



For immediate release

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PRESS RELEASE

St. Petersburg

In the year ended 31 December 2009 LSR Group generated RUR 51,024m of revenue and 14,732m of EBITDA

Key financial highlights:

- Revenue increased by 2% to RUR 51,024m
- EBITDA increased by 12% to RUR 14,732m
- EBITDA margin grew from 26% to 29%
- Normalised operating profit increased by 11% to RUR 12,327m
- Normalised net profit went up by 15% to RUR 6,071m
- Earnings per ordinary share went up by 158% to 50 RUR

Igor Levit, CEO of LSR Group commented:

“We demonstrated solid financial results in 2009 taking into account the market challenges our industry passed through. We maintained our leading market position, secured governmental orders for social housing, refinanced our debt, implemented cost reduction measures and continued the construction of our cement plant. Today we see the signs of recovery of real estate market and our main task now is to ensure that the company will fully capture the opportunities of the market recovery. Currently we are implementing our “Lead The Growth” program aimed at ensuring the profitable growth of our business. We believe that our company will be a leader in moving towards future strength and performance”.

Financial Results

In 2009, our revenue increased by 2% to RUR 51,024m, EBITDA increased by 12% to RUR 14,732m, and EBITDA margin grew from 26% to 29%.

In 2009 approximately 70% of our revenue and 84% of our EBITDA were generated by our Real Estate Development, Construction and Commercial Real Estate Division, and the share of our Building Materials, Aggregates and Construction Services Division was approximately 30% of the total revenues and 16% of the Group’s EBITDA.

Notes to Editors:

OJSC LSR Group is a real estate development and building materials company founded in 1993 and operating in a number of complementary market segments. Its core business areas are building materials, real estate development and panel construction. LSR Group's main operations are located in St. Petersburg, Moscow, Yekaterinburg and Ukraine. In 2009, the sales revenues of LSR Group were RUR 51,024m (IFRS). LSR Group is a public company, with its GDRs traded on the London Stock Exchange and its ordinary shares traded on MICEX and RTS.

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KEY FINANCIALS

RUR m	2007	2008	2009
Revenues	35,838	49,813	51,024
EBITDA	7,897	13,178	14,732
EBITDA %	22%	26%	29%
Normalised operating profit	6,343	11,130	12,327
Normalised operating profit %	18%	22%	24%
Normalised net profit	3,072	5,298	6,071
Changes in fair value of investment property	8,037	(16,143)	(1,752)
Reported net profit / (loss)	9,180	(8,007)	4,590
Gross cash flow	7,942	13,335	15,235
Operating cash flow	(8,491)	4,373	3,470
Amortisation and depreciation	1,553	2,049	2,406
Capitalised capital expenditure	6,519	10,330	7,674

Debt Position

RUR m	31.12.07	31.12.08	31.12.09
Total debt	24,151	36,874	39,541
Net debt	15,498	33,628	36,645
Net debt/ EBITDA	2.0	2.6	2.5

Consolidated Income Statement

RUR m	2007	2008	2009	Change 2009-2008, %
Revenues	35,838	49,813	51,024	2%
Cost of sales	(23,861)	(31,807)	(32,279)	1%
Gross profit	11,976	18,006	18,744	4%
Distribution expenses	(1,754)	(2,226)	(2,591)	16%
Administrative expenses	(3,755)	(4,446)	(3,324)	(25)%
Changes in fair value of investment property	8,037	(16,143)	(1,752)	(89)%
Impairment losses on goodwill	-	(391)	(79)	(80)%
Write-down of inventory	-	-	(529)	-
Other income and expenses	(124)	(203)	26	(113)%
Operating profit / (loss)	14,380	(5,404)	10,495	294%
Net finance costs	(1,889)	(4,858)	(4,560)	(6)%
Profit (loss) before income tax	12,491	(10,262)	5,935	158%
Income tax expense / (benefit)	(3,311)	2,255	(1,345)	160%
Net profit (loss) for the year	9,180	(8,007)	4,590	157%
Basic and diluted earnings / (loss) per ordinary share	102 RUR	(87) RUR	50 RUR	158%
Normalised Items:				
Normalised operating profit	6,343	11,130	12,327	11%
Normalised operating profit margin	18%	22%	24%	
Normalised net profit	3,072	5,298	6,071	15%
EBITDA	7,897	13,178	14,732	12%
EBITDA margin	22%	26%	29%	

Definitions:

EBITDA is equal 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. EBITDA margin equals to the ratio of EBITDA to revenue.

Normalised operating profit is equal to operating profit less the effects of revaluation of investment property and impairment of goodwill, which are non-cash items.

