



Presentation of LSR Group



June 2010

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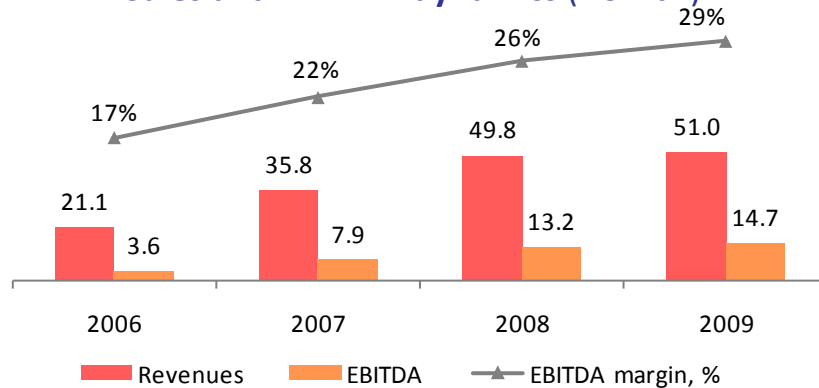
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LSR Group: Business With Strong Growth History

Sales and EBITDA¹ dynamics (RUB bn)



Source: Audited consolidated IFRS financial statements

On June 02, 2010 **Moody's** Investors Service **upgraded** LSR Group corporate family rating to **B2** and the national scale rating to Baa1.ru. The outlook on both ratings is stable

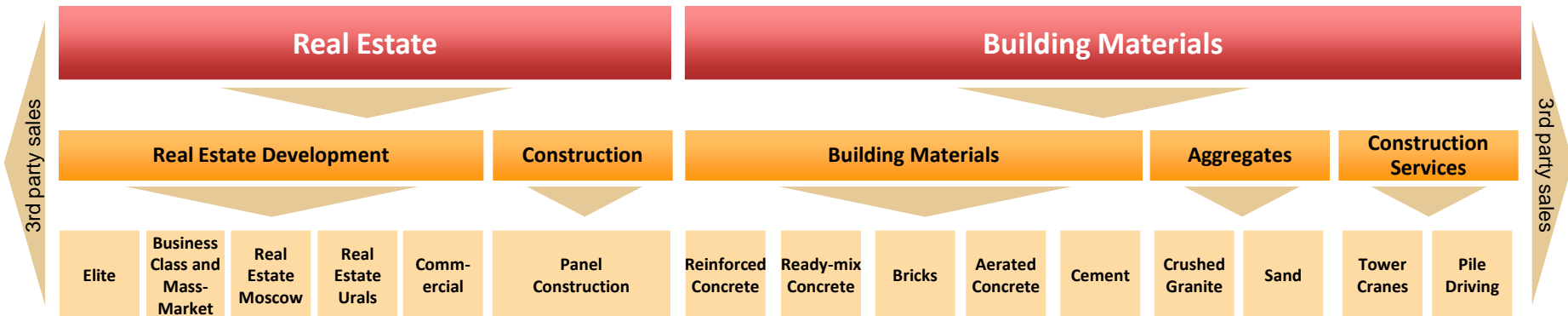
Real Estate Division

- Residential Real Estate Development market leader in St. Petersburg with a growing presence in Moscow/the Moscow region and Urals
- Focus on Mass-Market and Elite segments of residential real estate
- In-house construction capacity

Building Materials Division

- Leading supplier of building materials in Russia
- Wide range of products and related services: reinforced, ready-mix and aerated concrete, bricks, crushed granite, sand, construction services
- Substantial proven raw materials reserves

Integrated Business Model Proven in Challenging Market Conditions



Notes: 1) 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 plus impairment of goodwill

Successful SPO in April 2010

Date of SPO	30 April 2010
Number of shares sold	9 366 383
Placing price	USD 8.5 per GDR
SPO proceeds	<ul style="list-style-type: none"> ■ Gross USD 398.1m ■ Net USD 385.3m

Use of SPO proceeds at 1 June 2010	Used for debt repayment	USD 179,4m
	Placed on deposits	USD 183,4m
	Spent on working capital	USD 22.5m

Agenda

1. Key investment highlights

2. Financial overview

3. LSR Group today

Appendix

Key Investment Highlights



1

Attractive market

- Strong long-term fundamentals
- Recovery in progress
- Growing Mass-Market segment
- St. Petersburg and Moscow lead the real estate market recovery

2

Market leadership

- Leader in Elite and Mass-Market segments in St. Petersburg
- Leader in construction of housing in St. Petersburg
- Leader across key segments in Building Materials & Aggregates in St. Petersburg
- Strong reputation among customers

3

Tangible growth drivers

- Development of Mass-Market business
- Completion of high quality real estate portfolio
- Launch of new cement plant and other expansion and modernization projects
- Focus on key growth markets
- Potential acquisitions
- Participation in infrastructure projects as a supplier of building materials

4

Strong business platform

- Integrated business model
- Successful navigation through financial crisis
- Robust financial performance
- Experienced and committed management team at all levels of organization

