17 January 2017
Saint Petersburg

# LSR GROUP REPORTS 4Q AND 12M 2016 OPERATING RESULTS

LSR Group (LSE: LSRG; MOEX: LSRG), one of the leading real estate developers and building materials producers in Russia, is publishing the operating results for the fourth quarter and twelve months of 2016.

**Highlights for twelve months of 2016:**

- 12M new contract sales reached **681 th m$^2$ (+11% y/y)**. Value of the contracts was **RUB 70.6bn (+29% y/y)**
- Average selling price grew by **15% y/y** to **RUB 104 th** in 2016
- During the year, **729 th m$^2$** of NSA was launched to the market
- The share of mortgage sales stood at **38%** over 12M and reached **42%** in 4Q
- 12M completions were **789 th sq m (+5% y/y)**, deliveries (recognized in revenue) amounted to **780 th sq m (+8% y/y)**

**Conference call details:**

LSR Group will host a conference call for the investment community today at 17-00 Moscow time (15:00 London, 10:00 New York). On the call, Dmitry Kutuzov, Chief Financial Officer, and Yury Ilyin, Chief Communications Officer, will overview the 4Q and 12M 2016 operating results, followed by a Q&A session.

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Conference call ID: **52256948**

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## REAL ESTATE DEVELOPMENT AND CONSTRUCTION

| | 4Q 2015 | 1Q 2016 | 2Q 2016 | 3Q 2016 | 4Q 2016 | 4Q 2016/ 4Q 2015 | 12M 2015 | 12M 2016 | 12M 2016/ 12M 2015 |
|---|---|---|---|---|---|---|---|---|---|
| **Real estate development** | | | | | | | | | |
| New contract sales, th $m^2$ | 228 | 214 | 153 | 143 | 172 | *(25%)* | 611 | 681 | *11%* |
| New contract sales, RUB bn | 19,7 | 21,1 | 16,7 | 15,4 | 17,5 | *(11%)* | 54,9 | 70,6 | *29%* |
| Average price, RUB th | 86,5 | 98,8 | 109,2 | 107,4 | 102 | *18%* | 89,8 | 103,8 | *15%* |
| Number of contracts | 3 993 | 3 756 | 2 675 | 2 595 | 3 102 | *(22%)* | 10 820 | 12 128 | *12%* |
| Cash collections, RUB bn | 15,8 | 17,3 | 18,4 | 16,7 | 19,1 | *21%* | 55,8 | 71,5 | *28%* |
| Completions, th $m^2$ | 425 | 4 | 202 | 67 | 515 | *21%* | 754 | 789 | *5%* |
| Deliveries, th $m^2$ | 415 | 20 | 204 | 65 | 491 | 18% | 722 | 780 | *8%* |

In 2016, we entered into new contracts with the customers for the sale of 681 th sq m (+11%). The value of the contracts increased by 29% to reach RUB 70.6bn. Average selling price grew by 15% and amounted to RUB 103.8 th per sq m, which was primarily driven by the increased share of Moscow in our project portfolio as well as price differentiation mechanisms. In particular, the share of Moscow in our new contract sales value grew from 23% to 40%. Mortgage lending was the key driver of the demand for the new housing. In 2016 the share of mortgage sales was 38% across all regions of operations, as compared to 33% in 2015, reaching 42% as of 4Q.

During the year we launched a total of 729 th sq m to the market including both new projects and new phases in the ongoing projects. St. Petersburg accounted for nearly half of the volume. In our home city we started pre-sales in two large-scale projects: Civilization and Tsvetnoy Gorod. About 163 th sq m was launched in ZILART project in Moscow.

Completions amounted to 789 th sq m in 2016, including 515 th sq m commissioned in 4Q.

