

LSR Group

Growing before your eyes

INVESTOR PRESENTATION

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Company Overview

Real Estate Development and Construction

Building Materials, Aggregates and Construction Services

Post-IPO Developments

Review of FY2007 Results and 1H 2008 Update

Conclusion

Appendixes

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Senior Management Team

**Igor
Levit**



**CEO,
Member of
the Board of Directors**

**Evgeny
Yatsyshin**



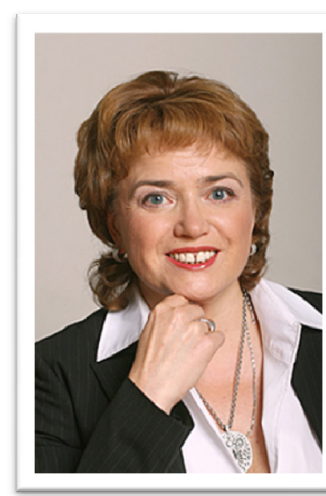
**Managing Director
Development and
Construction**

**Georgy
Vedernikov**



**Managing Director
Building Materials, Aggregates
and Construction Services**

**Elena
Tumanova**



**CFO,
Member of
the Board of Directors**

**Extensive industry experience and commitment:
15 years with LSR Group**

LSR Group

Strong Combination: Two Complementary Market-Leading Businesses

Real Estate Development and Construction

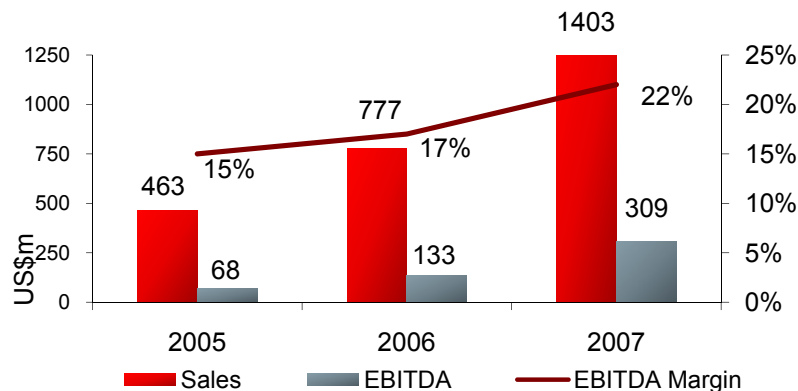
- Leading residential real estate developer in North-West Russia
- Real estate portfolio valued at US\$ 5.7 bn*
- Growing presence in other regions
- Significant portfolio of commercial real estate projects

*DTZ Valuation as of 31 December 2007

Building Materials, Aggregates and Construction Services

- Leading supplier of basic building materials in Russia
- Geographical diversification outside of North-West Russia

