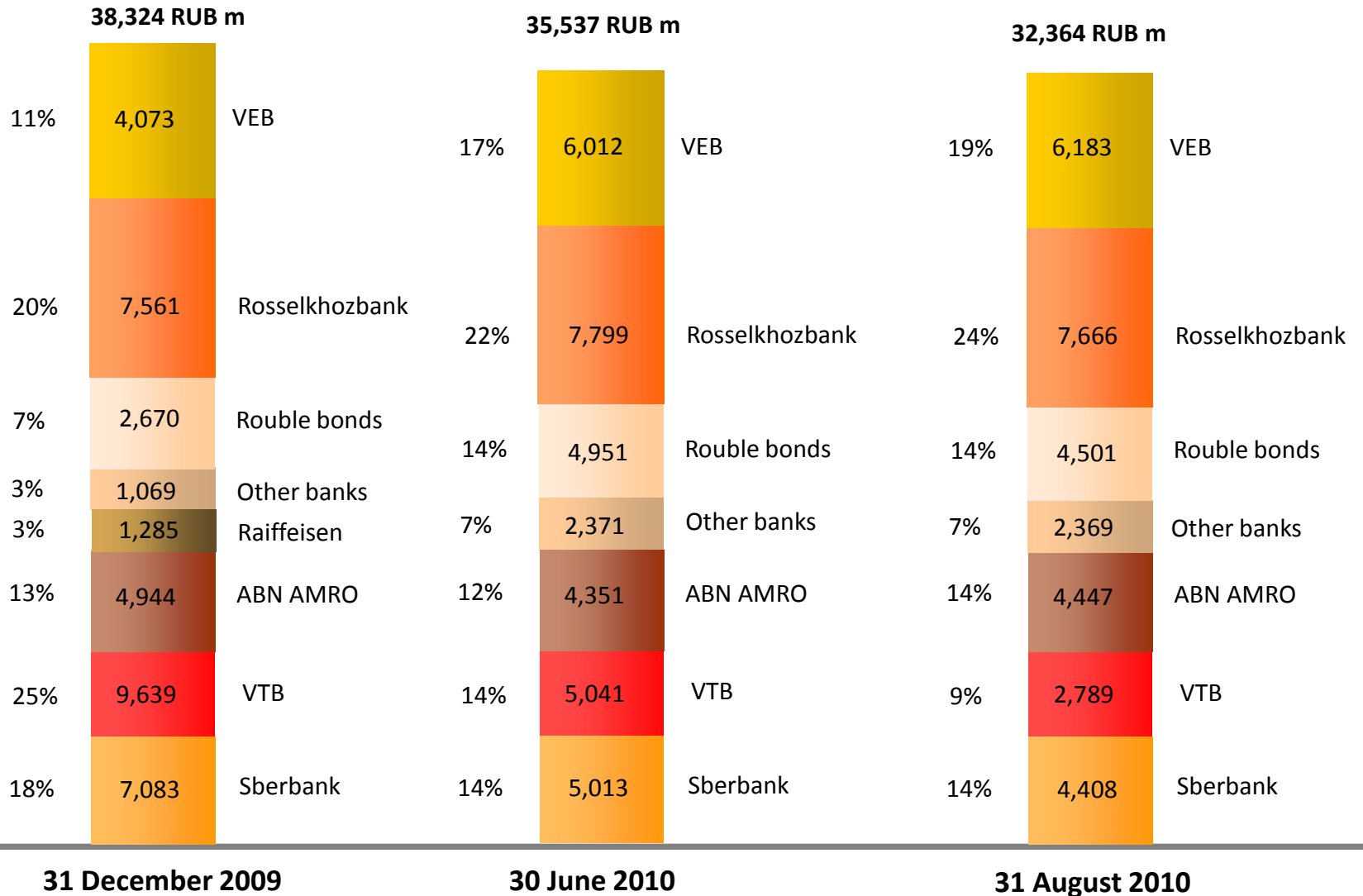
Period	3Q 2010	4Q 2010	1Q 2011	2Q 2011	3Q 2011	4Q 2011	2012	>2013	Total
<b>RUB m</b>	31	209	3,745	3,325	1,688	1,560	1,681	1,680	<b>13,920</b>
<b>USD m</b>	1	4	7	7	5	62	119	225	<b>430</b>
<b>EUR m</b>	-	1	3	1	9	1	21	98	<b>134</b>

Source: Company

Note: excluding finance lease liability and other loans



# Gross Debt By Source



Source: Company  
 Note: excluding finance lease liability and other loans

# Agenda

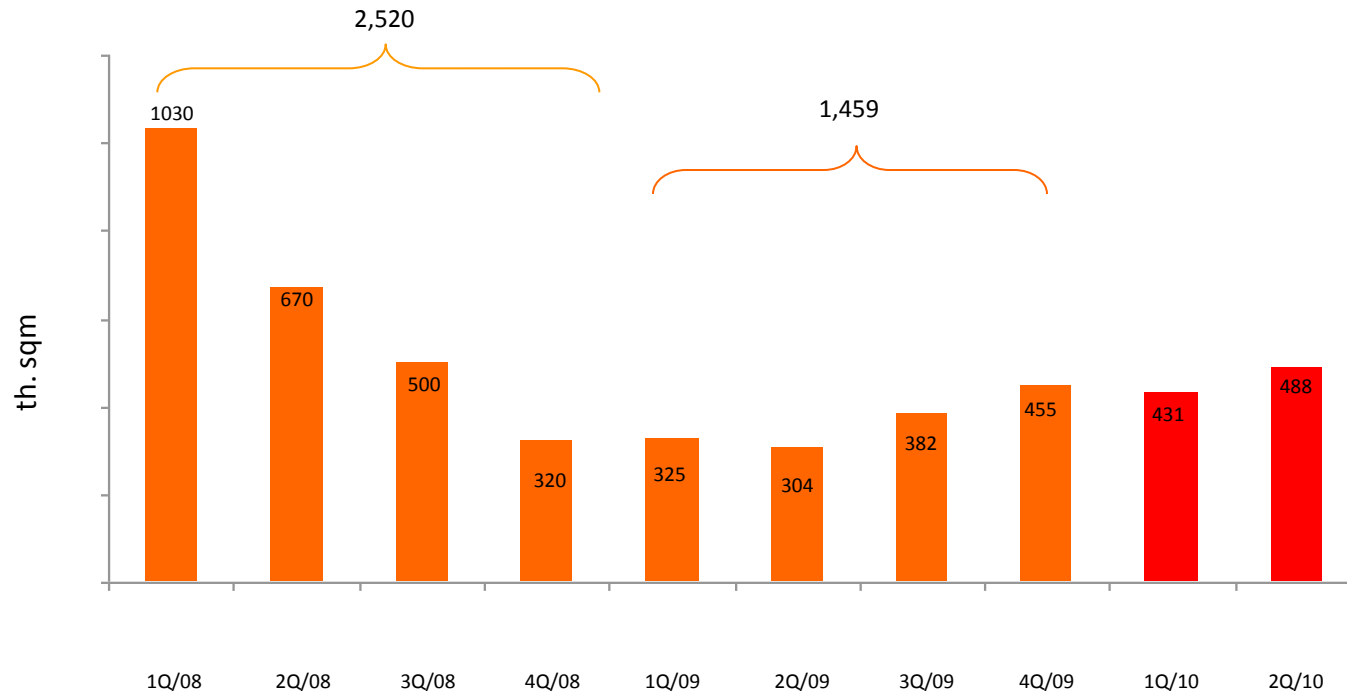
**1. 1H 2010 Operating and Financial Results**

**2. Market Update**

**Appendix**

# Market

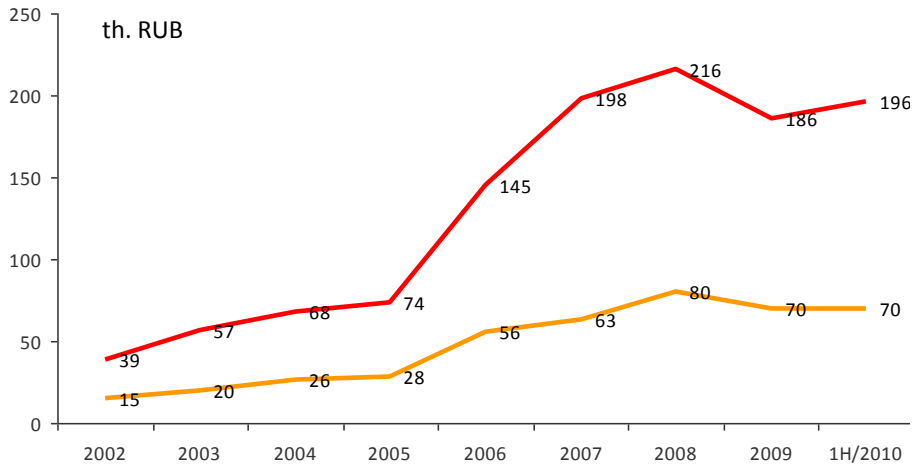
**Sales of new apartments in St. Petersburg**