### MOSCOW

| | 4Q 2015 | 4Q 2016 | Change, % | 12M 2015 | 12M 2016 | Change, % |
|---|---|---|---|---|---|---|
| **Real Estate Development** | | | | | | |
| New contract sales, th $m^2$ | 36 | 38 | *6%* | 125 | 193 | *55%* |
| New contract sales, RUB bn | 4,8 | 6,0 | *26%* | 12,6 | 28,1 | *124%* |
| Average price, RUB th | 133 | 158 | *19%* | 101 | 146 | *45%* |
| Number of contracts | 540 | 630 | *17%* | 2 123 | 3 104 | *46%* |
| Completions, th $m^2$ | 74 | 101 | *37%* | 90 | 198 | *121%* |
| Deliveries, th $m^2$ | 77 | 96 | *25%* | 96 | 190 | *97%* |

2016 has been a pivotal year for LSR Group's presence in Moscow, which demonstrated spectacular growth dynamics on the back of success of new projects. Moscow share of our new contract sales constituted 40% in terms of value and almost 30% in terms of volume for 2016. New contract sales increased by 124% y/y in terms of value, and by 55% y/y in terms of volume. In 4Q new contract sales grew by 26% y/y in terms of value, and by 6% y/y in terms of volume.

During the year we launched 272 th sq m to the market. The strong performance of Luchi and ZILART sales prompted us to increase our prices on average for Moscow by 45% y/y. In 2017 we plan to boost our offering in Moscow by an additional 230 th sq m to meet customer demand. Given Moscow's attractiveness as a job market and economic center, we believe the demand for Moscow projects will be increasingly driven by non-local sales. We aim to assist the future growth through the recently implemented, intra-regional sales capabilities, which allow our customers to purchase any apartment from our offering in one of the three cities of operations.

## ST.PETERSBURG

| | 4Q 2015 | 4Q 2016 | Change, % | 12M 2015 | 12M 2016 | Change, % |
|---|---|---|---|---|---|---|
| **Total** | | | | | | |
| New contract sales, th $m^2$ | 157 | 97 | *(38%)* | 385 | 386 | - |
| New contract sales, RUB bn | 12,9 | 9,4 | *(27%)* | 36,3 | 36,6 | *1%* |
| Average price, RUB th | 82 | 97 | *18%* | 94 | 95 | *1%* |
| Number of contracts | 2 837 | 1 742 | *(39%)* | 6 895 | 7 025 | *2%* |
| Completions, th $m^2$ | 268 | 368 | *37%* | 538 | 495 | *(8%)* |
| Deliveries, th $m^2$ | 265 | 350 | *32%* | 517 | 494 | *(5%)* |
| **Elite** | | | | | | |
| New contract sales, th $m^2$ | 10 | 7 | *(30%)* | 37 | 43 | *14%* |
| New contract sales, RUB bn | 1,8 | 1,5 | *(16%)* | 8,0 | 7,8 | *(3%)* |
| Average price, RUB th | 181 | 218 | *20%* | 215 | 183 | *(15%)* |
| Number of contracts | 122 | 73 | *(40%)* | 431 | 591 | *37%* |
| Completions, th $m^2$ | 43 | 8 | *(81%)* | 93 | 26 | *(72%)* |
| Deliveries, th $m^2$ | 32 | 3 | *(92%)* | 89 | 21 | *(76%)* |
| **Mass-market** | | | | | | |
| New contract sales, th $m^2$ | 147 | 90 | *(39%)* | 348 | 344 | *(1%)* |
| New contract sales, RUB bn | 11,1 | 7,9 | *(29%)* | 28,3 | 28,8 | *2%* |
| Average price, RUB th | 75 | 88 | *17%* | 81 | 84 | *3%* |
| Number of contracts | 2 715 | 1 669 | *(39%)* | 6 464 | 6 434 | - |
| Completions, th $m^2$ | 225 | 359 | *60%* | 445 | 469 | *5%* |
| Deliveries, th $m^2$ | 232 | 348 | *50%* | 428 | 473 | *10%* |

In St. Petersburg, the new contract sales' dynamics were reflective of our price increases. For selected mass-market projects, where sales went ahead of schedule, we have adjusted the prices upwards and rolled over some sales launches to smoothen out the sales and investment schedule. The scale of our new projects, Tsvetsnoy Gorod and Civilization, which are the largest in LSR Group's history of presence in the home market, allows us to carefully manage the balance between demand and our supply, by redistributing the offering throughout the years.