Sales and EBITDA Development



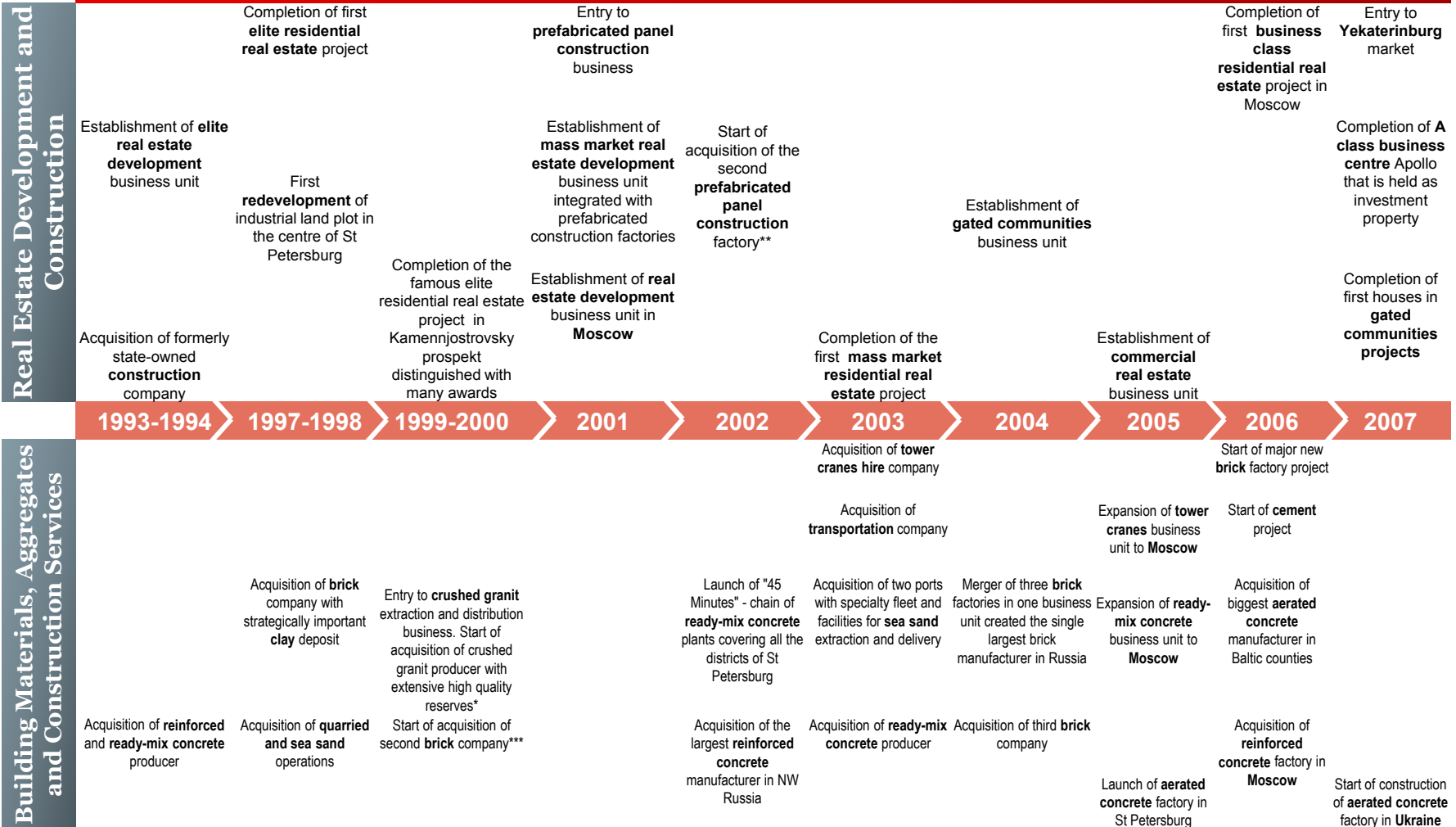
Sales and EBITDA Breakdown



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

Dynamic Development Since 1993

History of organic development of core competencies and discovery of new market opportunities



History of value-added acquisitions and turnarounds, greenfield projects and modernization

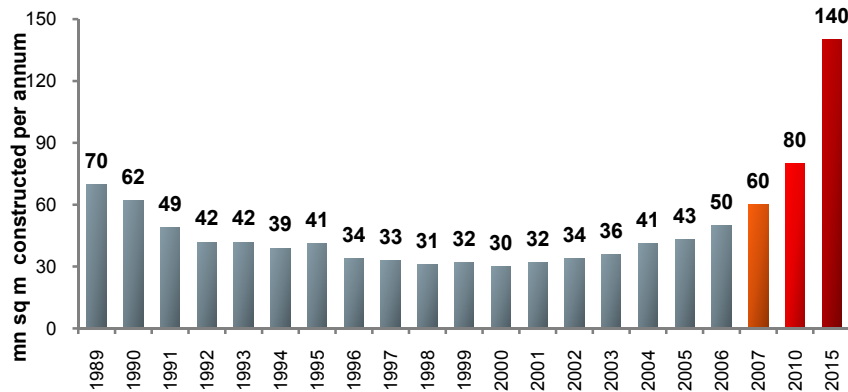
*consolidated in 2002

**consolidated in 2003

***consolidated in 2004

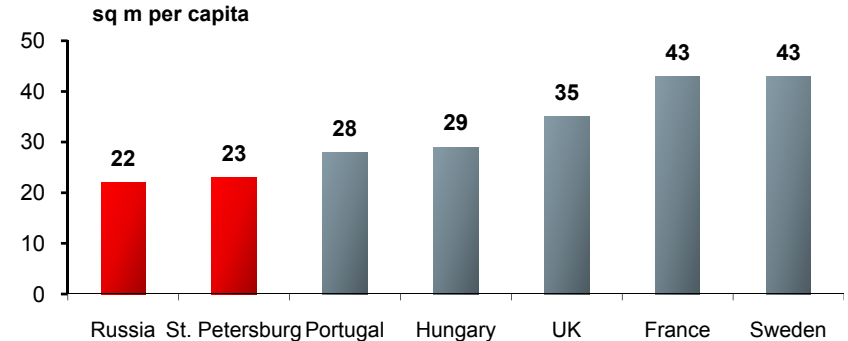
Rapidly Growing Russian Construction Market