Normalised net profit is calculated as net profit excluding effects of revaluation of investment property and impairment of goodwill (including recalculation of deferred tax).

Total debt is calculated as the sum of non-current loans and borrowings, current loans and borrowings and bank overdraft.

Net debt is calculated as total debt less cash and cash equivalents (excluding restricted cash).

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

The financial measures described above are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information.

The financial indicators in this press release are rounded to whole numbers in RUR millions, while percentage changes in indicators are calculated using underlying data in RUR thousands.

Net sellable area (NSA) includes the area of apartments, offices and other areas designated for sale, including the area of balconies which is adjusted using the appropriate coefficient.

Net sellable area, gross building area and other parameters of real estate development projects (especially those of them which are at the initial stages of development) can change during their design and construction.

The full set of consolidated financial statements of LSR Group for the year ended 31 December 2009 is available at www.lsrgroup.ru/results.

REVIEW OF OPERATING AND FINANCIAL RESULTS

Revenue

Our revenue in 2009 increased by 2% to RUR 51,024m. The increase in revenue was due to significant growth in the Real Estate Development segment due to recognition in the financial statements the revenues and financial results from the sale of housing transferred to the buyers during the reporting period. This was partially offset by the negative performance of other segments during the year.

Gross Profit

In the year 2009, gross profit increased by 4% to RUR 18,744m and gross profitability increased from 36% to 37%. The positive drivers that contributed to an increase in the sales revenues and profitability included:

- considerable growth of revenues and profitability in the Real Estate Development segment due to recognition in the financial statements of the revenues and financial results from the sale of housing transferred to the buyers during the reporting period;
- reduced prices for certain types of basic raw materials and inputs such as cement and metals that we source from third party;
- the cost reduction program helped to significantly cut certain types of expenses;
- the transfer of the Group's plants and factories to flexible operation schedules and flexible shifts provided for lower payroll expenditures;
- the operating profitability of a number of products increased due to the introduction of new and more productive equipment as part of the implemented modernisation programme.

The negative factor that resulted in lower revenues and profitability was the material reduction in the sales volume and prices for the building materials, aggregates and construction services.

Distribution and administrative expenses

In the year 2009, distribution expenses increased by 16% to RUR 2,591m mainly due to RUR 736 increase in allowances for doubtful debts in 2009.

The administrative expenses went down by 25% to RUR 3,324m. The decrease in administrative expenses in 2009 was primarily attributable to reduced headcount and decreases in wages and salaries, which were a result of cost savings measures implemented by the business divisions beginning in the second half of 2008 and continuing during 2009.

Changes in Fair Value of Investment Property

IFRS requires that determination of the fair value of investment property is to be made as of each reporting date and the results of valuation are reflected in the financial statements.

In compliance with IFRS 40, the following two categories of investment property have to be revalued:

- operating commercial property leased to third party tenants; and
- commercial property under construction.

As of 31 December 2009, for the purposes of preparation of the financial statements in accordance with IFRS, the fair value of the relevant properties was determined. Based on these valuations, the fair value of investment property and investment property under development decreased by RUR 1,752m in 2009. The revaluation losses mainly related to the Electric City development project, which was revalued prior to transfer of this property to inventory following the decision to change its use from office to residential and contributed RUR 1,888m to the total revaluation loss. The aggregate effect of the revaluation of the other projects was RUR 136m revaluation gain.

It should be noted, that while the revaluation loss reduces the reported operating profit, it does not affect the cash flows and liquidity of the company.

EBITDA and Operating Profit

EBITDA increased by 12% to RUR 14,732m. EBITDA margin grew from 26% to 29%. Normalised operating profit increased by 11% to RUR 12,327 m, and normalised operating margin grew from 22% to 24%.

Net Finance Costs

Net finance costs decreased by 6% to RUR 4,560m. Net finance expenses decreased primarily due to a decrease in the foreign exchange loss and increase in foreign exchange gain due to the change in RUR/USD and RUR/EUR exchange rates and the recalculation of rouble value of the outstanding debt liabilities denominated in USD and EUR. The benefit from foreign exchange was offset in part by an increase in interest payable as a result of increases in borrowings related to the construction of the cement plant.

Income Tax Expense

Income tax expense for the year ended December 31, 2009 was RUB 1,345 m. The effective tax rate was 23% and the statutory income tax rate was 20%.

Net Profit

In 2009, our normalised net profit was RUR 6,071 m.

Including the negative effect of the investment property revaluation and impairment losses on goodwill, the reported net profit amounted to RUR 4,590m.

