



**1H 2009 Results Presentation
October 2009**



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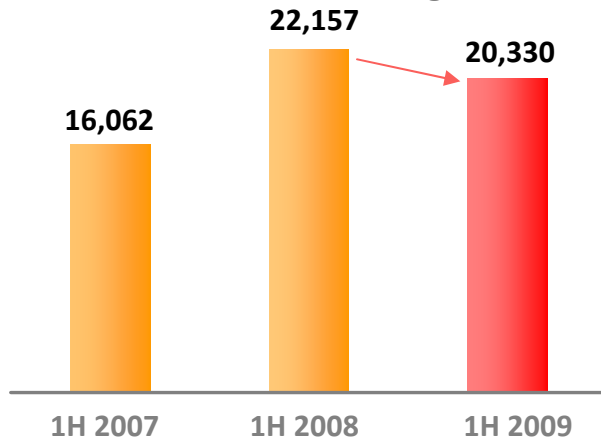
Key Financials

RUR m	1H 2007	1H 2008	1H 2009
Revenues	16,062	22,157	20,330
EBITDA	3,457	5,809	5,696
EBITDA margin	22%	26%	28%
Normalised operating profit	2,833	4,913	4,538
Normalised operating profit %	18%	22%	22%
Normalised net profit	1,642	2,971	1,519
Changes in fair value of investment property	5,022	(3,817)	(2,134)
Reported net profit	5,459	70	(188)
<hr/>			
Gross cash flow	3,579	5,827	5,707
Operating cash flow	(289)	(2,493)	92
<hr/>			
Amortisation and depreciation	624	896	1,157
Capitalised capital expenditure	3,457	4,849	3,631
<hr/>			
	31.12.07	31.12.08	30.06.09
Total debt	24,151	36,874	39,228
Net debt	15,553	33,628	38,549
Net debt/EBITDA	2.0	2.6	3.0

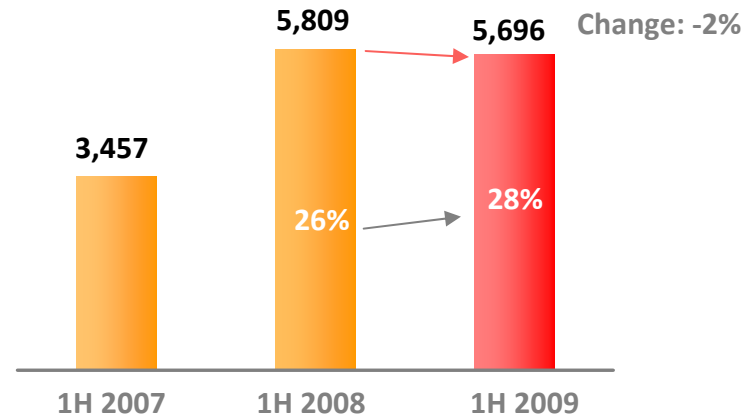
Gross cash flow represents Operating profit before changes in working capital and provisions

Key Financials

•Sales (RUR m)

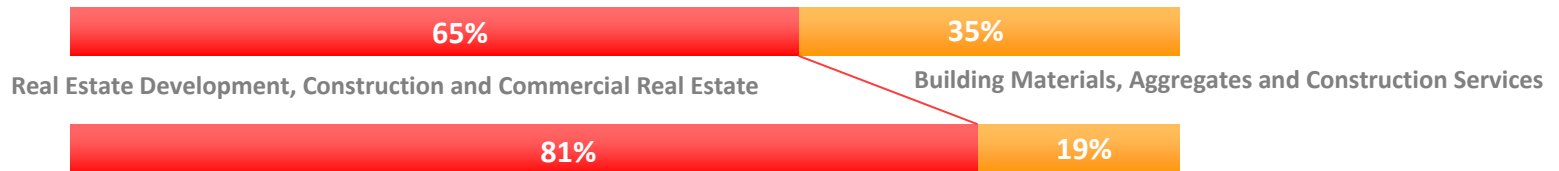


•EBITDA (RUR m)/ EBITDA Margin (%)



•Sales Revenue and EBITDA Breakdown

1H 2009 Sales revenue breakdown



1H 2009 EBITDA breakdown

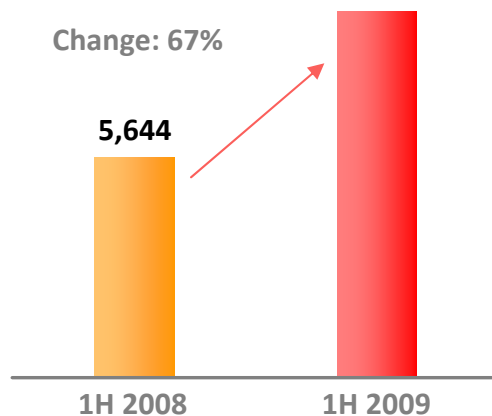


Note: Divisional breakdown of Sales and EBITDA shown before intercompany eliminations and unallocated amounts

Real Estate Development

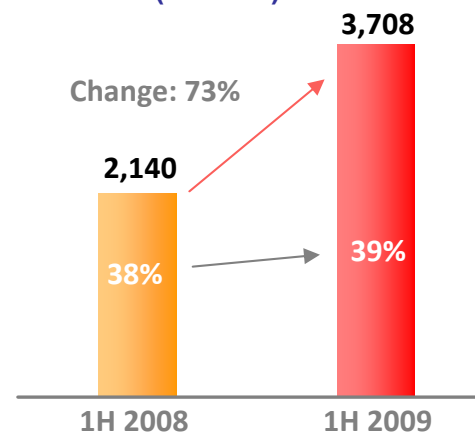
•Sales (RUR m)

Change: 67%



•EBITDA (RUR m)/ EBITDA Margin (%)

Change: 73%



•Key Financials (RUR m)