Residential Construction Activity, Russia



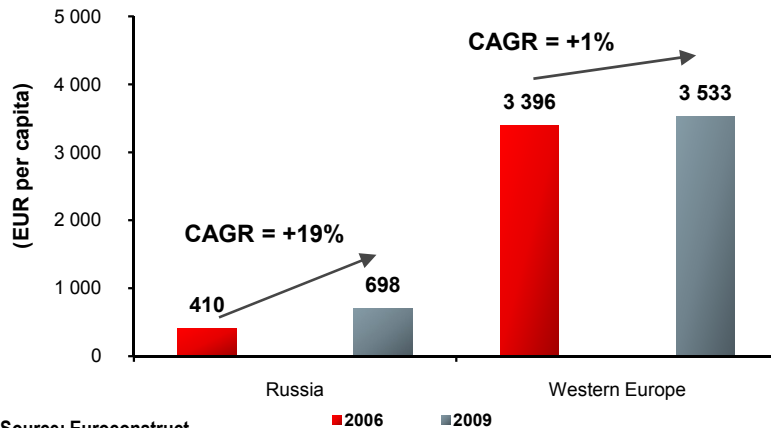
Source: Order of the Government of the Russian Federation for 2010; Government program "Affordable housing"

Housing Stock, 2007



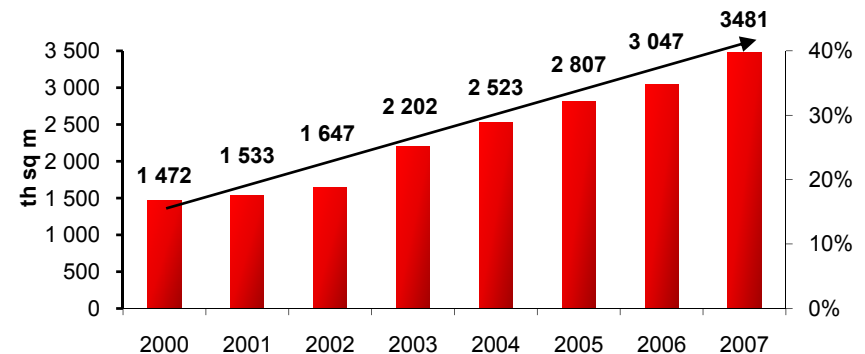
Source: Euroconstruct, Rosstat, St Petersburg Realty

Housing Construction per Capita in Russia vs Western Europe



Source: Euroconstruct

Housing Space Completions in St Petersburg and Leningrad Region



Source: Petrostat

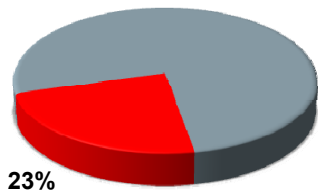
Leading Real Estate Developer with Extensive Land Bank

LSR market positions in real estate market of St Petersburg and Leningrad region, 2007