Cash Flows and Liquidity

Consolidated Cash Flow Statement

RUR m	2007	2008	2009
Net Income / (loss)	9,180	(8,007)	4,590
Depreciation & amortization	1,560	2,049	2,406
Other, net	(2,797)	19,293	8,240
Operating profit before changes in working capital and provisions	7,942	13,335	15,235
<i>Change in Inventories</i>	<i>(12,269)</i>	<i>(12,166)</i>	<i>(1,671)</i>
<i>Change in Trade and Other Receivables</i>	<i>(3,938)</i>	<i>(1,810)</i>	<i>4,147</i>
<i>Change in Trade and Other Payables</i>	<i>2,554</i>	<i>10,547</i>	<i>(7,693)</i>
<i>Increase/ decrease in provisions</i>	<i>484</i>	<i>176</i>	<i>(320)</i>
Cash flow from (utilized by) operations before income taxes and interest paid	(5,226)	10,083	9,698
<i>Income Taxes Paid</i>	<i>(1,466)</i>	<i>(2,752)</i>	<i>(1,756)</i>
<i>Interest Paid</i>	<i>(1,799)</i>	<i>(2,957)</i>	<i>(4,472)</i>
Cash flow from (utilised by) operating activities	(8,491)	4,373	3,470
Capital Expenditures	(4,925)	(9,346)	(7,543)
Acquisitions	(2,074)	(5,573)	(3,229)
Disposals	442	395	968
Other, net	264	(3,624)	4,045
Cash flow from (utilised by) investing activities	(6,294)	(18,149)	(5,759)
Debt issued (repaid)	7,432	8,276	1,993
Proceeds from equity issuance	14,531	-	-
Other	-	(40)	-
Cash flow from (utilised by) financing activities	21,963	8,236	1,993
Net change in cash	7,177	(5,540)	(295)
Cash at beginning of period	1,582	8,593	3,188
Exchange rate fluctuations	(166)	134	3
Cash at end of period	8,593	3,188	2,896

In 2009, we generated operating cash flow before income taxes and interest paid of RUR 9,698m.

Operating profit before changes in working capital and provisions increased by 14% to RUR 15,235m.

Interest payments in the year 2009 grew by 51% to RUR 4,472m. The increase in the interest payments was due to increased cost of financing in the year 2009 compared to year 2008, as well as an increase in the company's debt.

Income tax paid fell by 36% to RUR 1,756m due to decreased taxable profit calculated in accordance with the Russian accounting standards.

The cash flow utilised by investment activities decreased by 68% down to RUR 5,759 m as a result of substantial reduction in the investment programme of the company.

The cash inflow from financing activities was RUR 1,993 m representing an increase in the Group's debt primarily due to continued funding of the cement plant project.

As of 31 December 2009, the cash balance was RUR 2,896m excluding restricted cash of RUR 397m, which was linked to the long-term credit line from ABN AMRO/HSBC for the construction of our cement plant, and reflected on the balance sheet as an asset.

Debt

In 2009, the total debt of the company grew by RUR 2,667 m to RUR 39,541m. As of 31 December 2009, the net debt / EBITDA ratio was 2.5.

The key partner banks of the company that granted us funds during 2009 are VTB, Vnesheconombank, Rosselkhozbank and Sberbank.

Debt Structure

RUR m	31.12.2007	31.12.2008	31.12.2009
Bank and other loans	16,313	25,894	35,654
Bond issues	5,953	8,911	2,670
Finance lease liability	1,826	2,011	1,217
Bank overdraft	60	58	-
Total debt	24,151	36,874	39,541
Less cash and cash equivalents	8,654	3,246	2,896
Net debt	15,498	33,628	36,645

As of 31 December 2009, the majority of our debt portfolio (90%) consisted of bank loan facilities. The rouble bond issues and the finance lease liability accounted for 7% and 3% of total debt respectively.

FINANCIAL RESULTS BY BUSINESS SEGMENTS AND PRODUCT BUSINESS UNITS

Business segment	12m 2009 Revenue, RUR m	EBITDA, RUR m	EBITDA margin, %
Real estate development	23,417	9,201	39%
Construction	12,756	3,213	25%
Commercial real estate	144	68	47%
Building materials	10,273	462	5%
Aggregates	3,603	1,369	38%
Construction services	1,764	587	33%
Other and eliminations	(2,292)	604	
Transportation revenue	1,087		
Unallocated expenses&income	273	(773)	
TOTAL	51,024	14,732	29%

The revenue of the Real Estate Development segment grew by 93% to RUR 23,417m. EBITDA increased by 130% to RUR 9,201m. In 2009, a negative effect was recorded from the revaluation of investment property under development in the amount of RUR 2,132m.