Long-Term Outlook For Building Materials Is Very Attractive

- Substantial undersupply of real estate assets
- Supply-side of building materials industry is constrained
 - Significant part of the production capacity is obsolete
 - Large part of the existing equipment park dominated by non-efficient processes and technology
 - Utilisation rates close to production capacity over the last years preceding the recession
- The sector benefits from high barriers to entry
 - Construction of greenfield factory is a time-consuming and capital intensive project
 - Limited access to raw materials sources (such as granite, sand and clay)
 - Scale advantage on brand and operations
- Large infrastructure pipeline of projects announced by the government

Key Infrastructure Projects Announced In St. Petersburg

Transportation

- Expansion of St. Petersburg underground system. 20 new stations and 40km of lines planned by 2020
- Orlovsky tunnel to link northern and central parts of St. Petersburg
- Ground 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



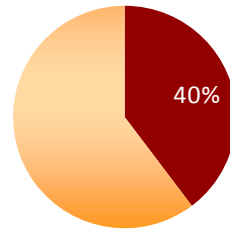
Real Estate Division Market Positions In St. Petersburg In 2009

Housing Completions

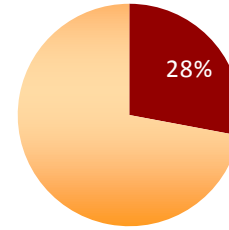
Housing Under Construction

Elite Real Estate

#1

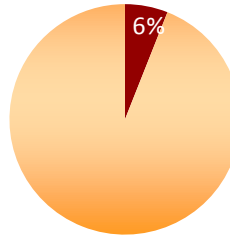


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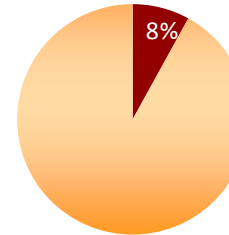


Mass-Market Real Estate¹

#5

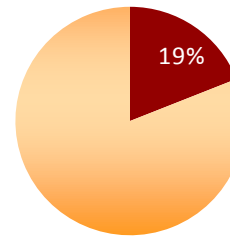


#1



Total housing construction²

#1

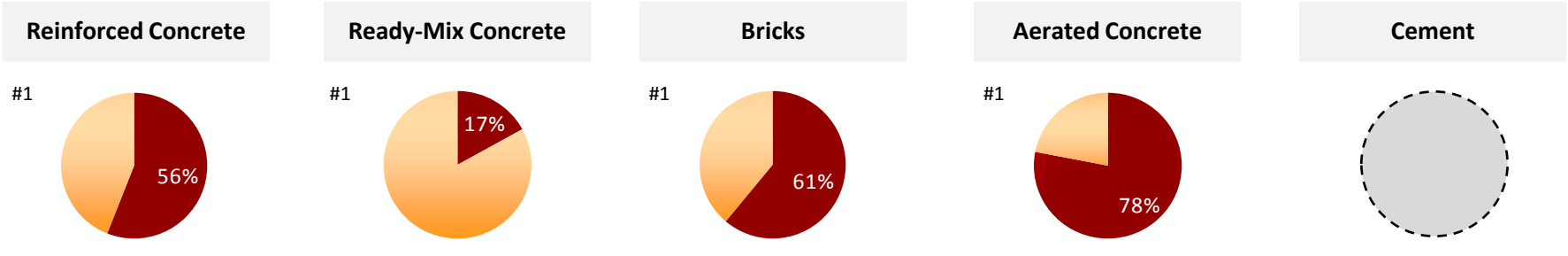


Source: SPb Realty

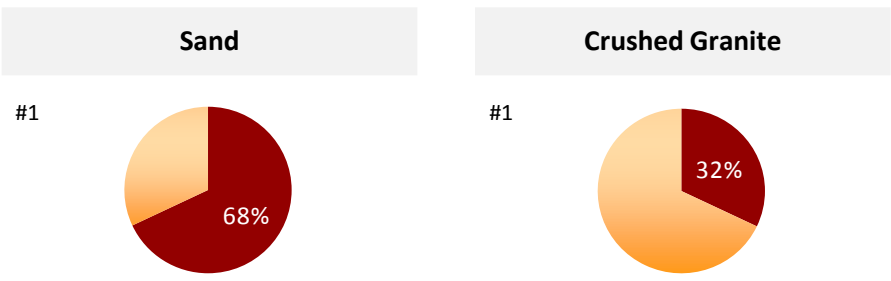
Note: 1) Excluding state-financed completions
2) Share of LSR's construction business unit in the total completions of housing in St. Petersburg in 2009

Building Materials Market Positions In St. Petersburg And The Leningrad Region In 2009