Completed Projects

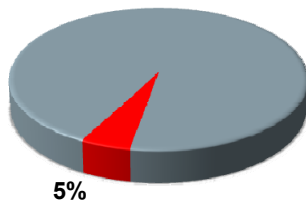
Elite

#2



Mass market

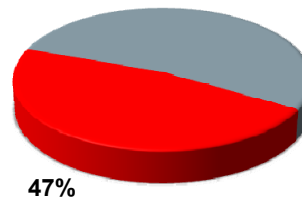
#4



Projects Under Construction

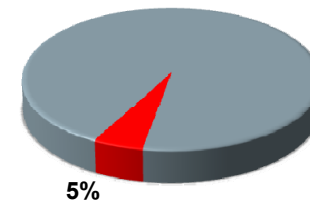
Elite

#1



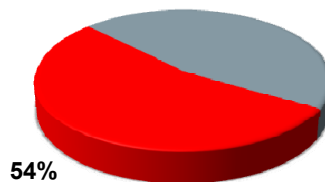
Mass market

#3



Prefabricated Panel Construction

#1



Source: SPb Realty, market research agency

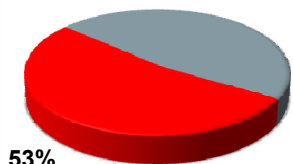
Leading Building Materials Producer

LSR Market Positions in St Petersburg and Leningrad Region

Building Materials

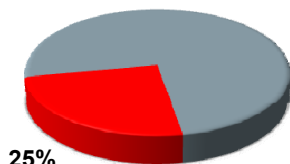
Reinforced
Concrete

#1



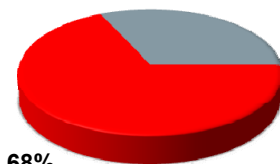
Ready-mix
Concrete

#1



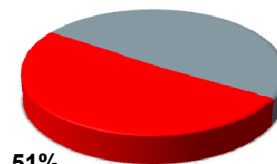
Bricks

#1



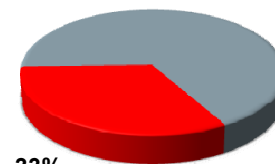
Aerated
Concrete

#1



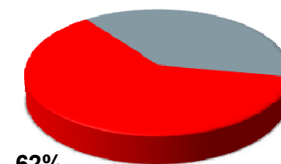
Crushed
Granite

#1



Sand

#1



Aggregates

Construction Services

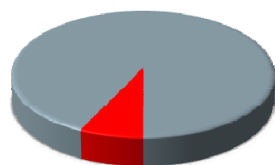
Tower cranes

#1

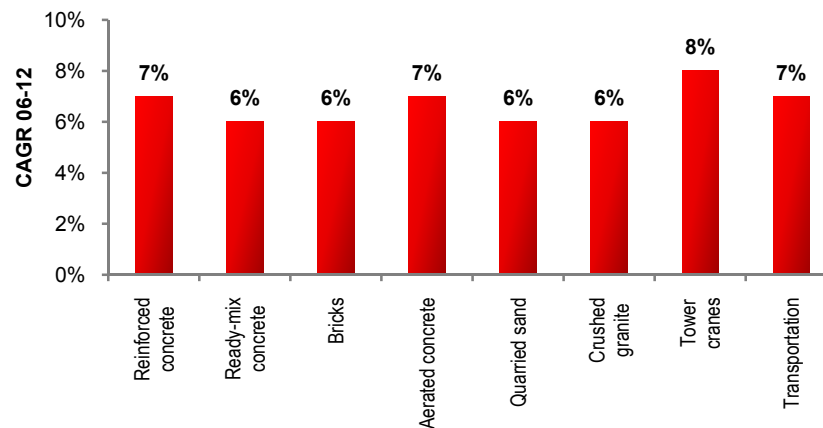


Transportation

#1



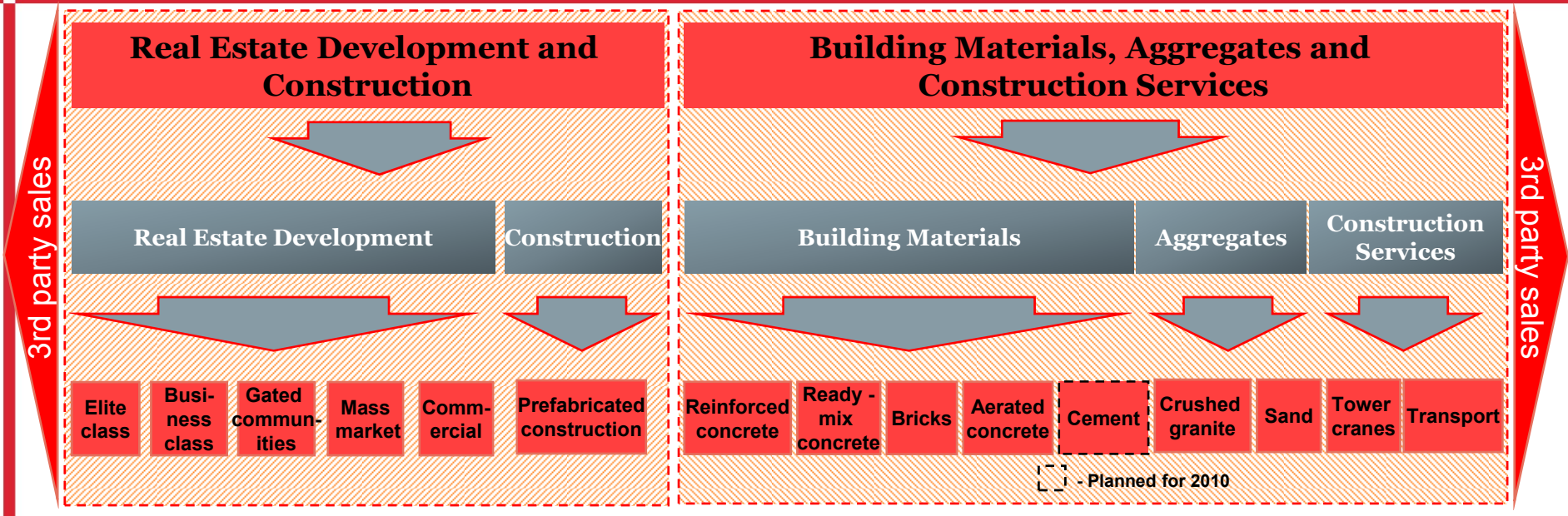
Market Volume Growth, %



Source: Reshenie, market research agency

Note: in volumes

Strong Benefits From Combining the Two Businesses



Benefits of Synergy

Guarantee of Supply in Deficit Market	Hedge Against Materials Price Inflation	Market Visibility	Financial Power and Stability
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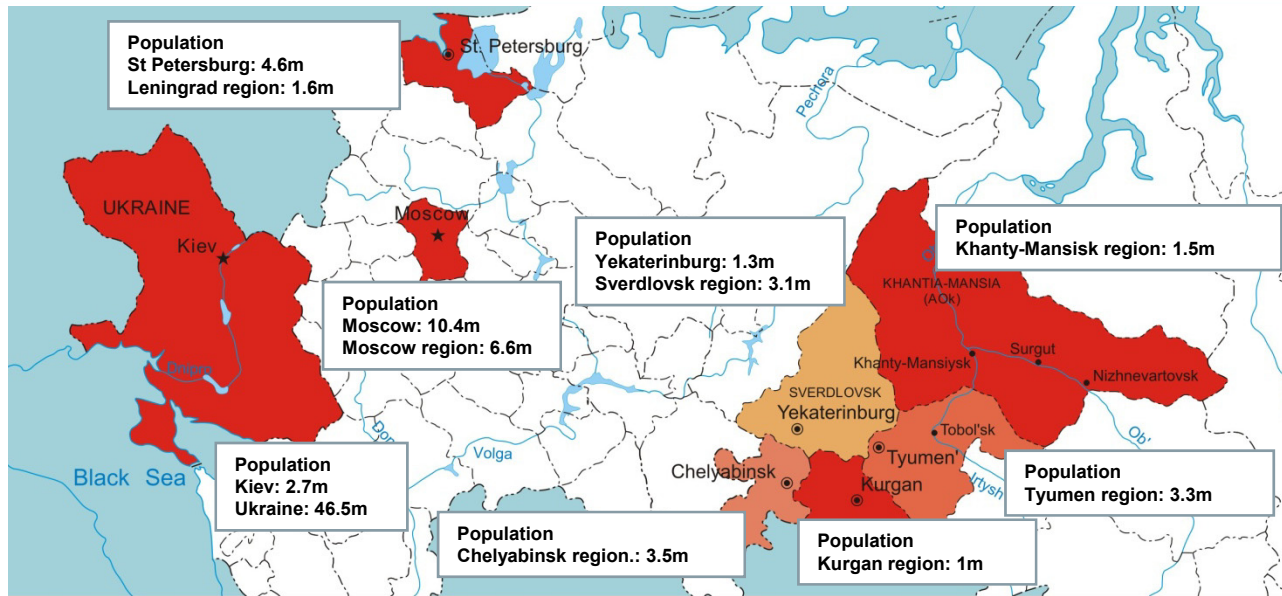
Value beyond sum of the parts

Strategy to Deliver Highly Profitable Growth

- **Maintain and build-upon market-leading positions to outperform the market**
- **Attain leadership in those business segments where we are not yet #1**