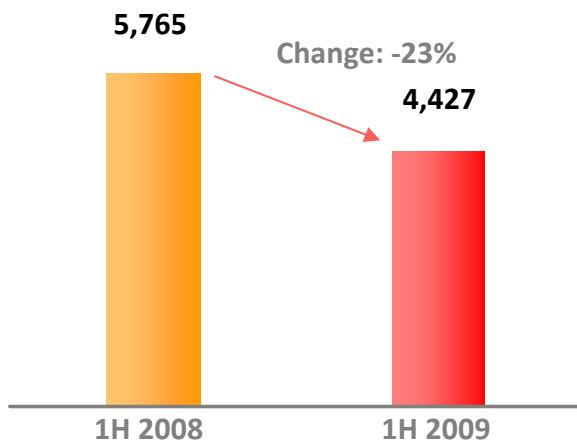
	Total*			Elite Real Estate			Business Class and Mass Market Real Estate			Real Estate in Yekaterinburg
	1H 2008	1H 2009	Change	1H 2008	1H 2009	Change	1H 2008	1H 2009	Change	1H 2009
New contract sales (th sq.m)	103	47	-54%	13	9	-31%	85	28	-67%	8
Transferred to customers (th sq.m)	60	113	88%	13	14	10%	43	66	55%	32
Sales revenue	5,644	9,409	67%	2,418	3,240	34%	2,512	4,516	80%	1,456
EBITDA	2,140	3,708	73%	1,123	1,865	66%	737	1,477	100%	349
EBITDA%	38%	39%	-	46%	58%	-	29%	33%	-	24%
Gain/Loss on revaluation of investment property	(3,462)	(2,134)	-38%	(3,462)	(2,134)	-38%	-	-	-	-

(* After intersegment eliminations and other operations)

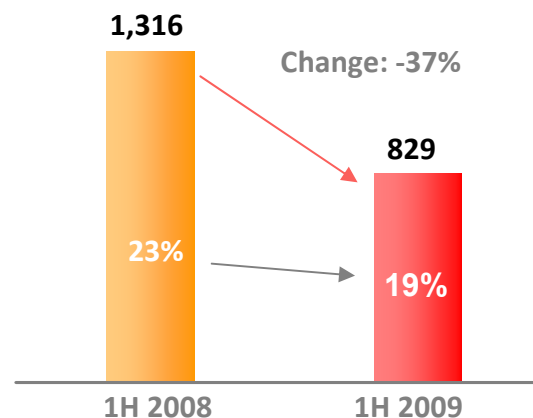
- Strong growth in revenue and margins driven by completions and historical revenue recognition
- Decline of new contract sales due to economic downturn
- Governmental orders worth RUR 6.5Bn obtained in summer 2009 to compensate the reduced market demand

Construction

•Sales (RUR m)



•EBITDA (RUR m)/ EBITDA Margin (%)



•Key Financials (RUR m)

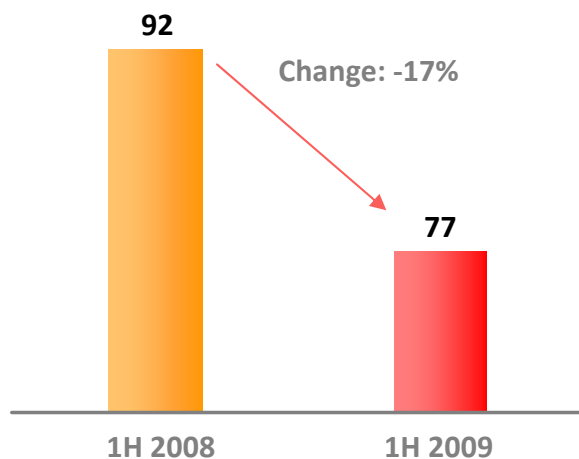
	1H 2008	1H 2009	Change
Sales volume (th sq.m)	216	199*	-8%
Sales revenue	5,765	4,427	-23%
EBITDA	1,316	829	-37%
EBITDA%	23%	19%	-

- Government became the key customer in 2009
- Partial modernisation completed in 2008 and 1H 2009 improved operating efficiency
- Governmental orders worth RUR 15.3Bn for construction of panel housing obtained in 2009

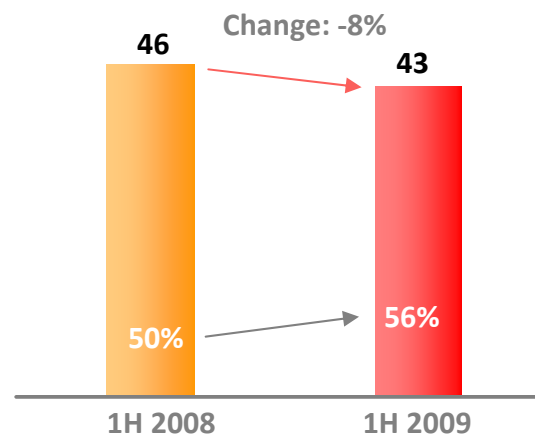
**In addition in 1H 2009 our business units in Yekaterinburg consolidated in our Construction business segment sold 8 th cub.m of panels, 35 th cub.m. of reinforced concrete and 25 th cub.m. of aerated concrete (included in the financial results in the table)*

Commercial Real Estate

•Sales (RUR m)



•EBITDA (RUR m)/ EBITDA Margin (%)



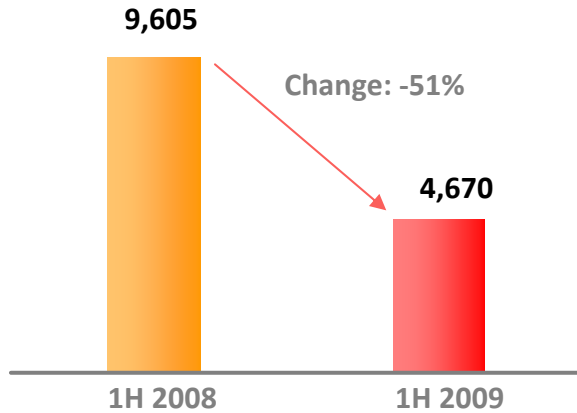
•Key Financials (RUR m)

	1H 2008	1H 2009	Change
Net lettable area at 30 June (th sq.m)	15	15	-
Sales revenue	92	77	-17%
EBITDA	46	43	-8%
EBITDA%	50%	56%	-
Gain (loss) on revaluation of investment property	(355)	-	-

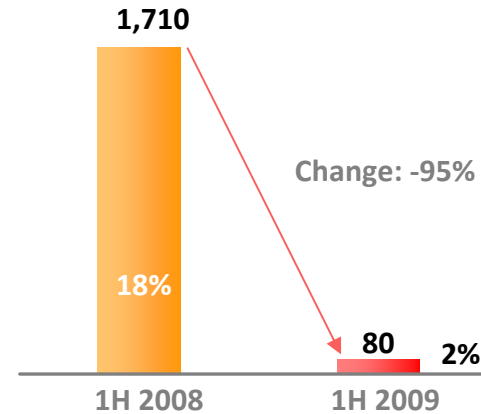
- Decline of demand for office space led to increase of vacancy rates and reduction of rental rates
- Development of office pipeline suspended, part of the projects will be repositioned to residential real estate