The revenue of the Construction segment decreased by 2% to RUR 12,756m, and EBITDA increased by 3% to RUR 3,213m.

The Commercial Real Estate segment in 2009 generated RUR 144m of revenue, EBITDA was RUR 68m.

The revenue of the Building Materials segment went down by 47% to RUR 10,273m and EBITDA decreased by 87% to RUR 462m.

The Aggregates segment in the year 2009 recorded sales revenues of RUR 3,603m, down by 48% comparing to the last year. EBITDA decreased by 56% to RUR 1,369m.

The revenue of the Construction Services segment was RUR 1,764m, down by 36% comparing to the last year. EBITDA decreased by 31% to RUR 587m.

REAL ESTATE DEVELOPMENT, CONSTRUCTION AND COMMERCIAL PROPERTY

REAL ESTATE DEVELOPMENT

RUR m	12m 2008	12m 2009	Change, %
Revenue	12,154	23,417	93%
EBITDA	4,002	9,201	130%
EBITDA %	33%	39%	-
Normalised operating profit	3,971	9,166	131%
Normalised operating profit %	33%	39%	-
Changes in fair value of investment property	(15,494)	(2,132)	-

Our Real Estate Development segment includes five key business units: Elite Real Estate, Business Class and Mass Market Real Estate, Gated Communities, Real Estate in Yekaterinburg and Real Estate in Moscow.

In the year 2009, our Real Estate Development segment recorded sales revenues of RUR 23,417m (+93%) and EBITDA of RUR 9,201m (+130%). EBITDA margin was 39%. In the year 2009 a negative effect of RUR 2,132m was recorded from the revaluation of investment property under development.

Elite Real Estate

RUR m	12m 2008	12m 2009	Change, %
Completed (th sq m)	54	85	57%
New contract sales (th sq m)	27	30	10%
Transferred to customers (th sq m)	18	76	316%
Revenue	3,930	12,951	230%
EBITDA	1,819	6,493	257%
EBITDA %	46%	50%	-
Normalised operating profit	1,798	6,470	260%
Normalised operating profit %	46%	50%	-
Changes in fair value of investment property	(15,494)	(2,132)	-

In 2009, we completed a total of 85 thousand square meters of net sellable area in the Elite Real Estate segment in St. Petersburg, an increase of 57% compared to 2008. An increase in the completion volume was determined by the construction schedule. In particular, we completed phase 3 of the elite residential development at 60 Shpalernaya Street, with a net sellable area of 4 thousand square meters, the Residence at the Suworovskiy residential complex with a net sellable area of 39 thousand square meters, and also two residential buildings with a net sellable area of 38 thousand square meters and an office building with a net leasable area of 3.6 thousand square meters of the Paradny Kvartal development,...

In 2009, we signed new contracts with customers for the sale of 30 thousand square meters of net sellable area, which was an increase of 10% from 2008.

During 2009, a total of 76 thousand square meters of real estate were transferred to customers, representing a 316% increase from 2008 due to construction schedule.

The revenue grew by 230% to RUR 12,951m and EBITDA increased by 257% to RUR 6,493m. EBITDA margin was 50%.

The substantial increase of profitability was mainly due to the recognition in the financial statements of the significant increase of transfers to customers of the completed properties.

Business Class and Mass Market Residential Real Estate

RUR m	12m 2008	12m 2009	Change, %
Completed (th sq m)	122	82	(33)%
New contract sales (th sq m)	141	209	49%
Transferred to customers (th sq m)	85	117	38%
Revenue	5,180	8,031	55%
EBITDA	1,588	2,426	53%
EBITDA %	31%	30%	-
Normalised operating profit	1,586	2,425	53%
Normalised operating profit %	31%	30%	-

In 2009, we completed a total of 82 thousand square meters of net sellable area in the mass market segment in St. Petersburg, a decrease of 33% compared to 2008. A reduction in the completion volume was determined by the construction schedule.

During 2009, we completed two buildings with a net sellable area of 37 thousand square meters in the Fortuna project, one building with a net sellable area of 5 thousand square meters in the Dolgoozyorny project, one building with a net sellable area of 10 thousand square meters in the Pulkovsky Posad project, and three buildings totalling 30 thousand square meters of net sellable area in the Antey project.

In 2009, we signed new contracts with customers for the sale of 209 thousand square meters of net sellable area in mass market houses in St. Petersburg, which is an increase of 49% as compared to 2008. 147 thousand square meters were sold under two government contracts for public needs.

117 thousand square meters of completed properties were transferred to customers in St. Petersburg, an increase of 38% from 2008

The revenue in 2009 increased by 55% to RUR 8,031m and EBITDA increased by 53% to RUR 2,426m. EBITDA margin was 30%.