- **Expand existing businesses**
 - Increase in prefabricated capacity
 - Selective acquisitions
 - Grow land bank
- **Diversify into new attractive businesses and geographies**
 - Cement
 - Moscow and other regions
- **Improve efficiency**



Geographic Development: Focus on Key Markets



Today our geographic development strategy focused on 4 strategic markets including:

- St Petersburg/Leningrad Region
- Moscow/Moscow Region
- Yekaterinburg/Urals Region
- Ukraine

St Petersburg

2nd Largest City in Russia and LSR's Home Market

- Maintain and grow market shares in Building Materials and Real Estate
- Grow mass market real estate business integrated with in-house prefab production capacity
- Build new cement and brick plants
- Gradually increase capacity for all products following the demand growth pattern
- Increase operating efficiency

Moscow

Largest Market in Russia

- Replicate integrated business model including both Building Materials and Real Estate
- Grow existing building materials business. Add bricks and aerated concrete operations
- Expand real estate development division maintaining financial discipline and established IRR targets

Yekaterinburg

4th Largest City in Russia

- Roll-out integrated business model
- We acquired the largest prefabricated panel producer in the region, 60ha of land for mass market development and building materials operations including production of reinforced concrete, ready-mix concrete, aerated concrete and prefabricated panels
- Acquisition pipeline includes series of land plots, real estate development and aggregates operations

Ukraine

Sizeable and Booming Market

- