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PIK GROUP (“The Group” or “PIK”)

FINANCIAL RESULTS FOR SIX MONTHS TO 30 JUNE 2008

(LONDON, 30 September 2008) - PIK (LSE: PIK), one of Russia’s leading residential developers, today announced its interim financial results for the first six months of 2008, based upon consolidated management accounts, reviewed by KPMG.

Financial highlights

- Revenues increased by 63% to US$859m (1H07: US$525m);
- Gross profit rose by 101% to US$320m (1H07: US$159m);
- EBITDA recorded was up by 49% to US$200m, (1H07: US$134m)
- Net income up by 34% to US$93m (1H07: US$69m)
- Completed and approved residential units up by 32% to 418 thousand square meters (1H07: 316 thousand square meters)
- Presold residential units were up by 51.3% to 5,904 (1H07: 3,902 units). Blended average unit cost up 30.2% to $170,275.
- Total cash collections from customers more than doubled from $0,6bn to $1,26bn, with collections from sale of apartments (i.e core residential activities) up 97% to $1bn (H1 2007: $0.5bn). Additionally, an agreement was reached with wholesale customers to provide apartments in Moscow Region for the total amount over $1,0bn.
- Land bank additions showed a 39% increase and reached approximately 19,7m square meters of net sellable area as per management accounts (January 01 2008: 14.2 MM square meters)
- Good strategic progress made during the period
    - new Group structure put in place to manage geographic expansion
    - acquisition and modernization of manufacturing assets to support growth outside Moscow
    - land banking in key target cities in Russia’s regions to build a strong platform for future growth
    - entry into St Petersburg, Krasnodar and other regional cities through land banking
    - intention to enter Kazakhstan and Ukraine

Kirill Pisarev, CEO of PIK comments:

"We are pleased with the Group's performance in the first half and in particular the growth in cash collections, which doubled against the same period last year. The cash generative nature of our business sets us apart from many developers and will enable us to continue with project execution during this difficult period for the Russian banking system. We have already secured substantial pre-sales which shall crystallize in revenue recognition in 2008-2009"

CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT

The first half of 2008 was another good trading period for PIK Group. Our financial performance was strong, driven by a 51.3% rise in the number of apartments sold in the period. The price, size, quality, location and availability of our apartment buildings continue to attract new customers from Russia's growing middle classes, the majority of whom are first–time home buyers.

The fundamentals that drive our business are economic growth and a chronic supply-side shortage in the residential housing sector. Over the last four years, an average annual real GDP growth rate of 7.3% has supported average annual growth of 13.8% in residential real estate construction. Real GDP growth in Russia is estimated at over 7% for 2008. Although some inflationary pressures are now being felt in the economy, the overall backdrop for the Group was benign in the first half, with apartment affordability and mortgage availability metrics stable.

Buying a new apartment remains the number one priority for millions of ordinary Russians. However housing shortages remain a big problem in Russia and its population of 143 million..Two-thirds of the national residential stock is in need of replacement. PIK, which is well-diversified across Russia with a presence in over 25 cities, has continued to benefit from this imbalance, with high levels of pre-sales recorded at developments in Moscow, Moscow Region and the Regions.

PIK is a cash generative business, with US$1.3bn generated during the period of which approximately US$1.0bn came from pre sales of apartments. These cash flows have supported our investment in the Group's regional land bank at attractive prices. Land acquisitions have been a priority for the Group in the first half and we now have a development pipeline stretching out for approximately ten years. The pipeline now includes strategically important cities in Russia, such as Krasnodar, St. Petersburg that match our socioeconomic and demographic criteria.

In the second half of the year the Group will be focused on execution. The development of our portfolio will be supported by our strong cash flows and we will also seek joint venture partners for some of our larger projects, to follow the transaction we closed in December 2007 when we sold 25% of our Mytischi mass market residential development to the real estate investment arm of the Government of Singapore ('GIC') for $233m. We were pleased to reach a $1bn plus agreement to provide apartments to wholesale customers for whom replacing obsolete housing is an urgent priority and believe that a significant proportion of revenue recognitions from the transaction may fall in the second half of the year.

PIK has adopted conservative IFRS accounting principles. These stipulate revenue recognition when buildings have been sold, completed and accepted. Historically, there is a high degree of seasonality in the business, with the majority of acceptances generally in the second half of the year. This seasonal pattern is reflected in the reported results for the period under review.