Real Estate Urals

RUR m	12m 2009
Completed (th sq m)	1
New contract sales (th sq m)	23
Transferred to customers (th sq m)	39
Revenue	1,805
EBITDA	233
EBITDA %	13%
Normalised operating profit	232
Normalised operating profit %	13%

In 2009, we signed new contracts with customers for the sale of 23 thousand square meters of net sellable area, and transferred 39 thousand square meters to customers. Approximately 1 thousand square meters of housing have been completed to date.

The revenue in 2009 was RUR 1,805m and the EBITDA was RUR 233m. EBITDA margin was 13%.

LSR Group acquired control of its development business units in Yekaterinburg in the second part of 2008 therefore the comparable data for the full 2008 is not available.

Gated Communities and Real Estate Moscow

The volume of activities of our business units engaging in development of gated communities in the Leningrad region and property development in Moscow was insignificant in 2009.

CONSTRUCTION

RUR m	12m 2008	12m 2009	Change, %
Revenue	13,064	12,756	(2)%
incl. revenue from inter-group sales	3,467	631	(82)%
EBITDA	3,121	3,213	3%
EBITDA %	24%	25%	-
Operating profit	2,700	2,660	(1)%
Operating profit %	21%	21%	-

In 2009, our sales revenue were RUR 12,756m and EBITDA was RUR 3,213m. EBITDA margin was 25%.

In 2009, we transferred to the customers 499 thousand square meters of completed buildings in Saint-Petersburg and Yekaterinburg.

In 2009 in St Petersburg we secured the government orders and started the construction of two large developments for the needs of RF Ministry of Defense:

- the construction of forty nine residential houses in in the Osinovaya Roscha settlement in St. Petersburg. The contract amount is RUR 11.4 billion. The project is scheduled to be completed in June 2011.

- the construction of six residential buildings with a total area of 140 thousand square meters in Balashikha in Moscow region. The contract amount is RUR 3.9 billion. The project is scheduled to be completed in June 2011.

Our Moscow subsidiary, CJSC Mosstroyrekonstruktsiya, is a subcontractor under the contract.

Commercial Real Estate

RUR m	12m 2008	12m 2009	Change, %
Net lettable area at 31 December (th sq m)	15	15	-
Revenue	181	144	(20)%
EBITDA	105	68	(35)%
EBITDA %	58%	47%	-
Normalised operating profit	103	67	(35)%
Normalised operating profit %	57%	47%	-
Changes in fair value of investment property	(649)	380	-

In 2009, our Commercial Real Estate segment recorded sales revenues of RUR 144m and EBITDA of RUR 68m.

As of 31 December 2009, the company was managing four operating office centres in St. Petersburg, with a total net leasable area of approx. 15 thousand square meters: Gelios at 47/49 Marata Street, Litera at 10 Galernaya, Apollo at 8A Dobrolyubova Prospect, and the Orlov Office Centre as part of our Paradny Kvartal development.

In 2009 a positive effect of RUR 380m was recorded from the revaluation of operating business centres.

BUILDING MATERIALS, AGGREGATES AND CONSTRUCTION SERVICES

Our Building Materials, Aggregates and Construction Services Divisions saw a decrease in operating results in 2009, which was driven by reduction of construction activity and reducing demand for building materials due to economic recession.

BUILDING MATERIALS

RUR m	12m 2008	12m 2009	Change, %
Revenue	19,209	10,273	(47)%
incl. revenue from inter-group sales	1,229	704	(43)%
EBITDA	3,609	462	(87)%
EBITDA %	19%	5%	-
Operating profit / (loss)	2,892	(421)	(115)%
Operating profit %	15%	-	-

Our Building Materials segment includes five key business units: Reinforced Concrete, Ready-Mix Concrete, Bricks, Aerated Concrete and Cement.

In 2009, the Building Materials segment recorded revenue of RUR 10,273m (-47%) and EBITDA of RUR 462m (-87%).

EBITDA margin fell from 19% to 5%. In the year 2009, our business units, excluding the sales in Yekaterinburg, sold 288 thousand cubic meters of reinforced concrete products, 812 thousand cubic meters of ready-mix concrete, 169 million bricks and 737 thousand cubic meters of aerated concrete.

Reinforced Concrete

RUR m	12m 2008	12m 2009	Change, %
Sales volume (th cub.m)	550	288	(48)%
Revenue	6,001	3,792	(37)%
incl. revenue from inter-group sales	869	783	(10)%
EBITDA	1,484	117	(92)%
EBITDA %	25%	3%	-
Operating profit / (loss)	1,272	(121)	(110)%
Operating profit %	21%	-	-

In 2009, we sold 288 thousand cubic meters of reinforced concrete items, a decrease of 48% compared to 2008, with St. Petersburg accounting for 247 thousand cubic meters and Moscow accounting for 41 thousand cubic meters.