Building Materials

•Sales (RUR m)



•EBITDA (RUR m)/ EBITDA Margin (%)



•Key Financials (RUR m)

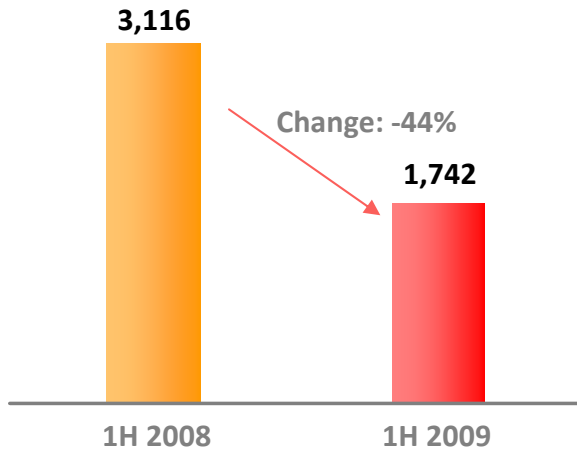
	Total*			Reinforced Concrete			Ready-Mix Concrete			Bricks			Aerated Concrete		
	1H 2008	1H 2009	Change	1H 2008	1H 2009	Change	1H 2008	1H 2009	Change	1H 2008	1H 2009	Change	1H 2008	1H 2009	Change
Sales volume	n/a	n/a	-	283	122	-57%	757	346	-54%	147	89	-39%	429	324	-24%
Sales revenue	9,605	4,670	-51%	2,997	1,512	-50%	2,855	1,077	-62%	1,412	715	-49%	1,277	775	-39%
EBITDA	1,710	80	-95%	702	21	-97%	252	(52)	-	502	94	-81%	205	(24)	-
EBITDA%	18%	2%	-	23%	1%	-	9%	-	-	36%	13%	-	16%	-	-

(*) After intersegment eliminations and other operations

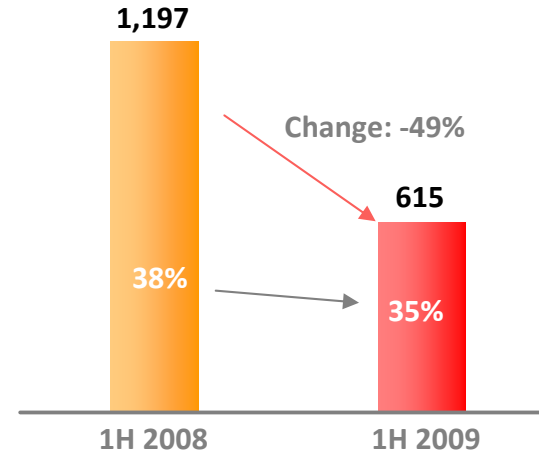
- Reduction of demand from all types of construction
- Price competition
- Margins significantly reduced in all businesses
- Cost reduction and capacity optimisation

Aggregates

•Sales (RUR m)



•EBITDA (RUR m)/ EBITDA Margin (%)



•Key Financials (RUR m)

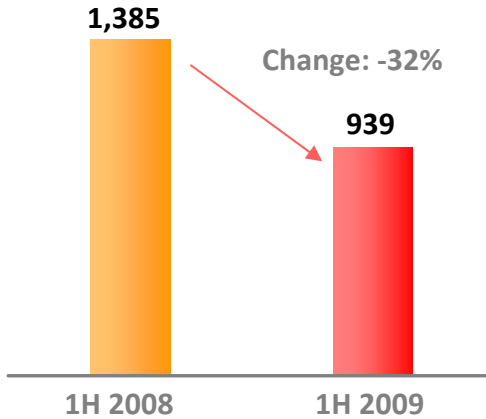
	Total*			Sand			Crushed Granite		
	1H 2008	1H 2009	Change	1H 2008	1H 2009	Change	1H 2008	1H 2009	Change
Sales volume	n/a	n/a	-	7,264	4,679	-36%	2,507	1,411	-44%
Sales revenue	3,116	1,742	-44%	1,429	920	-36%	1,697	825	-51%
EBITDA	1,197	615	-49%	712	521	-27%	485	95	-80%
EBITDA%	38%	35%	-	50%	57%	-	29%	11%	-

(*) After intersegment eliminations

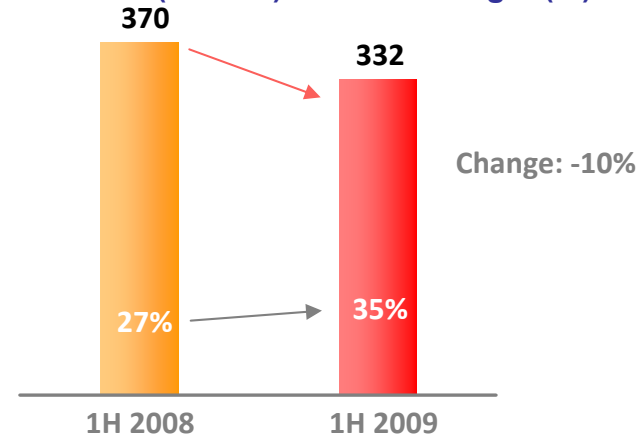
- Increased share of infrastructure sales
- Resilient margin in Sand business

Construction Services

•Sales (RUR m)



•EBITDA (RUR m)/ EBITDA Margin (%)