Financial Review

PIK recognized revenues for the first six months of 2008 of US$859m, up by 63% as compared to the corresponding period of 2007. Our revenues are derived principally from 1) sales of apartments, 2) construction services and 3) sales of construction materials and other activities.

	Six months ended 30 June 2008	**Six months ended 30 June 2007**
	m US$	**m US$**
Revenues from sales of apartments	683	398
Revenues from construction services	100	68
Revenues from sales of construction materials and other sales	76	59
	859	525

The average realized blended selling price per square meter continued to grow and reached US$2,577 per square meter, up by 33%.

Sale of apartments segment	**Six months ended 30 June 2008**	**Six months ended 30 June 2007**
Revenues from sales of apartments, m US$	683	398
Sellable area recognized in revenues from sales of apartments, thousand square meters, rounded	265,000	206,000
Average realized blended selling price per square meter, US$ per square meter	2,577	1,932

At the same time, gross profitability rose with margins rising to 37% (1H07: 30%). Development margins remained stable, with the EBIT margin from sales of real estate property at 29% (1H07: 28%).

Earnings before interest, tax, depreciation and amortization (EBITDA) for the reported period was US$200m, consisting of the following components:

- US$93m net profit (1H07: US$69m);
- US$23m depreciation and amortization (1H07: US$13m);
- US$27m net interest expense (1H07: US$31m);
- US$55m income tax expenses (1H07: US$23m);
- US$2m forex exchange gain (1H07: forex loss of US$2m);

Total assets increased from US$5bn as of 31 December 2007 to US$6bn as of 30 June 2008. This was mainly driven by land banking and increasing construction activity. Compared to 31 December 2007 net debt increased by US$603m to US$1320m, with the cash and equivalents position of US$267m, while total debt was up by US$175m and totalled US$1586m.

The Group has US$1326m in short term debt. Following PIK's acquisition programme in the first half of the year, in the second half we will focus as planned on development execution and the reduction of debt from internally generated cash flows.

Key Corporate Highlights

In the first half, PIK was focused on growing completions while at the same time increasing the Group's land bank. Housing completions were up by 32%, the majority of which came from the Moscow region area.

In May the Group reported the results of CBRE's valuation of the development portfolio, dated 01 January 2008. CBRE valued the portfolio, then comprising 14.2m square meters of net sellable space, at $12.3bn, a 40% increase on 01 January 2007.

In September PIK announced that it had acquired a further 5.6m square meters of land in the first half, taking the Group's total net sellable area at the 30 June 2008 to 19.7m square meters. CBRE have valued the land acquired during this period, 90% of which is located in Russia's regions, at $1.66bn. PIK has entered a number of important new cities via these acquisitions, which include sites such as Izhevsk, Krasnodar, Rostov-on-Don, St Petersburg and Yaroslavl. For the first time since inception, the Group started considering the enlargement of real estate operations outside the Russian Federation opening representative offices in the Ukraine and Kazakhstan.

These land acquisitions are central to PIK's strategy of expanding outside Moscow to build a strong platform for future growth. Also in the first half the Board's began to implement a new structure designed to maximise the benefits of PIK's vertically integrated model for the next phase of its growth and minimise the execution risk attached to operational expansion.

The main change to the Group's structure has seen the division of PIK Region into new regional development companies to overseas project locally. These companies will be responsible for preparing financial models for potential new projects and their execution once they have been approved. By 2015, management expects the Group to have approximately 20 diversified, regional development companies in place with a presence in 4-6 regional cities.

In addition, another company, PIK Realty was set up to assume the role of selling and marketing of the Group's residential real estate across Russia.

Since the half year ended in July 2008 we have announced the launch of our first regional housing production plant in the city of Obninsk (Kaluga Region) with an annual capacity of 80,000 square meters of housing. In line with its established strategy, PIK plans to modernize existing production plants in Russia's regions in order to provide sustainable execution capacity. Currently, PIK is in the process of introducing the modernization of another three precast facilities – Sergeev Pasad (Moscow Region), Novocherkassk (Rostov Region) and Niznhy Novgorod.

The usage of in-house production facilities will enable the Group to provide sufficient control over the development process and mitigate risks arising from subcontracting to third parties.

Strategy

During the first half of the year management's strategic focus has been on fulfilling a key IPO promise, namely to expand the land bank for future growth. Looking ahead to the second half and into 2009, PIK will be focused on execution and the reduction of debt from cash flows. We have built a high quality residential land bank into the regions and our challenge now is to continue delivering high quality apartments in new territories to meet the undoubted market need.