Building Materials

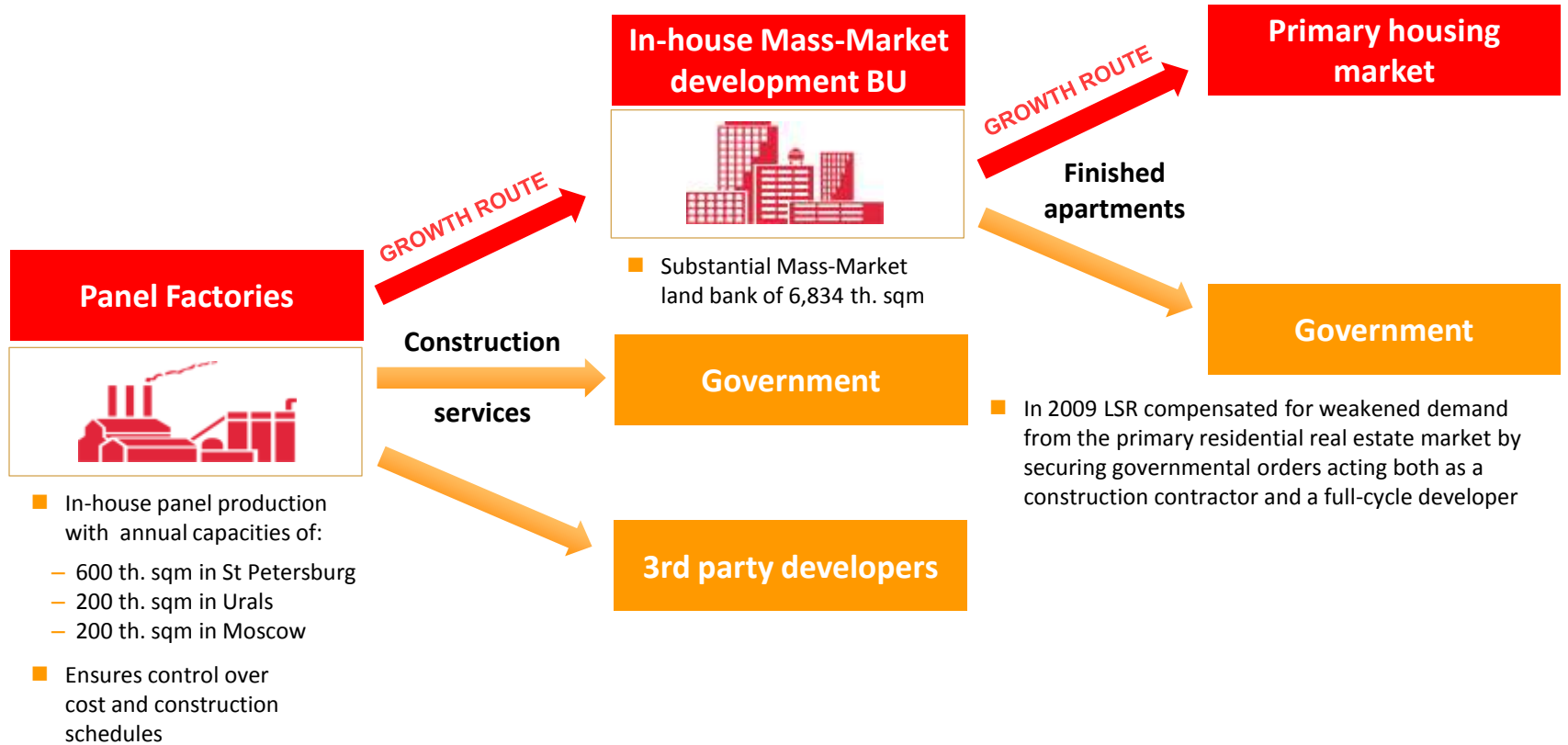


Aggregates



Source: Reshenie
Note: Volume terms

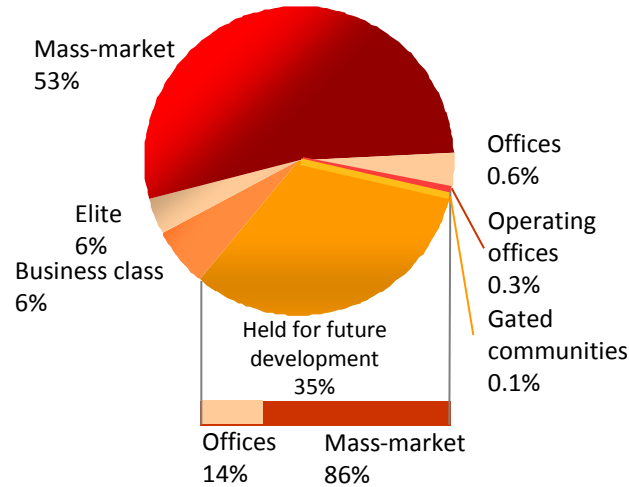
We Plan To Significantly Increase Volumes Of Our Own Mass-Market Development