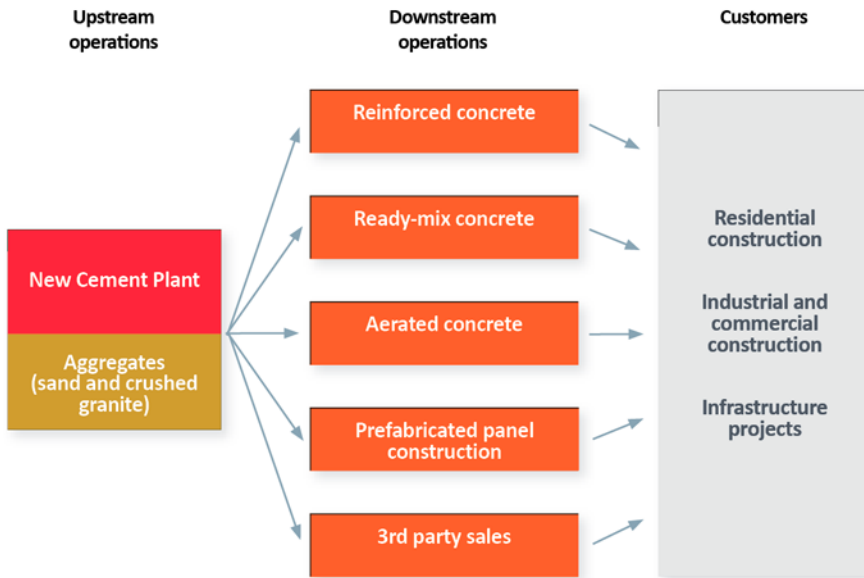
•Key Financials (RUR m)

	Total			Tower Cranes Services			Pile foundation construction			Transportation		
	1H 2008	1H 2009	Change	1H 2008	1H 2009	Change	1H 2008	1H 2009	Change	1H 2008	1H 2009	Change
Sales revenue	1,385	939	-32%	622	565	-9%	540	277	-49%	224	98	-56%
EBITDA	370	332	-10%	283	295	4%	66	16	-76%	21	21	1%
EBITDA%	27%	35%	-	46%	52%	-	12%	6%	-	9%	21%	-

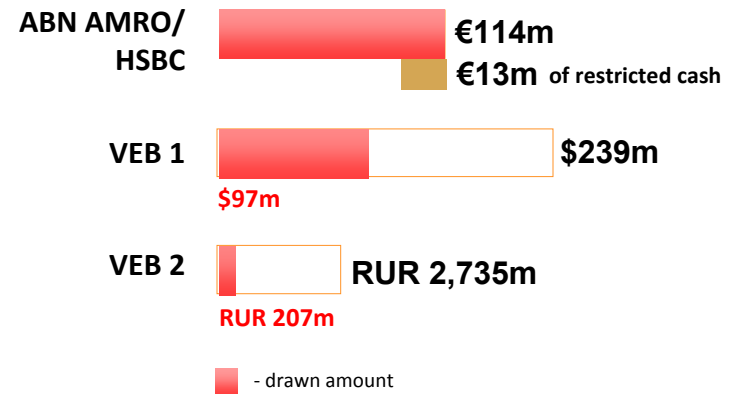
- Good performance of Tower Cranes Services BU

New Cement Plant

- New cement plant will complete the integrated chain of building materials operations



- Project Financing Status as of 30 September 2009



- In 2008 LSR Group consumed over 1 million tonnes of cement

Production capacity	1.86m tonnes
Confirmed reserves	95mn tonnes of limestone, 17mn tonnes of cement clay
Technology	Dry
Construction period	2007 – 2010
Stage of the project	Construction
Supplier of equipment	FLSmidth
Building contractor	Hefei Cement Research and Design Institute

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Review of 1H 2009 Results

Successful Management Through Crisis: Debt Refinancing

Successful Management Through Crisis: Governmental Orders

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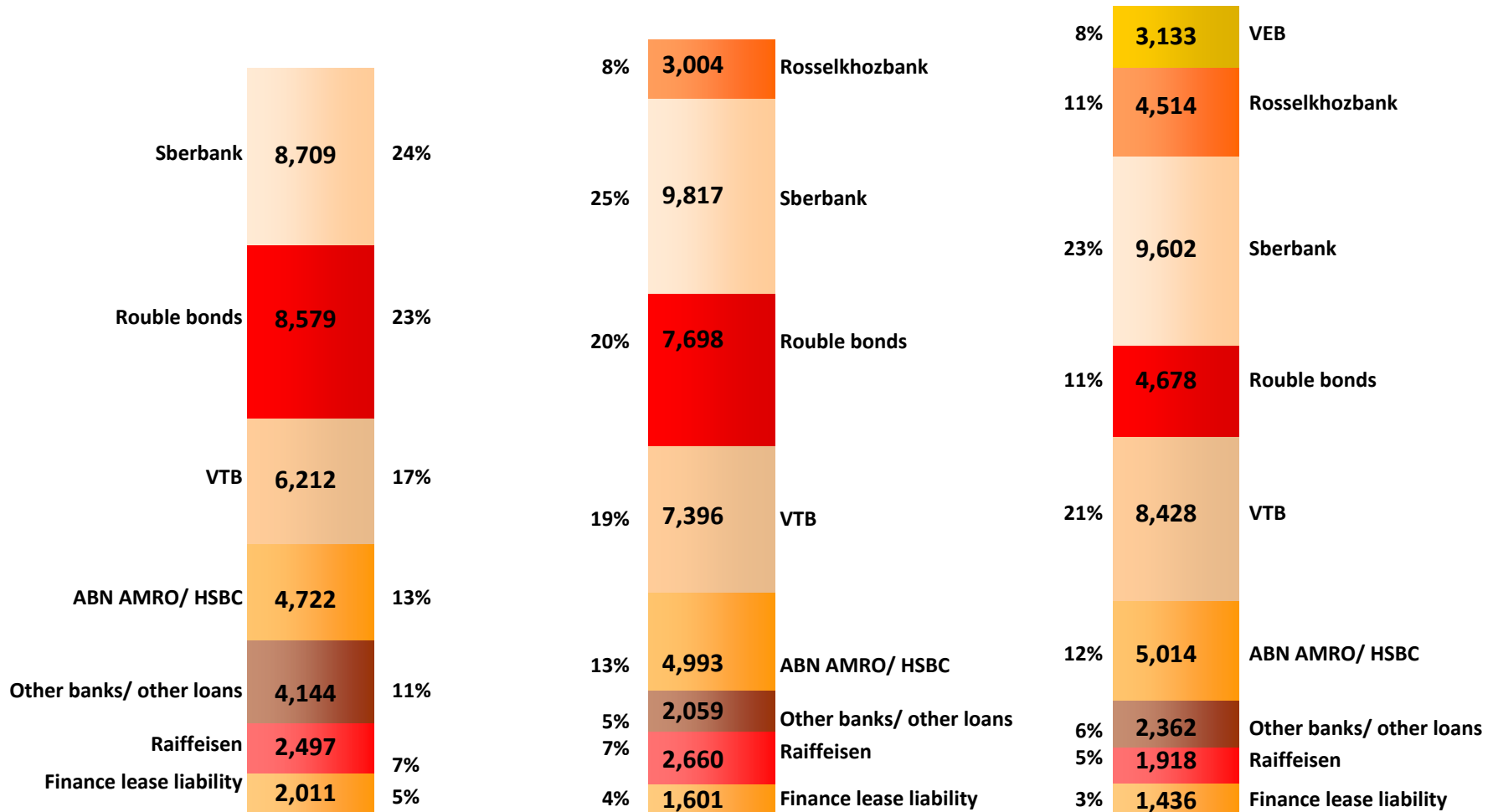
Appendixes

Gross Debt by Source

• Total 36,874 RUR m

• Total 39,228 RUR m

• Total 40,963 RUR m



RUR m

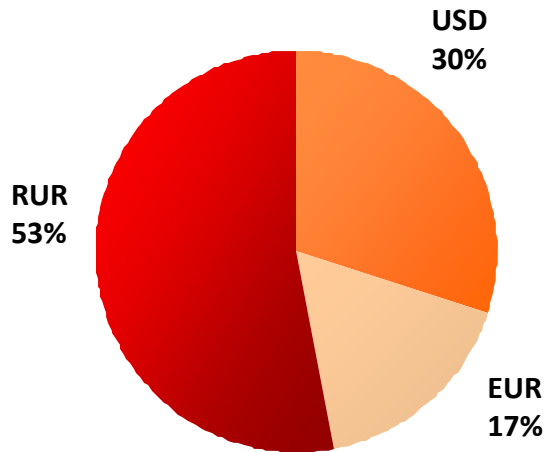
31 December 2008

30 June 2009

30 September 2009

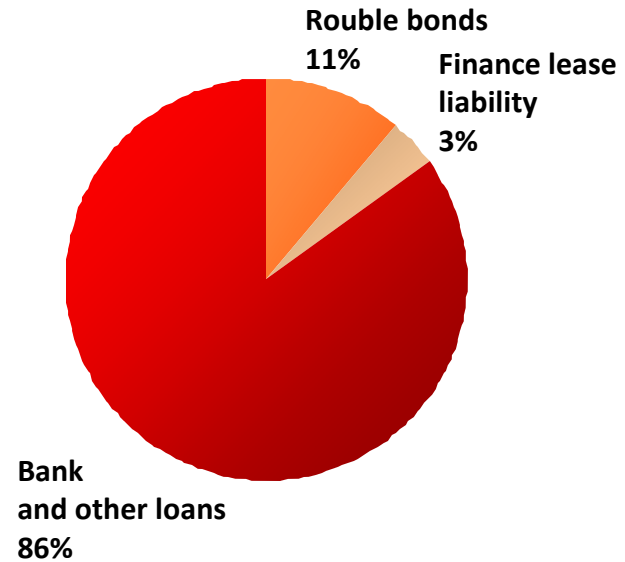
Debt Composition as of 30 September 2009

•Gross Debt by Currency



Note: excluding finance lease liability and other loans

•Gross Debt Composition



Debt Refinancing in 2009

- In May 2009 we obtained 3-year loan facilities of USD 150m from Rosselkhozbank
- VEB granted LSR Group the project financing for the construction of our cement plant. The financing is provided via two loan facilities of USD 239m and RUR 2,735m on a 10-year term each
- In July 2009 we redeemed the rouble bond of RUR 3Bn at the request of bondholders executing the put option
- In the course of 2009 we refinanced the existing maturing debt and obtained new financing from Sberbank, VTB and other banks

Debt Maturity Profile at 30 September 2009

Period	Total in RUR m	Breakdown by currency		
		RUR m	USD m	EUR m
4Q 2009	7,887	6,702	4	24
1Q 2010	4,268	3,316	31	1
2Q 2010	3,818	2,863	31	1
3Q 2010	4,528	3,644	28	1
4Q 2010	871	642	6	1
2011	4,549	780	108	12
2012	4,850	57	132	19
2013 and after	8,665	2,834	49	99
Total	39,437	20,839	389	157

Note: excluding finance lease liability and other loans

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Governmental contracts for mass market housing

	Description	Type of engagement	Location	Customer	Volume	Value (RUR m)	Deadline
1	Development and sale of mass market housing	Developer	St Petersburg	RF Ministry of Defence	1,704 flats (105,766 sq.m)	4,685	September 2010
2	Development and sale of mass market housing	Developer	St Petersburg	Government of St Petersburg	1,040 flats (38,134 sq.m.)	1,801	March 2010
3	Construction of panel houses	Building contractor	St Petersburg	RF Ministry of Defence	49 houses of 9-17 floors (approx. 380 th sq.m)	11,385	30 July 2011
4	Construction of panel houses	Building sub-contractor	Moscow	Morton (General contractor for RF Ministry of Defence)	6 houses of 14-17 floors (140 th sq.m)	3,900	June 2011
Total						21,771	

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Successful management through crisis: Debt Refinancing

Successful management through crisis: Governmental Orders

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Strategy 2009

- Maximisation of free cash flow is top priority
- Cost cutting
- Stricter working capital policy

Building Materials

- Reduce prices but try to keep sales volumes -> ensure cash flow and protect and increase market share
- Reduced capex, but strategic cement project will continue as planned
- Optimisation of capacity usage
- Refocusing marketing and sales efforts to infrastructure demand

Real Estate

- Continue construction of all residential projects started before the crisis
- Suspended development of office pipeline
- Pipeline of new residential projects in “sleep mode” prepared to hit the market as soon as demand returns
- Execute governmental contracts and participate in new acceptable governmental housing initiatives

Panel construction

- Focus on governmental orders

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Successful Management Through Crisis: Debt Refinancing

Successful Management Through Crisis: Governmental Orders

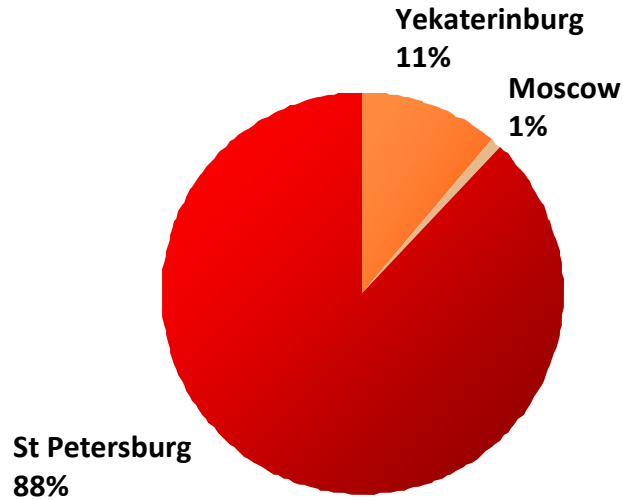
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Real Estate Portfolio

•Breakdown of Property Portfolio by Region

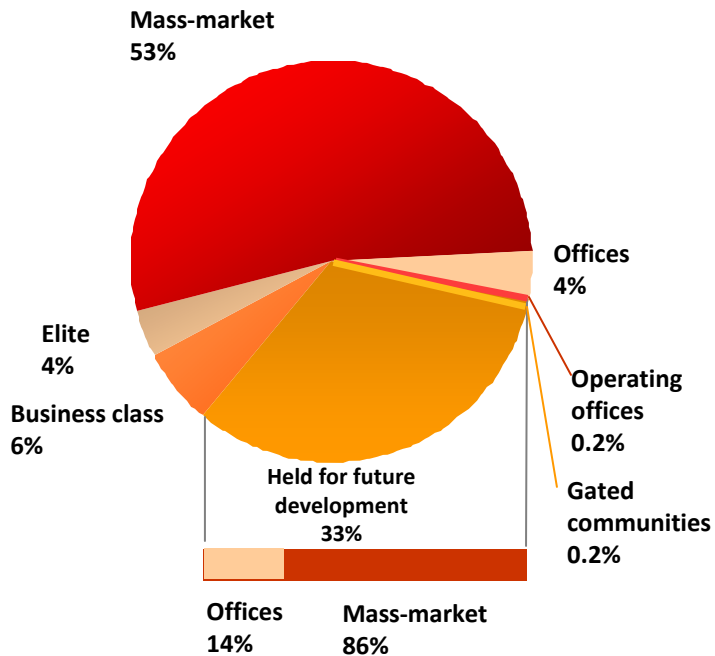


Region	Net sellable / leasable area, th sq.m	% of total
St Petersburg	7,569	87.7%
Yekaterinburg	917	10.6%
Moscow	89	1.0%
Leningrad Region	55	0.6%
Total	8,629	100%

- Largest part of our real estate portfolio is located in our home market of St Petersburg within the boundaries of the city

Real Estate Portfolio

• Breakdown of Real Estate Portfolio by Segment

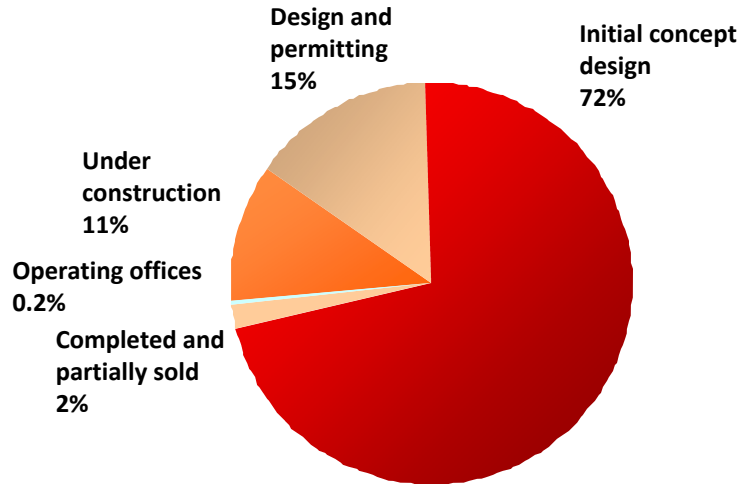


Segment of property	Net sellable / leasable area, th sq.m	% of total
Mass-market	4,522	52.4%
Elite	375	4.3%
Business class	489	5.7%
Offices	342	4.0%
Operating offices	15	0.2%
Gated communities	20	0.2%
Held for future development	2,866	33.2%
Total	8,629	100%

- Well-balanced portfolio with focus on residential development

Real Estate Portfolio

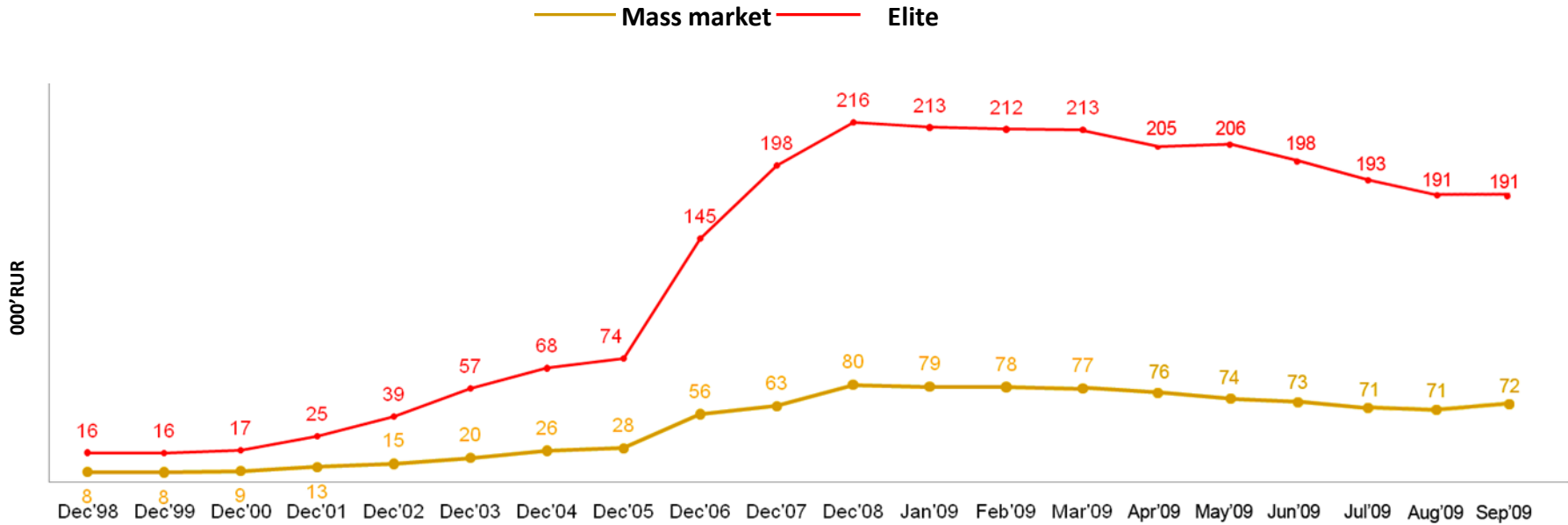
•Breakdown of Property Portfolio by Stage of Development



Stage of development	Net sellable / leasable area, th sq.m	% of total
Initial concept design	6,208	71.9%
Design and permitting	1,294	15.0%
Under construction	967	11.2%
Completed and partially sold	145	1.7%
Operating offices	15	0.2%
Total	8,629	100%

•We aim to match the stages of development of our portfolio with the levels of demand for real estate

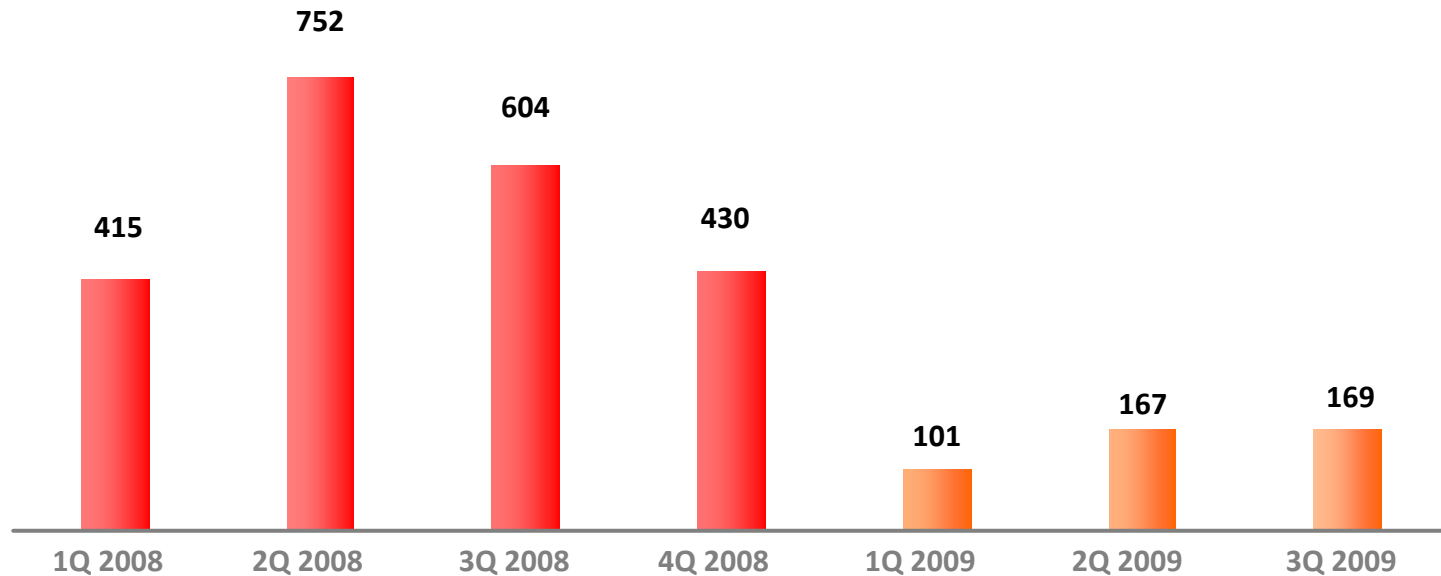
New Residential Real Estate Price Development in St Petersburg



Source: SPb Realty

Supply Of Residential Real Estate Decreasing

- New Supply of Residential Real Estate in St Petersburg, th sq.m



Note: Represents the number of square meters of new residential projects at different stages of development which are offered for sale in the market for the first time during the reported period

Source: SPb Realty

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Income Statement

RUR m	1H 2008	1H 2009	FY 2008
Sales revenue	22,157	20,330	49,813
Cost of sales	(13,840)	(13,226)	(31,807)
Gross profit	8,317	7,104	18,006
Distribution, G&A and other expenses	(3,404)	(2,566)	(7,267)
Changes in fair value of investment property (non-cash)	(3,817)	(2,134)	(16,143)
Operating profit	1,096	2,404	(5,404)
Net financial expenses	(909)	(2,495)	(4,858)
Profit before income tax	187	(90)	(10,262)
Income tax expense	(117)	(97)	2,255
Net profit	70	(188)	(8,007)
EBITDA	5,809	5,696	13,178
EBITDA margin	26%	28%	26%
Depreciation & amortisation	896	1,157	2,049

Balance Sheet

RUR m	31.12.08	30.06.09
ASSETS		
Non-current assets		
Property, plant and equipment	28,314	30,227
Investment property under development	5,488	2,503
Investment property	1,925	1,925
Intangible assets	4,615	4,576
Other investments	125	59
Deferred tax assets	877	1,072
Trade and other receivables	1,206	1,011
Restricted cash	4,259	2,082
Other non-current assets	-	-
Total non-current assets	46,810	43,455
Current assets		
Other investments	134	164
Inventories	50,696	50,729
Income tax receivable	290	186
Trade and other receivables	12,661	13,067
Cash and cash equivalents	3,246	1,395
Assets classified as held for sale	62	278
Total current assets	67,089	65,818
Total assets	113,899	109,272
EQUITY AND LIABILITIES		
Equity		
Share capital	32	32
Restitutable Shares Reserve	-	-
Share premium	14,563	14,563
Additional paid in capital	16,477	16,477
Foreign currency translation reserve	22	73
Retained earnings	3,231	3,112
Total equity attributable to shareholders of the Company	34,325	34,257
Minority interest	686	616
Total equity	35,011	34,873
Non-current liabilities		
Loans and borrowings	18,864	14,574
Deferred tax liabilities	2,246	1,738
Trade and other payables	37	37
Provisions	2	1
Total non-current liabilities	21,148	16,350
Current liabilities		
Bank overdraft	58	47
Loans and borrowings	17,952	24,606
Income tax payable	323	241
Trade and other payables	38,512	32,396
Provisions	886	749
Liabilities classified as held for sale	8	10
Total current liabilities	57,739	58,050
Total equity and liabilities	113,899	109,272