Source: SPb Realty

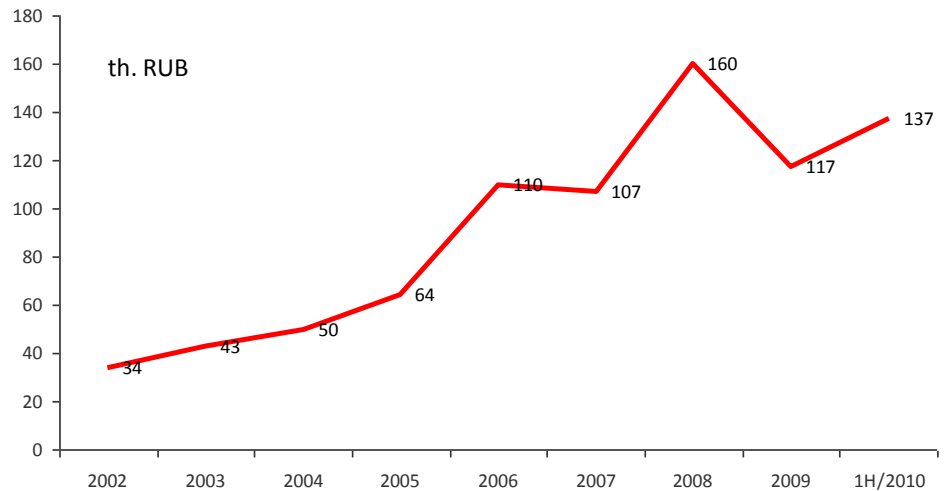
# New Residential Real Estate Price Development In St. Petersburg And Moscow

### St. Petersburg



— Elite    — Mass-Market

### Moscow



— IRN Index<sup>1</sup>

Source: SPb Realty

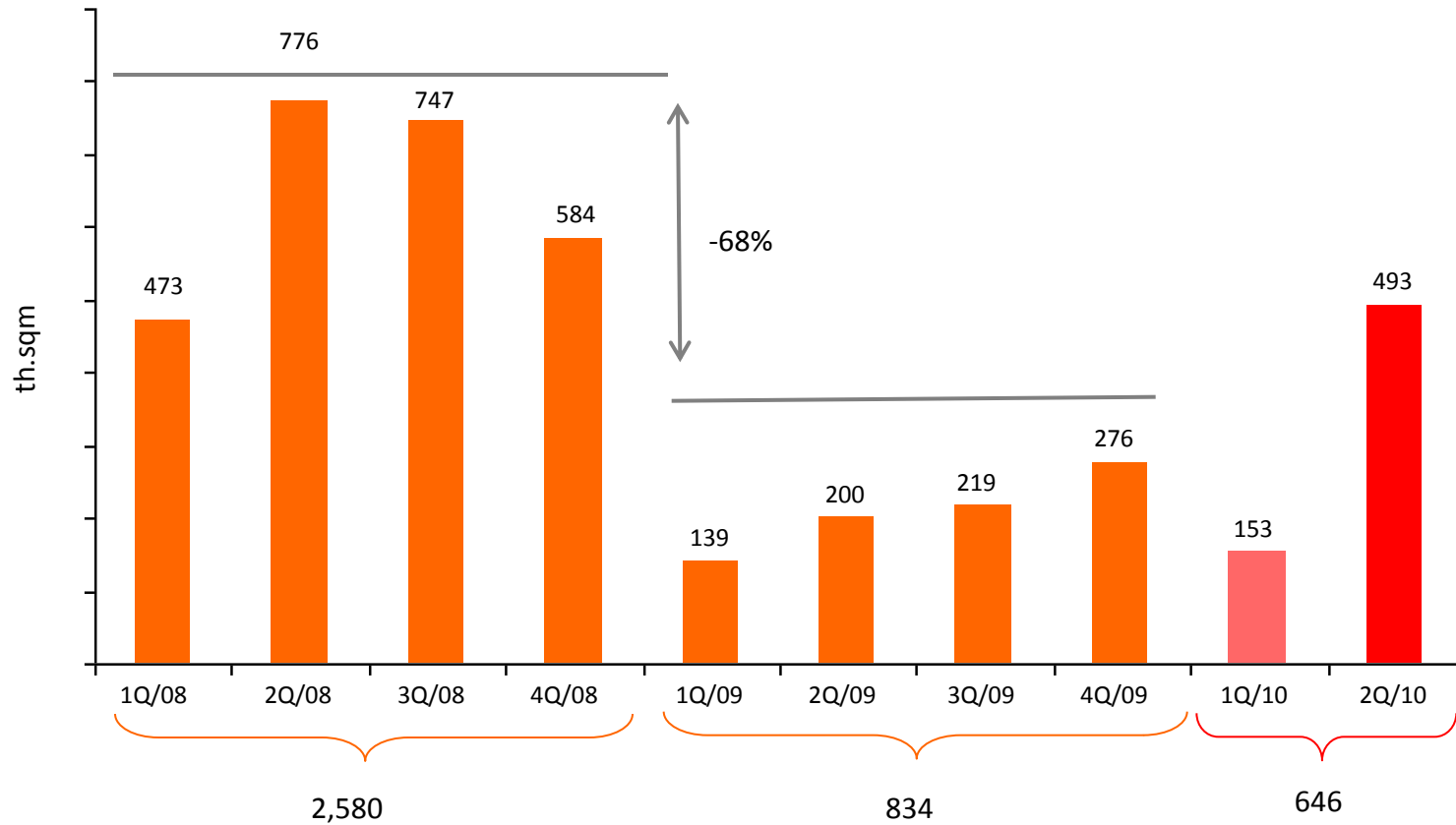
Notes: Prices as of the end of the respective periods

1) IRN Index is calculated on the basis of prices in both primary and secondary markets

Source: IRN

# Supply Of New Apartments

Supply of new apartments in St. Petersburg

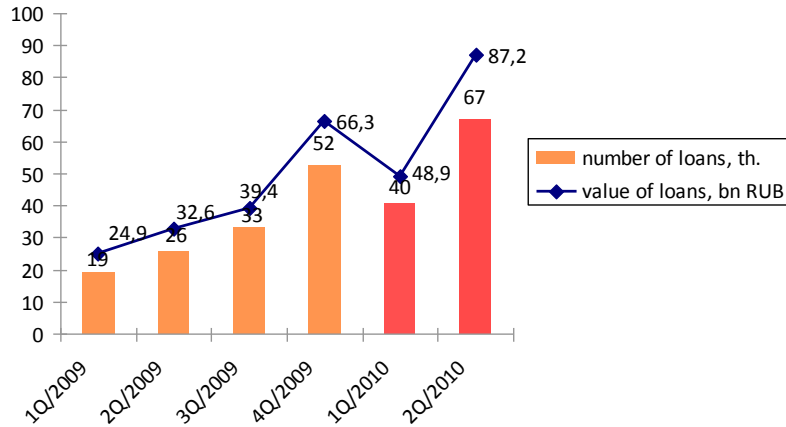


Source: SPb Realty

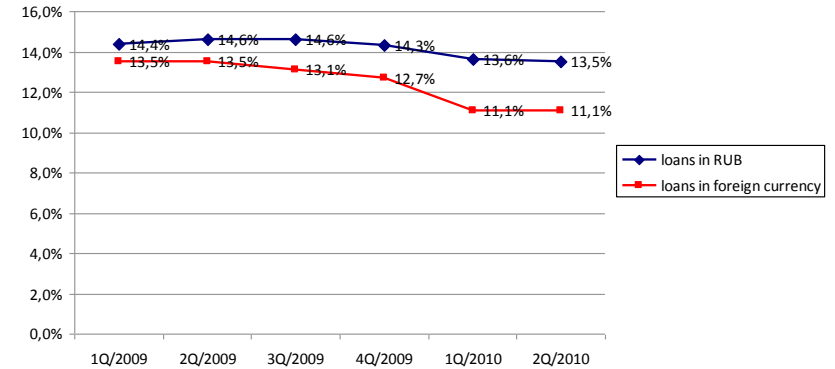
Note: Supply of new housing (apartments) represents residential projects at different stages of development which are offered for sale for the first time during the reported period

# Mortgage Lending

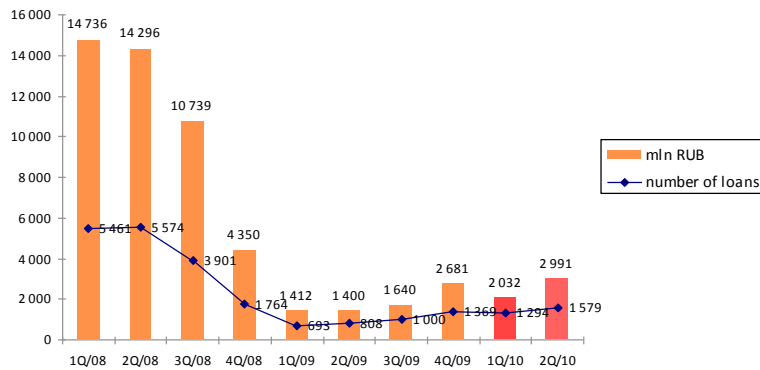
## Mortgage lending in Russia



## Average Mortgage Rates

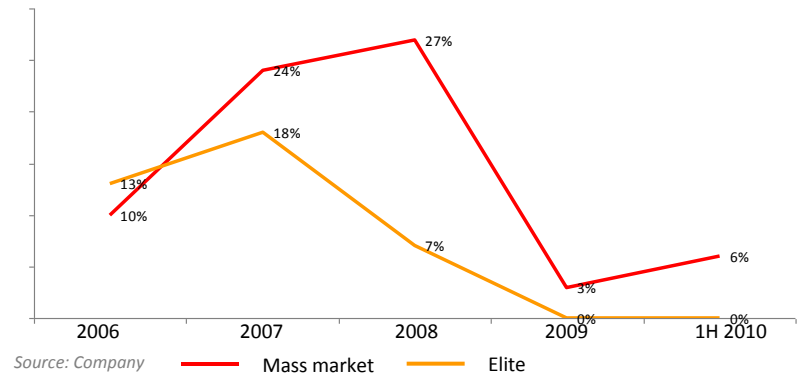


## Mortgage lending in St. Petersburg



Source: Spb Mortgage Agency

## LSR mortgage sales by number of deals



Source: Company

# Elite Real Estate Case Study: “Venice”

Start of construction	March 2010
Start of pre-sales	March 2010
Number of apartments	66
Net sellable area, sqm	15,728
Number of parking lots	116



New Contract sales	April	May	June	July	August	Total
Number of apartments	3	6	4	2	2	17
Square meters	636	958	1,108	340	510	3,552
New contract sales, RUB m	156	221	407	72	175	1,031
Average price per sq. m, RUB'000	245	231	367	211	342	290

***Pre-sold as of 31 August 2010: 23% of total NSA***

Our most successful project launch in 2010 - elite residential project “Venice”.

We opened sales in Venice in April 2010. Despite the fact that the project is currently at the initial stage of construction during the period from April to August we sold 17 apartments (26% of total number of apartments).

The value of sales contracts signed with the customers was RUB 1.03 billion.

# Mass Market Real Estate Case Study: “Antey”

Start of construction	March 2010
Start of pre-sales	March 2010
Number of apartments	448
Net sellable area, sqm (block 5 and 7)	22,265



New Contract sales	March	April	May	June	July	August	Total
Number of apartments	3	13	21	26	27	41	131
Square meters	162	572	889	1,079	1,120	1,176	5,598
New contract sales, RUB m	11	41	64	76	81	125	397
Avg price per sq. m, RUB'000	67	71	72	70	72	70	71

### **Pre-sold as of 31 August 2010: 25% of total NSA**

One of our residential projects in mass market segment re-launched in 2010 - residential complex “Antey”.

We opened sales in Antey in March 2010. Despite the fact that the project is currently at the initial stage of construction during the period from April to August we sold 131 apartments.

The value of sales contracts signed with the customers was RUB 397m.



# Agenda

**1. 1H 2010 Operating and financial results**

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**Appendix**

# Income Statement

RUB m	FY 2008	FY 2009	1H 2009	1H 2010
<b>Sales revenue</b>	<b>49,813</b>	<b>51,024</b>	<b>20,585</b>	<b>17,717</b>
Cost of sales	(31,807)	(32,279)	(13,226)	(13,035)
Gross profit	18,006	18,744	7,359	4,682
Distribution, G&A and other expenses	(7,266)	(5,968)	(2,821)	(2,953)
Changes in fair value of investment property (non-cash)	(16,143)	(1,752)	(2,134)	-
Write-down of inventory	-	(529)	-	-
<b>Operating profit / (loss)</b>	<b>(5,404)</b>	<b>10,495</b>	<b>2,404</b>	<b>1,729</b>
Net financial expenses	(4,858)	(4,560)	(2,495)	(2,171)
<b>Profit / (loss) before income tax</b>	<b>(10,262)</b>	<b>5,935</b>	<b>(90)</b>	<b>(442)</b>
Income tax expense / (benefit)	2,255	(1,345)	(97)	(170)
<b>Net profit / (loss)</b>	<b>(8,007)</b>	<b>4,590</b>	<b>(188)</b>	<b>(613)</b>
<b>EBITDA</b>	<b>13,178</b>	<b>14,732</b>	<b>5,696</b>	<b>2,923</b>
<b>EBITDA margin</b>	<b>26%</b>	<b>29%</b>	<b>28%</b>	<b>17%</b>
Depreciation & amortisation	2,049	2,406	1,157	1,194

# Balance Sheet

RUB m	31.12.09	30.06.10
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	31,843	32,318
Investment property under development	391	423
Investment property	2,305	2,306
Intangible assets	4,472	4,722
Other investments	49	59
Deferred tax assets	1,166	1,379
Trade and other receivables	1,941	1,642
Restricted cash	396	176
<b>Total non-current assets</b>	<b>42,564</b>	<b>43,025</b>
<b>Current assets</b>		
Other investments	124	4,164
Inventories	55,126	56,214
Income tax receivable	277	256
Trade and other receivables	9,329	9,394
Cash and cash equivalents	2,896	3,658
Restricted cash	35	85
Assets classified as held for sale	-	-
<b>Total current assets</b>	<b>67,751</b>	<b>73,771</b>
<b>Total assets</b>	<b>110,314</b>	<b>116,796</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	32	32
Share premium	14,563	14,563
Additional paid in capital	16,796	28,608
Foreign currency translation reserve	36	(26)
Retained earnings	7,945	7,372
<b>Total equity attributable to shareholders of the Company</b>	<b>39,372</b>	<b>50,549</b>
Non-controlling interest	249	250
<b>Total equity</b>	<b>39,621</b>	<b>50,799</b>
<b>Non-current liabilities</b>		
Loans and borrowings	24,433	25,372
Deferred tax liabilities	1,768	1,730
Trade and other payables	0.5	1
Provisions	0.7	0.8
<b>Total non-current liabilities</b>	<b>26,203</b>	<b>27,103</b>
<b>Current liabilities</b>		
Bank overdraft	-	-
Loans and borrowings	15,107	10,520
Income tax payable	633	100
Trade and other payables	28,184	27,962
Provisions	566	311
Liabilities classified as held for sale	-	-
<b>Total current liabilities</b>	<b>44,491</b>	<b>38,893</b>
<b>Total equity and liabilities</b>	<b>110,314</b>	<b>116,796</b>

# Cash Flow

RUB m	1H 2009	1H 2010
Net Income	(188)	(613)
Depreciation & amortization	1,157	1,194
Other, net	4,738	2,345
<b>Operating profit before changes in working capital and provisions</b>	<b>5,707</b>	<b>2,927</b>
Change in Inventories	966	(1,067)
Change in Trade and Other Receivables	(210)	(542)
Change in Trade and Other Payables	(3,467)	(472)
Increase/ decrease in provisions	(137)	(255)
<b>Cash flow from operations before income taxes and interest paid</b>	<b>(2,859)</b>	<b>590</b>
Income Taxes Paid	(771)	(941)
Interest Paid	(1,997)	(1,934)
<b>Cash flow from (utilised by) operating activities</b>	<b>92</b>	<b>(2,286)</b>
Capital Expenditures	(3,624)	(1,990)
Acquisitions	(3,125)	(33)
Disposals	459	124
Other	1,487	(3,879)
<b>Cash flow from (utilised by) investing activities</b>	<b>(4,803)</b>	<b>(5,778)</b>
Debt issued (repaid)	2,091	(3,060)
Proceeds from SPO	-	11,892
<b>Cash flow from (utilised by) financing activities</b>	<b>2,091</b>	<b>8,832</b>
Net change in cash	(2,620)	769
Cash at beginning of period	3,188	2,896
Exchange rate fluctuations	64	(7)
<b>Cash and end of period</b>	<b>632</b>	<b>3,658</b>