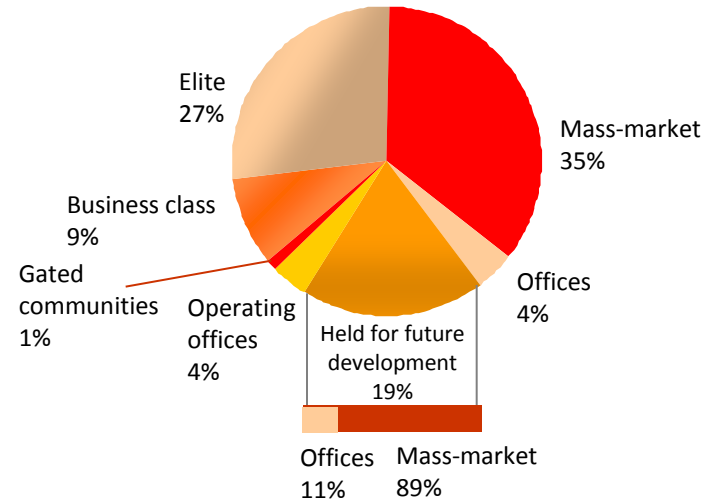
- We launched Mass-Market real estate business unit in 2003 and has gained #1 Mass-Market share by volume of housing under construction in St. Petersburg in 2009
- We plan to increase our panel production capacity in St. Petersburg to 750 th. sqm per annum
- In the long-term we intend to significantly increase the volume of our Mass-Market development and complete 400-450 th. sqm per annum as a full-cycle developer

Real Estate Portfolio By Segment

**Breakdown of portfolio by segment
(Net Sellable Area)**



**Breakdown of portfolio by segment
(Market Value)**



Segment of property	NSA (th. sqm)	% of total	MV (RUB m)	% of total
Mass-market	4,366	53%	36,669	35%
Elite	496	6%	27,727	27%
Business class	470	6%	9,593	9%
Offices	51	0.6%	4,287	4%
Operating offices	22	0.3%	4,606	4%
Gated communities	7	0.1%	1,355	1%
Held for future development	2,867	35%	20,038	19%
Total	8,280	100%	104,275	100%

Well-balanced portfolio with focus on residential development

New Cement Plant

Key technical data

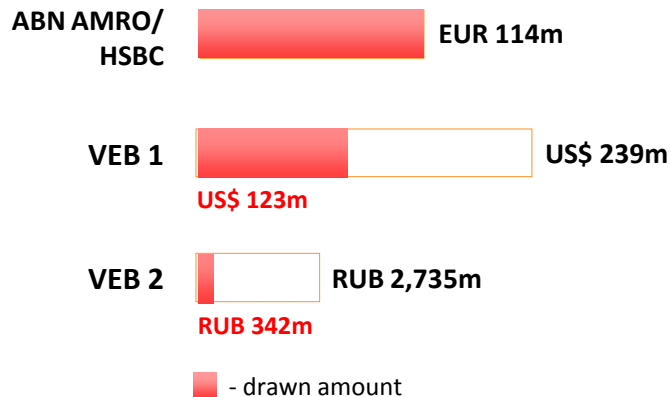
Production capacity	1.86m tons p.a.
Confirmed reserves	95m tons of limestone, 17m tons of cement clay
Technology	Dry
Construction period	2007 – 2010
Stage of the project	Under construction
Supplier of equipment	FLSmidth
Building contractor	Hefei Cement Research & Design Institute
Total investment	EUR 446m (incl. VAT to be reimbursed)
Comments	Financing for the project is fully-funded; capacity might be increased by 2m tons

Plant diagram

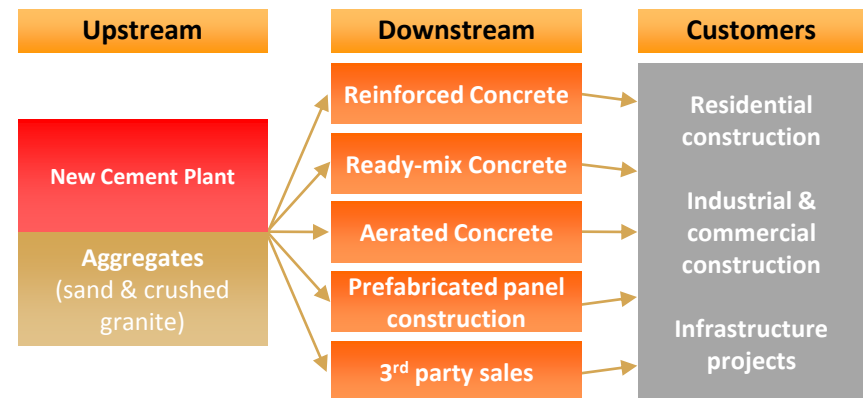


- Bottom right corner: Kiln, pre-heater and cooler
- Bottom centre: Clinker storage silo
- Middle: 2 UMS ball mills for cement grinding
- Upper centre: 4 cement silos
- Upper left: Cement packing and palletizing unit

Project financing status (31.12.2009)



New Cement Plant would complete the integrated chain of Building Materials



New Cement Plant: Construction Site



April 2010



April 2009



April 2008

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1. Key investment highlights

2. Financial overview

3. LSR Group today

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Key Financials

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

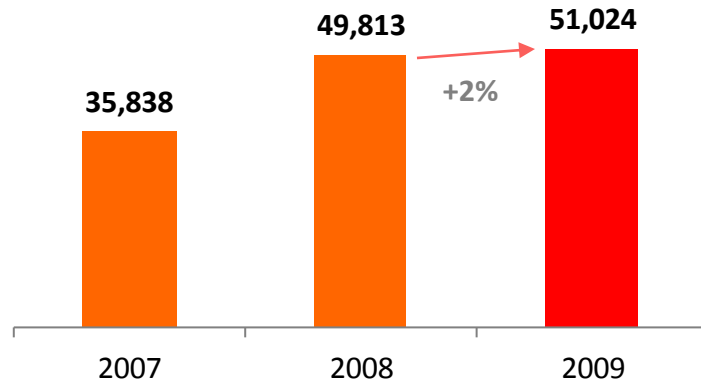
Source: Audited consolidated IFRS financial statements, except as described below

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

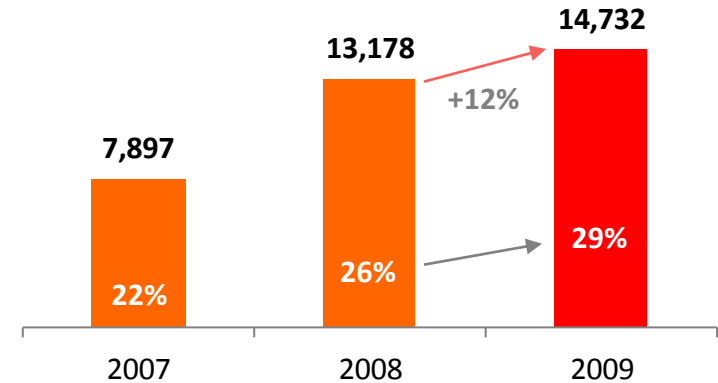
- 1) EBITDA equals to operating profit plus depreciation and amortization of fixed assets and intangible assets less changes in the fair value of investment property less impairment of goodwill
- 2) EBITDA margin equals to the ratio between EBITDA and sales revenue (unaudited)
- 3) Normalised operating 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 breakdown¹

2009 Sales revenue breakdown



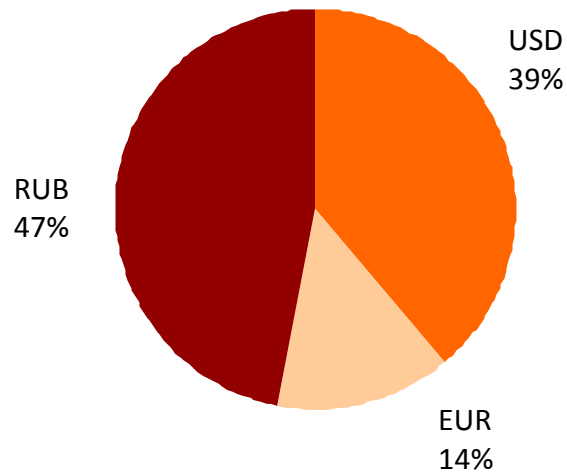
2009 EBITDA breakdown



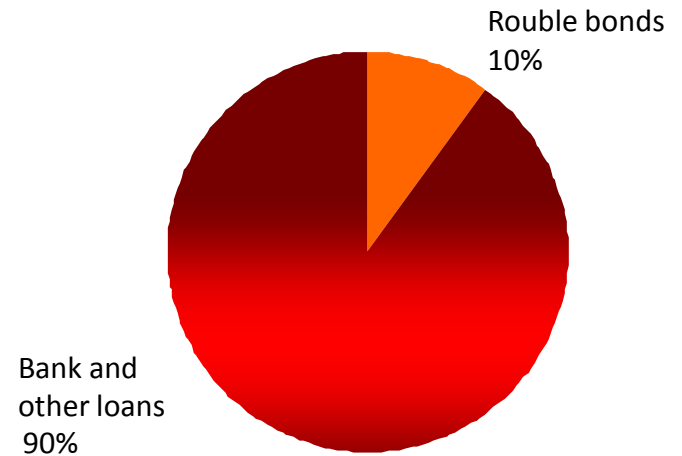
Source: Audited consolidated IFRS financial statements, except EBITDA margin
 Note: 1) Before inter-group eliminations, unallocated amounts and other operations