Cash Flow

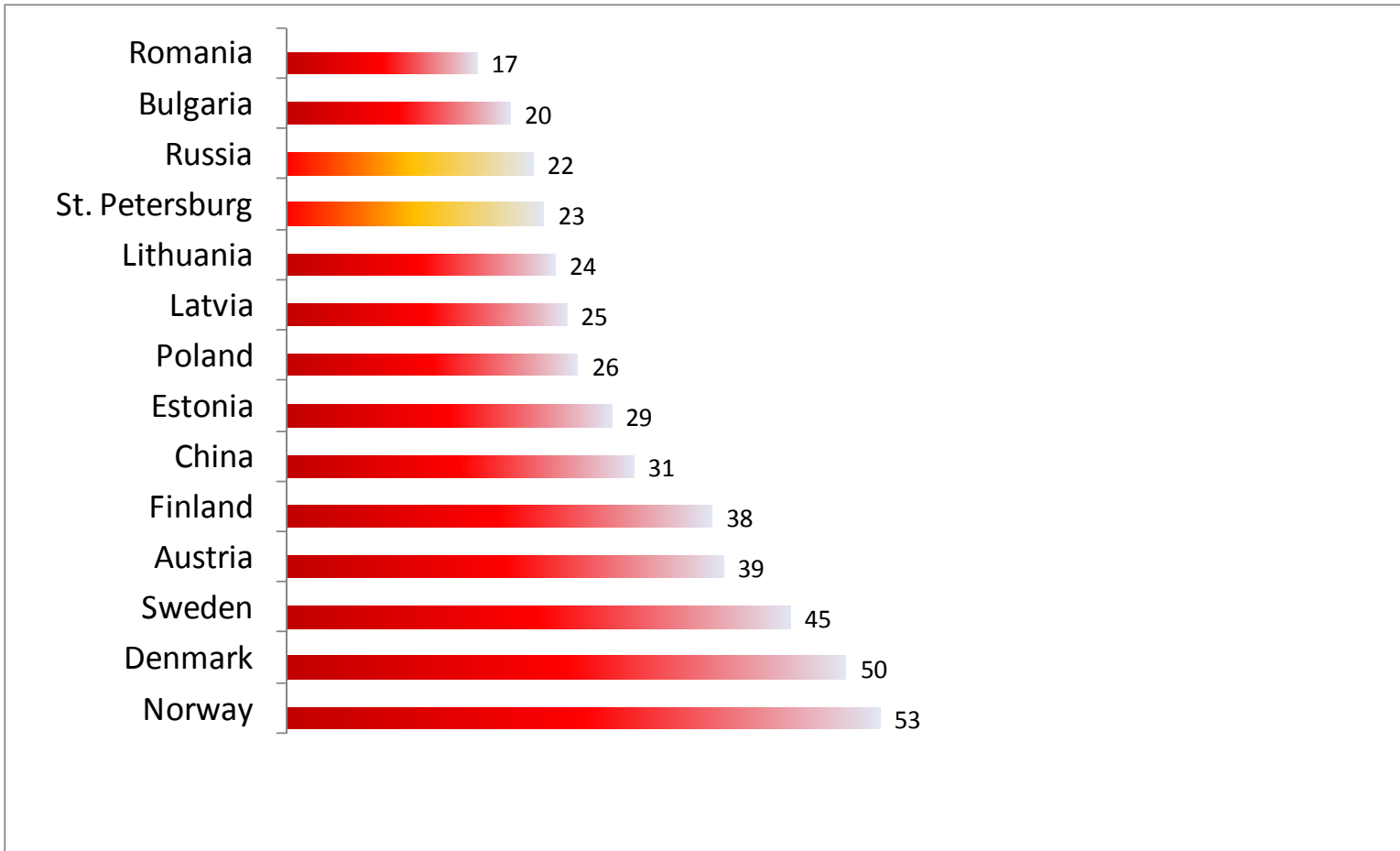
RUR m	1H 2008	1H 2009
Net Income	70	(188)
Depreciation & amortization	896	1,157
Other, net	4,861	4,738
Operating profit before changes in working capital and provisions	5,827	5,707
Change in Inventories	(4,914)	966
Change in Trade and Other Receivables	(5,007)	(210)
Change in Trade and Other Payables	3,973	(3,467)
Increase/ decrease in provisions	87	(137)
Cash flow from operations before income taxes and interest paid	(35)	(2,859)
Income Taxes Paid	(1,275)	(771)
Interest Paid	(1,183)	(1,997)
Cash flow from (utilised by) operating activities	(2,493)	92
Capital Expenditures	(4,541)	(3,624)
Acquisitions	(3,220)	(3,125)
Disposals	137	459
Other	(3,690)	1,487
Cash flow from (utilised by) investing activities	(11,313)	(4,803)
Debt issued (repaid)	8,753	2,091
Other	(40)	-
Cash flow from (utilised by) financing activities	8,713	2,091
Net change in cash	(5,093)	(2,620)
Cash at beginning of period	8,593	3,188
Exchange rate fluctuations	-	64
Cash and end of period	3,500	632

Long-Term Outlook For Building Materials Is Very Attractive

- Substantial **undersupply** of real estate assets
- **Supply-side** of building materials industry is **constrained**
 - 60% to 70% of the industry capacity is obsolete
 - Existing equipment park dominated by non-efficient processes and technology
 - Utilisation rates close to industry capacity over the last years
- The sector benefits from **high barriers to entry**
 - Building of greenfield factory is a time-consuming and capital intensive project (up to 5 years)
 - Access to captive raw materials sources (such as granite, sand and clay)
 - Scale advantage on brand and operations
- Large long-term **infrastructure** pipeline

Need for Housing In The Long Term

•Housing Stock Per Capita, sq.m



Key Infrastructure Projects Planned in St Petersburg

Transportation

- Expansion of St Petersburg underground system. 20 new stations and 40km of lines planned by 2020
- Orlovsky tunnel. New tunnel to link northern and centre parts of St Petersburg
- Ground Express. High speed city express to link city centre and suburbs
- High-Speed federal road Moscow – St Petersburg
- St Petersburg Ring road
- St Petersburg second Ring Road
- Western High Speed Diameter (high speed road to link northern, central and south districts of St Petersburg)
- Construction and reconstruction of 33 bridges in St Petersburg
- Sea passenger terminal
- Sea port infrastructure
- New international airport

Energy

- Three new heat and power plants
- Two new blocks of Leningrad Nuclear Station

Other

- New football stadium
- Second stage of Mariinsky Theatre

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