In 2016, we have launched a total of 336 th sq m to the market. In 2017, we plan start pre-sales of 616 th sq m.

## YEKATERINBURG

| | 4Q 2015 | 4Q 2016 | Change, % | 12M 2015 | 12M 2016 | Change, % |
|---|---|---|---|---|---|---|
| **Real Estate Development** | | | | | | |
| New contract sales, th $m^2$ | 35 | 37 | *6%* | 101 | 102 | - |
| New contract sales, RUB bn | 2,1 | 2,1 | *2%* | 6,0 | 5,9 | *(2%)* |
| Average price, RUB th | 60 | 57 | *(4%)* | 60 | 58 | *(3%)* |
| Number of contracts | 616 | 730 | *19%* | 1 802 | 1 999 | *11%* |
| Completions, th $m^2$ | 84 | 46 | *(45%)* | 127 | 96 | *(25%)* |
| Deliveries, th $m^2$ | 74 | 45 | *(39%)* | 109 | 97 | *(11%)* |

Our 4Q sales in Yekaterinburg were ahead of 3Q result which was the best quarter in the region since the beginning of 2015 (+27% q/q). In 4Q our new contract sales increased by 2% y/y in value terms and by 6% in volume terms. Within the new strategy, we adjusted the prices downwards and offered smaller, more in-demand apartments.

We have launched a total of 120 th sq m in the region since the beginning of the year. In 2017, we plan to start pre-sales of 48 th sq m.

## CONSTRUCTION

| | 4Q 2015 | 4Q 2016 | Change, % | 12M 2015 | 12M 2016 | Change, % |
|---|---|---|---|---|---|---|
| St. Petersburg, th $m^2$ | 125 | 110 | *(12%)* | 562 | 560 | - |
| Moscow, th $m^2$ | 65 | 64 | *(3%)* | 179 | 211 | *(18%)* |
| Yekaterinburg, th $m^2$ | 34 | 33 | *(3%)* | 140 | 154 | *10%* |
| Total, th $m^2$ | 224 | 207 | *(8%)* | 881 | 925 | *5%* |

In 2016 in all regions of presence we constructed 925 th sq m. The volume of construction works increased by 5% against 2015.

## BUILDING MATERIALS

| Product | 4Q 2015 | 4Q 2016 | Change, % | 12M 2015 | 12M 2016 | Change, % |
|---|---|---|---|---|---|---|
| Crushed granite, th $m^3$ | 1 180 | 1 450 | *23%* | 5 374 | 6 312 | *17%* |
| Sand, th $m^3$ | 1 715 | 1 872 | *9%* | 8 144 | 8 742 | *7%* |
| Ready-mix concrete, th $m^3$ | 210 | 224 | *7%* | 1 027 | 879 | *(14%)* |
| Reinforced concrete, th $m^3$ | 70 | 60 | *(15%)* | 283 | 256 | *(10%)* |
| Bricks, million units | 75 | 69 | *(8%)* | 348 | 317 | *(9%)* |
| Aerated concrete, th $m^3$ | 288 | 295 | *3%* | 1 304 | 1 385 | *6%* |

In 4Q 2016, aggregates' sales dynamics continued to be supported by supplies to long-term infrastructure projects.

Ready-mix concrete and reinforced concrete remained under pressure from the general decline in early cycle construction activity and intensifying competition.

Brick sales were affected by lower supplies to regions due to the decreased construction activity. We managed to compensate that partially by solid sales in our home market.

Aerated concrete sales demonstrated steady growth dynamics in 4Q 2016. These results are driven by ongoing market share consolidation, as our AEROC brand remains one of the most highly recognizable brands in the market.