Debt Composition As Of 31 May 2010

Gross debt by currency¹



Gross debt composition²

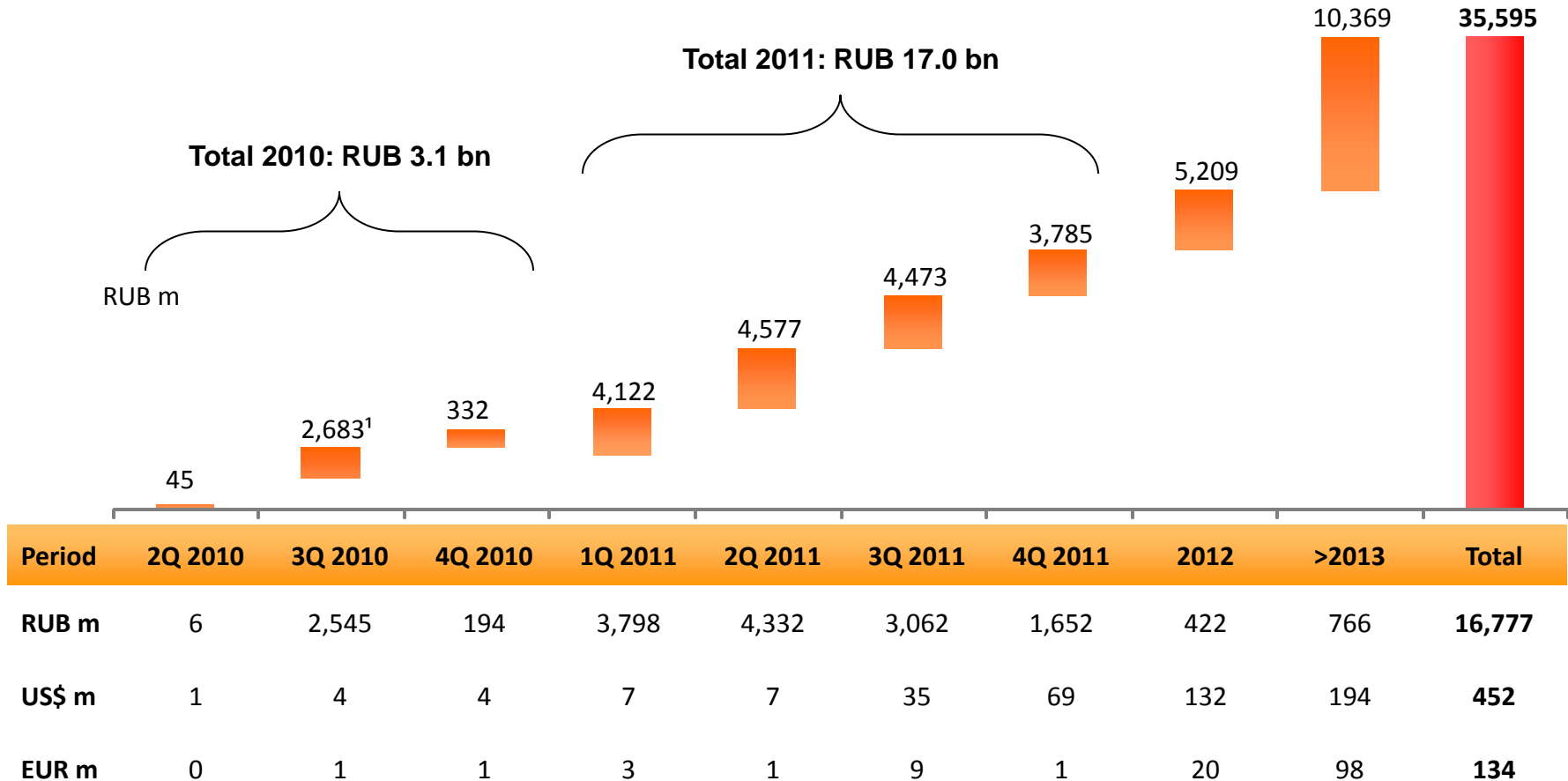


Source: Company

Note: 1) Excluding finance lease liability and other loans

2) Excluding finance lease liability

Debt Maturity Profile As Of 31 May 2010

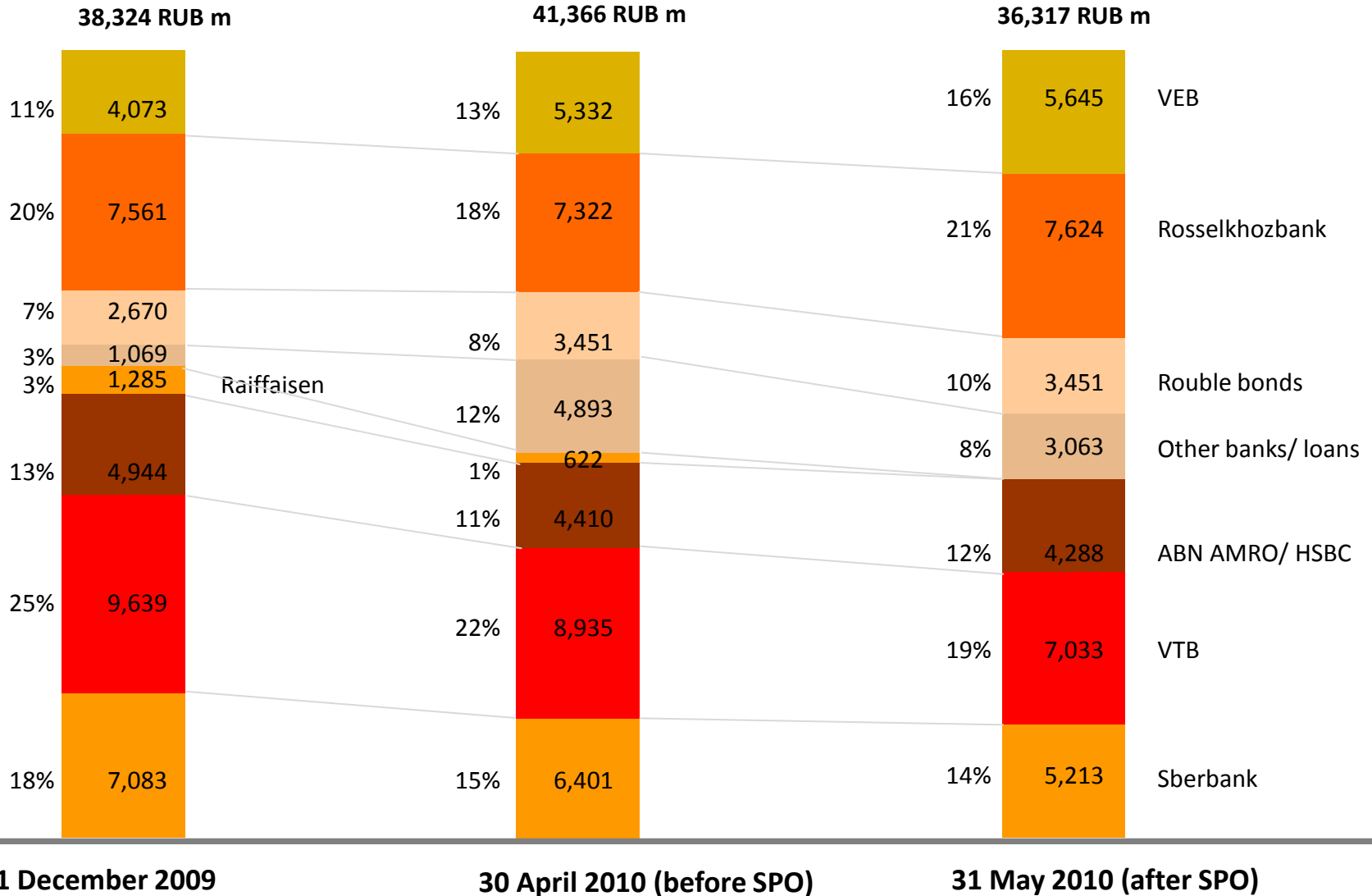


Source: Company

Note: Excluding finance lease liability and other loans. Bond maturities are shown in accordance with their put option dates

1) Deposit in the amount of RUB 2,000m will be used for repayment of RUB 2,000m VTB loan in 3Q2010

Bank and Other Loans By Source



Source: Company
 Note: Excluding finance lease liability

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Group Structure

LSR Group





Real Estate Development, Construction and Commercial Real Estate

Real Estate Development	Construction	Commercial Real Estate
Elite Real Estate in St. Petersburg	Prefabricated Panel Construction in St. Petersburg	Management of Commercial Property
Business Class and Mass-Market in St. Petersburg	Prefabricated Panel Construction in Urals	
Gated Communities	Prefabricated Panel Construction in Moscow	
Real Estate Moscow		
Real Estate Urals		

Building Materials, Aggregates and Construction Services

Aggregates	Construction Services	Building Materials
Sand	Tower Cranes Services	Reinforced Concrete
Crushed Granite	Transportation of Building Materials	Ready-Mix Concrete
	Pile Driving Services	Bricks
		Aerated Concrete
		Cement

Real Estate Development Overview

Key Business Units	Brands	Real Estate Portfolio		Key Financials			
		31.12.2009		2008 (RUB m)		2009 (RUB m)	
		NSA (th. sqm)	MV (RUB m)	Sales	EBITDA	Sales	EBITDA
Elite (St. Petersburg)		535	29,920	3,930	1,819	12,951	6,493
Mass-Market and Business Class (St. Petersburg)		6,353	55,246	5,180	1,588	8,031	2,426
Real Estate Urals		874	6,018	2,012	333	1,805	233
Real Estate Moscow		89 ¹	4,990 ¹	495	245	13	(26)

Source: Audited consolidated IFRS financial statements, DTZ valuation as of 31.12.2009

Note: Business unit results are before inter-segment and inter-group eliminations

1) Excluding our business center in Moscow occupied by LSR Group

Panel Construction: Quick and Cost-Efficient Method of Construction of Mass Market Housing

Key financials

RUB m	2008	2009
Sales volume (th. sqm)	464	499
Sales	13,064	12,756
EBITDA	3,121	3,213
EBITDA margin	24%	25%

Source: Audited consolidated IFRS financial statements

Customer Mix (St. Petersburg)

RUB m	2008	2009
LSR Group	27%	36%
Government	36%	58%
3 rd Party developers	37%	6%