Russian Residential Market Update

Improving housing for ordinary Russians is a political priority for the government. There remain chronic shortages of residential housing and a large obsolete housing stock in the country. While Russia has recently felt the effects of the effects of the global credit crisis, the Russian economy is well capitalised and continues to grow..

While smaller developers may face difficulty from a short-term tightening of credit, PIK is a well capitalised business with strong cash flows that has continued to grow revenues throughout this challenging period in the financial markets. Apartments remain affordable in Russia and we continue to foresee good levels of demand for the mass market housing PIK supplies to the market.

Outlook

PIK's vertically integrated business model was built to give the business solid foundations across business cycles. The first half of the year has shown continued revenue growth and margin stability in our business and we are comfortable with current market forecasts for the full year.

PIK's apartments remain affordable for ordinary Russians and around 80% of our sales are made to customers who do not require mortgage financing form credit institutions. Our business is also driven by the domestic political agenda to replace the existing obsolete housing stock. While we will not be complacent about the crisis in financial markets and its potential effects, we believe that the fundamental strengths in the Russian economy and the need for new housing will continue to drive growth in our business going forward as strong fundamentals of the real estate industry remain in place

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Appendix – Condensed Financial Statements

Note: The Group's reporting currency is Russian roubles. However, for presentation purposes, these amounts were converted into US$ using average RR/US$ exchange rate of the Central Bank of Russian Federation (1H08: 23.96; 1H07: 26.09) for the income statement and using RR/US$ exchange rate (30 June 2008: 23.46; 30 June 2007: 24.55) for the balance sheet as of the date of reporting.

Consolidated Profit and Loss Statement

	1H08	1H07	1H08	1H07
	MM RUR	*MM RUR*	*MM USD*	*MM USD*
Revenues	**20 579**	**13 704**	**859**	**525**
Cost of sales	(12 918)	(9 548)	(539)	(366)
Gross profit	**7 661**	**4 156**	**320**	**159**
Sales of development rights	0	363	0	14
Distribution expenses	(978)	(378)	(41)	(14)
Administrative expenses	(2 168)	(1 129)	(90)	(43)
Other income(loss)	(268)	(27)	(11)	(1)
Results from operating activities	**4 247**	**2 985**	**178**	**115**
Finance Income	235	475	10	18
Finance Expenses	(975)	(1 057)	(41)	(41)
Share of loss of equity accounted investees (net of income tax)	40	0	2	0
Profit before income tax	**3 547**	**2 403**	**148**	**92**
Income tax expense	(1 320)	(598)	(55)	(23)
Net profit for the year	**2 227**	**1 805**	**93**	**69**
EBITDA (1)	**4 798**	**3 497**	**200**	**134**

Note: (1) *EBITDA represents net profit for the year before income tax expense, interest income, interest expense, depreciation and amortization and foreign exchange gain. EBITDA is not a measure of financial performance under IFRS. You should not consider it an alternative to net profit for the year as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Our calculation of EBITDA may be different from the calculation used by other companies and therefore comparability may be limited. We believe that EBITDA provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures, acquisitions of subsidiaries and other investments and our ability to incur and service debt. While depreciation and amortization are considered operating costs under IFRS, these expenses primarily represent non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods.*

Consolidated Balance Sheet

	30 June 2008	31 December 2007	30 June 2008	31 December 2007
	MM RUR	*MM RUR*	*MM USD*	*MM USD*
Property, plant and equipment	14 003	12 556	597	512

Intangible assets	34 554	21 213	1 473	864
Deferred tax assets	236	112	10	5
Other non-current assets	101	131	4	5
Investments	8 914	7 090	380	289
Inventory	63 791	50 272	2 719	2 048
Income tax receivable	400	227	17	9
Accounts receivable	18 473	18 096	788	737
Cash and cash equivalents	6 252	17 056	267	695
Total assets	**146 724**	**126 753**	**6 255**	**5 164**
Total equity	50 742	50 339	2 163	2 051
Total debt	37 211	34 640	1 586	1 411
Deferred tax liability	9 023	8 006	385	326
Accounts payable and provisions	49 703	33 665	2 119	1 371
Income tax payable	45	103	2	4
Total equity and liabilities	**146 724**	**126 753**	**6 255**	**5 164**

Consolidated Cash Flow Statement

	1H08 *MM RUR*	**1H07** *MM RUR*	**1H08** *MM USD*	**1H07** *MM USD*
Operating activities				
Profit for the year	2 227	1 805	95	70
Adjustments for:				
Depreciation and amortisation	549	343	24	13
Foreign exchange loss/(gain), net	36	(41)	2	(2)
Loss on disposal of property, plant and equipment	56	127	2	5
Gain on disposal of available-for-sale financial assets	0	(221)	0	(9)
Negative goodwill on acquisition of subsidiaries and minority interests	0	28	0	1
Share of loss of equity accounted investees	(40)	0	(2)	0
Interest expense	901	1 005	38	39
Interest Income	(235)	(213)	(10)	(8)
Income tax expense	1 320	598	56	23
Operating profit before changes in working capital and provisions	**4 814**	**3 431**	**205**	**133**
Increase in inventories	(13 288)	(2 614)	(566)	(101)
Increase in trade and other	(1 703)	(3 012)	(73)	(117)

receivables				
Increase/(decrease) in trade and other payables	14 009	(1 621)	597	(63)
Increase/(decrease) in provisions	(10)	55	0	2
Cash flows from operations before income taxes and interest paid	**3 822**	**(3 761)**	**163**	**(146)**
Income taxes paid	(561)	(329)	(24)	(13)
Interest paid	(1 374)	(1 150)	(59)	(45)
Cash flows (utilised by)/from operating activities	**1 887**	**(5 240)**	**80**	**(203)**
Investing activities				
Proceeds from disposal of property, plant and equipment	9	11	0	0
Interest received	175	0	8	0
Acquisition of property, plant and equipment	(2 355)	(1 137)	(100)	(44)
Acquisition of development rights and other intangible assets	(11 631)	(4 135)	(496)	(160)
Acquisition of equity accounted investees	(9)	0	0	0
Acquisition of minority interests	(193)	(7)	(8)	0
Loans advanced	(920)	(5 681)	(39)	(220)
Proceeds from sale of minority interests and development rights	1 047		45	
Repayment of loans advanced	1326	5318	57	206
Loans advanced to individuals	(1540)		(66)	
Repayment of loans advanced to individuals	437		19	
Acquisition of subsidiaries, net of cash acquired	0	(1 032)	0	(40)
Cash flows utilized by investing activities	**(13 654)**	**(6 663)**	**(582)**	**(258)**
Financing activities				
Proceeds from borrowings	18 470	13 959	787	541
Repayment of borrowings	(15 767)	(10 368)	(672)	(402)
Consideration paid for treasury shares	(2428)		(104)	
Proceeds from share issue	0	23 095	0	895
Transactions with shareholders, net	681	0	29	0

Cash flows from financing activities	**969**	**26 686**	**41**	**1 034**
Net increase in cash and cash equivalents	(10 798)	(14 783)	(460)	573
Effect of exchange rate fluctuations on cash and cash equivalents	(76)	0	(3)	0
Cash and cash equivalents at beginning of year	17 046	815	727	32
Cash and cash equivalents at end of year	**6 172**	**15 598**	**263**	**604**

Some of the information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of PIK. You can identify forward-looking statements by terms such as "expect," "believe," "anticipate," "estimate," "intend," "will," "could," "may" or "might" the negative of such terms or other similar expressions. These statements are only predictions and actual events or results may differ materially. PIK does not intend to or undertake any obligation to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in PIK's projections or forward-looking statements, including, among others, general economic conditions, PIK's competitive environment, risks associated with operating in Russia, rapid technological and market change, and other factors specifically related to PIK and its operations.

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NOTES TO EDITORS

PIK Group Overview

Founded in 1994, PIK is one of the leading vertically integrated residential developers with presence in over 20 cities across Russia. Its business activities are concentrated in Moscow and the Moscow region with an increasing footprint in many of Russia's other regions. Its principal activity is the development, construction and sale of residential properties in large scale developments targeted primarily at the middle income housing market in Russia.

Since January 1 2004, PIK has completed over 4 million square meters of residential housing, which is equivalent to approximately 58,000 residential units across Russia.

June 1, 2007, the Group completed successful listings on the London Stock Exchange, the RTS and MICEX exchanges in Russia. In December 2007, Fitch Rating agency assigned a ''BB-'' credit rating to the Group.

PIK Group's website address is: *www.pik.ru*

Group Financial Summary

Revenue for 2007 rose by 75% and equalled US$2.7 billion, while EBITDA for 2007 amounted to US$939 million. Net profit was US$700 million in 2007 compared to US$ 298 million in 2006.

According to CBRE, an independent appraiser, the combined market value of the Group's properties valued as of January 01, 2008 was $12.3 billion.