Additionally in St. Petersburg, we produced and sold 41 thousand cubic meters of reinforced concrete products within the implementation of construction projects where our reinforced concrete business unit acted as a construction contractor.

Major projects supplied by us in 2009 included: the Hyundai factory, Phase 2 of the Leningrad Nuclear Power Station, Ruslan cargo terminal, and the oil processing plant in Kirishi. We also supplied reinforced concrete to major transport projects such as the Western High Speed Diameter, Ring Road, Ust-Luga Commercial Sea Port and others.

During 2009 in Moscow, we launched a new production line, equipped with modern equipment, to produce reinforced concrete items for a new series of prefabricated panel houses, EuroPa. The first shipment of the new plant's products was delivered to be used in construction of housing for military personnel in Balashikha, Moscow region.

The revenue in 2009 went down by 37% to RUR 3,792m and EBITDA dropped by 92% down to RUR 117m. EBITDA margin was 3%.

Ready-Mix Concrete

RUR m	12m 2008	12m 2009	Change, %
Sales volume (th cub.m)	1,493	812	(46)%
Revenue	5,732	2,249	(61)%
incl. revenue from inter-group sales	168	215	28%
EBITDA	612	76	(88)%
EBITDA %	11%	3%	-
Operating profit / (loss)	351	(224)	(164)%
Operating profit %	6%	-	-

In 2009 we sold 812 thousand cubic meters of ready-mix concrete, a decrease of 46% compared to 2008. Sales included 531 thousand cubic meters sold in St. Petersburg and 281 thousand cubic meters sold in Moscow.

The revenue fell by 61% to RUR 2,249 million. In 2009 we recorded an operating loss of RUR 224 million.

In 2009, we primarily supplied commercial, industrial and infrastructure construction projects such as the Hyundai car factory, Southwest Power Plant, TPP 5 and TPP 14, Airport City and Pulkovo Sky office centres, Stockmann shopping centre and Ust-Luga Port.

In St. Petersburg in 2009, we launched a new high tech concrete plant that replaced an obsolete low-capacity manufacturing facility.

In Moscow in 2009, a considerable portion of ready-mix concrete was also supplied to infrastructure and commercial construction projects such as the Affordable Garage project and the Moscow City International Business Centre. Ready-mix concrete was also supplied for the construction of such projects as the State History Museum, the Customs Academy under the RF State Customs Committee, Russian Army Staff Headquarters, three Moscow metro stations, the Central Clinical Military Hospital and others.

Bricks

RUR m	12m 2008	12m 2009	Change, %
Sales volume (million non-formatted units)	265	169	(36)%
Revenue	2,709	1,331	(51)%
incl. revenue from inter-group sales	68	18	(74)%
EBITDA	1,038	176	(83)%
EBITDA %	38%	13%	-
Operating profit	951	99	(90)%
Operating profit %	35%	7%	-

Brick sales totalled 169 million non-formatted units, 36% less than in 2008, with St. Petersburg and the Leningrad region remaining the key sales regions throughout 2009.

The sales revenues in the year 2009 decreased by 51% to RUR 1,331m and EBITDA went down by 83% to RUR 176m. EBITDA margin was 13%.

Aerated Concrete

RUR m	12m 2008	12m 2009	Change, %
Sales volume (th cub.m)	835	737	(12)%
Revenue	2,590	1,633	(37)%
incl. revenue from inter-group sales	36	26	(28)%
EBITDA	310	70	(77)%
EBITDA %	12%	4%	-
Operating profit / (loss)	174	(151)	(187)%
Operating profit %	7%	-	-

Aerated concrete sales in 2009 totalled 737 thousand cubic meters, a decrease of 12% compared to 2008. Sales include 367 thousand cubic meters sold in St. Petersburg; 67 thousand cubic meters sold in the Baltic States, Scandinavia and Poland; and 302 thousand cubic meters sold in Ukraine.

Demand for aerated concrete decreased most dramatically in the Baltic States and Scandinavia while there was a significant increase in sales (109% year-on-year) in Ukraine which resulted from an increase in capacity (at the end of 2008 we acquired the existing plant in Ukraine and also put into operation a new production facility there) as well as a reduction in imports and an increased share of aerated concrete in the sales of wall materials.

The sales revenues in the year 2009 decreased by 37% to RUR 1,633m and EBITDA went down by 77% to RUR 70m. EBITDA margin was 4%.

Cement

We are in the process of construction of our new cement plant according to our strategic plan and the schedule of construction.

In accordance with our plans, the cement plant with an annual capacity of 1.86 million tons is to be put into operation in the second half of 2010. The cement plant construction project is fully provided with long-term project financing.

The general contractor for the complete scope of design and construction work is OOO Cement Northwest, a 100 percent subsidiary of Chinese company, Hefei Cement Research and Design Institute.

The plant will feature state-of-the-art production lines manufactured by FLSmidth of Denmark, a world leader in cement manufacturing equipment.

AGGREGATES

RUR m	12m 2008	12m 2009	Change, %
Revenue	6,954	3,603	(48)%
incl. revenue from inter-group sales	1318	462	(65)%
EBITDA	3,147	1,369	(56)%
EBITDA %	45%	38%	-
Operating profit	2,634	851	(68)%
Operating profit %	38%	24%	-

Aggregates business segment of LSR Group includes two product business units: Sand and Crushed Granite.

In the year 2009, our Aggregates business segment recorded sales revenues of RUR 3,603m (-48%) and EBITDA of RUR 1,369m (-56%). EBITDA margin was 38%.

Sand

RUR m	12m 2008	12m 2009	Change, %
Sales volume (th cub.m)	17,957	10,207	(43)%
Revenue	3,843	2,106	(45)%
incl. revenue from inter-group sales	359	124	(65)%
EBITDA	2,014	1,092	(46)%
EBITDA %	52%	52%	-
Operating profit	1,713	811	(53)%
Operating profit %	45%	39%	-

In 2009, we sold 10 million cubic meters of sand, a decrease of 43% from 2008.

The infrastructure projects were the key consumers of sand in 2009 while the demand from residential and industrial construction reduced. In 2009 we supplied sand to the infrastructure projects underway in St. Petersburg, primarily, the Ring Road and the Sea Facade land reclamation project. We also supplied our sand for the construction of a mooring berth which is a part of Nord Stream Project, Zenit Stadium, the Hyundai factory, “Ruchi” road junction and Sofiyskaya-Kolpino Road.

The revenue in the year 2009 decreased by 45% to RUR 2,106m and EBITDA went down by 46% to RUR 1,092m. EBITDA margin remained stable at 52%.

Crushed Granite

RUR m	12m 2008	12m 2009	Change, %
Sales volume (th cub.m)	5,407	3,593	(34)%
Revenue	3,145	1,522	(52)%
incl. revenue from inter-group sales	993	363	(63)%
EBITDA	1,132	278	(75)%
EBITDA %	36%	18%	-
Operating profit	921	40	(96)%
Operating profit %	29%	3%	-

In 2009, we sold 3,593 thousand cubic meters of crushed granite (including crushed granite produced in our Yekaterinburg facilities which accounted for 66 thousand cubic meters), which represented a decrease of 34% from 2008. The majority of revenue was provided by our operations in Saint-Petersburg. We supplied most of our crushed granite for the large infrastructure projects including the construction of a mooring berth which is a part of Nord Stream Project, Zenit Stadium, Ring Road, Western High Speed Diameter and for “Oktyabrskaya” Railways needs.

The revenue in the year 2009 decreased by 52% to RUR 1,522m and EBITDA went down by 75% to RUR 278m. EBITDA margin was 18%.

CONSTRUCTION SERVICES

RUR m	12m 2008	12m 2009	Change, %
Revenue	2,752	1,764	(36)%
incl. revenue from inter-group sales	689	451	(35)%
EBITDA	852	587	(31)%
EBITDA %	31%	33%	-
Operating profit	574	284	(51)%
Operating profit %	21%	16%	-

The Construction Services segment of LSR Group includes three business units offering tower crane services, pile driving services and building materials transportation services.

In the year 2009, the sales revenues of our Construction Services segment were RUR 1,764m (-36%), and EBITDA was RUR 587m (-31%). EBITDA margin was 33%.

KEY CONTRACTS WITH GOVERNMENT FOR SALE AND CONSTRUCTION OF HOUSING

In 2009, we as a result of open auctions run by the Government entered into four significant contracts for sale and construction of social housing for the public needs.

Sale of housing

1. Sale of 1,704 flats (approx. 108 thousand square meters of housing in mass market houses in St. Petersburg for the needs of the RF Ministry of Defence. Contract amount: RUR 4.7 billion. Contract completion date: September 2010. The properties intended for sale to the authorities under the aforesaid contracts are currently under construction.
2. Sale of 1,040 flats (approx. 40 thousand square meters in mass market houses in St. Petersburg to meet the needs of the Government of St. Petersburg. Contract amount: RUR 1.8 billion. Contract completion date: March 2010. The contract was completed in full compliance with the contract deadline and with contract obligations fully fulfilled.

The contracts are being executed by OOO GDSK, the mass market real estate BU of LSR Group.

Construction of housing

1. Construction of 49 residential buildings with a total area of around 380 thousand square meters in Osinovaya Roscha neighbourhood, St. Petersburg for the needs of the RF Ministry of Defence. Contract amount: RUR 11.4 billion. Contract completion date: June 2011. The contract is being executed by CJSC Blok, the house building and construction company of LSR Group.
2. Construction of 6 residential buildings with a total area of around 140 thousand square meters in Balashikha, Moscow region for the needs of the RF Ministry of Defence. Contract amount: RUR 3.9 billion. Contract completion date: June 2011. The Moscow Construction business unit of LSR Group, CJSC Mosstroyrekonstruktsiya is a subcontractor under the contract. The general contractor of the construction project is the Morton group of companies, Moscow.

The exact number of square meters in the projects being implemented under the governmental contracts may change during project design and construction.

REAL ESTATE PORTFOLIO

As of 31 December 2009, the net sellable area of the projects in our portfolio is equal to 8,280 thousand square meters.¹ The real estate portfolio of LSR Group includes properties/projects in the residential elite class, business class and mass market property, gated communities and commercial property segments.

Real estate development projects of LSR Group are located in St. Petersburg, the Leningrad Region, Moscow and Yekaterinburg.

Valuation of Real Estate Portfolio

The market value of our holdings in our real estate portfolio accounted for RUR 104,275 m as of 31 December 2009.

The valuation of our real estate portfolio as of 31 December 2009 was undertaken by DTZ Russia as an independent external appraiser.

Breakdown of Real Estate Portfolio by Segment

Our real estate portfolio is well-balanced across the various property segments thus making it possible to offer property targeting distinct consumer groups. In terms of net sellable area, approximately 80% of the portfolio (incl. land plots held for future development) accounts for mass market residential real estate which is always characterized by higher volume of demand. The portfolio also includes residential elite (or high-end) and business class development projects, gated communities and office developments. These segments account for a smaller part of the portfolio in terms of sellable area however they account for a more substantial part of market value due to higher prices per square meter compared to mass market properties.

Segment of property	Net sellable / leasable area, th sq m	% of total	Market Value, RUR m	% of total
Mass-market	4,366	52.7%	36,669	35,2%
Elite	496	6.0%	27,727	26,6%
Business class	470	5.7%	9,593	9,2%
Offices	51	0.6%	4,287	4,1%
Operating offices	22	0.3%	4,606	4,4%
Gated communities	7	0.1%	1,355	1,3%
Held for future development	2,867	34.6%	20,038	19,2%
Total	8,280	100%	104,275	100%

*In addition the real estate portfolio comprises 154 ha of sellable area of land plots for sale in gated communities.

Breakdown of Property Portfolio by Stage of Development

At 31 December 2009 our real estate portfolio includes 706 thousand square meters of net sellable area at the construction stage and 1,719 thousand square meters at design and permitting stage. We also have 323 thousand square meters of the completed and partially sold properties and 22 thousand square meters of net lettable area of the operating offices.

5,509 thousand square meters of net sellable area are at the stage of initial concept design including our long-term residential mass market project Tsvetnoy Gorod/Ruchi which accounts for 4,700 thousand square meters.

Stage of development	Net sellable / leasable area, th sq m	% of total	Market Value, RUR m	% of total
Initial concept design	5,509	66,5%	43,931	42,1%
Design and permitting	1,719	20,8%	31,324	30,0%
Under construction	706	8,5%	15,588	14,9%
Completed and partially sold	323	3,9%	8,825	8,5%
Operating offices	22	0,3%	4,606	4,4%
Total	8,280	100%	104,275	100%

¹ Including the office buildings with a total net leasable area with 7 thousand square meters occupied by LSR Group.

Breakdown of Property Portfolio by Region

Most of our the properties – approximately 88% of the portfolio by area and 87% by value – are located in our home market in St. Petersburg.

As of 31 December 2009 we have three projects at different stages of development in Moscow and a number of projects in Yekaterinburg.

Region	Net sellable / leasable area, th sq m	% of total	Market Value, RUR m	% of total
St Petersburg	7,296	88.1%	90,164	86.5%
Yekaterinburg	874	10.6%	6,018	5.8%
Moscow	92	1.1%	6,574	6.3%
Leningrad Region	18	0.2%	1,520	1.5%
Total	8,280	100%	104,275	100%

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