Source: Company



Modernization and extension of existing capacity in St. Petersburg

2007
Construction capacity
370 th. sqm

2009
Construction capacity
600 th. sqm

Planned capacity increase to
750 th. sqm

Modernization effects:

- Productivity growth
- Energy and raw materials cost reduction
- Greater design flexibility
- Further quality improvement

Moscow: 2009
panel production capacity
200 th. sqm

Yekaterinburg: 2009
panel production capacity
200 th. sqm



Building Materials

	Key Business Units	Brands	Key Financials				
			2008 (RUB m)		2009 (RUB m)		
			Sales	EBITDA	Sales	EBITDA	
Building Materials	Reinforced Concrete		6,001	1,484	3,792	117	Economies of scale based on mass production
	Ready-Mix Concrete		5,732	612	2,249	76	
	Bricks		2,709	1,038	1,331	176	
	Aerated Concrete		2,590	310	1,633	70	
Aggregates and Services	Sand		3,843	2,014	2,106	1,092	Extensive reserves
	Crushed Granite		3,145	1,132	1,522	278	
	Tower Cranes		1,335	624	1,076	507	Large fleet

Source: Audited consolidated IFRS financial statements

Note: Business unit results are before inter-segment and inter-group eliminations

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Income Statement

RUB m	FY 2008	FY 2009
Sales revenue	49,813	51,024
Cost of sales	(31,807)	(32,279)
Gross profit	18,006	18,744
Distribution, G&A and other expenses	(7,266)	(5,968)
Changes in fair value of investment property (non-cash)	(16,143)	(1,752)
Write-down of inventory	-	(529)
Operating profit / (loss)	(5,404)	10,495
Net financial expenses	(4,858)	(4,560)
Profit / (loss) before income tax	(10,262)	5,935
Income tax expense / (benefit)	2,255	(1,345)
Net profit / (loss)	(8,007)	4,590
EBITDA	13,178	14,732
EBITDA margin	26%	29%
Depreciation & amortisation	2,049	2,406

Source: Audited consolidated IFRS financial statements, except EBITDA margin

Balance Sheet

RUB m	31.12.08	31.12.09
ASSETS		
Non-current assets		
Property, plant and equipment	28,314	31,843
Investment property under development	5,488	391
Investment property	1,925	2,305
Intangible assets	4,615	4,472
Other investments	125	49
Deferred tax assets	877	1,166
Trade and other receivables	1,206	1,941
Restricted cash	4,259	396
Total non-current assets	46,810	42,564
Current assets		
Other investments	134	124
Inventories	50,696	55,126
Income tax receivable	290	277
Trade and other receivables	12,661	9,329
Cash and cash equivalents	3,246	2,896
Restricted cash	-	35
Assets classified as held for sale	62	-
Total current assets	67,089	67,751
Total assets	113,899	110,314
EQUITY AND LIABILITIES		
Equity		
Share capital	32	32
Share premium	14,563	14,563
Additional paid in capital	16,477	16,796
Foreign currency translation reserve	22	36
Retained earnings	3,231	7,945
Total equity attributable to shareholders of the Company	34,325	39,372
Non-controlling interest	649	249
Total equity	34,973	39,621
Non-current liabilities		
Loans and borrowings	18,864	24,433
Deferred tax liabilities	2,246	1,768
Trade and other payables	37	0.5
Provisions	2	0.7
Total non-current liabilities	21,148	26,203
Current liabilities		
Bank overdraft	58	-
Loans and borrowings	17,952	15,107
Income tax payable	323	633
Trade and other payables	38,550	28,184
Provisions	886	566
Liabilities classified as held for sale	8	-
Total current liabilities	57,777	44,491
Total equity and liabilities	113,899	110,314

Cash Flow

RUB m	2008	2009
Net Income	(8,007)	4,590
Depreciation & amortization	2,049	2,406
Other, net	19,293	8,240
Operating profit before changes in working capital and provisions	13,335	15,235
Change in Inventories	(12,166)	(1,671)
Change in Trade and Other Receivables	(1,810)	4,147
Change in Trade and Other Payables	10,547	(7,693)
Increase/ decrease in provisions	176	(320)
Cash flow from operations before income taxes and interest paid	10,083	9,698
Income Taxes Paid	(2,752)	(1,756)
Interest Paid	(2,957)	(4,472)
Cash flow from (utilised by) operating activities	4,373	3,470
Capital Expenditures	(9,346)	(7,543)
Acquisitions	(5,573)	(3,229)
Disposals	395	968
Other	(3,624)	4,045
Cash flow from (utilised by) investing activities	(18,149)	(5,759)
Debt issued (repaid)	8,276	1,993
Other	(40)	-
Cash flow from (utilised by) financing activities	8,236	1,993
Net change in cash	(5,540)	(295)
Cash at beginning of period	8,593	3,188
Exchange rate fluctuations	134	(3)
Cash and end of period	3,188	2,896

Source: Audited consolidated IFRS financial statements

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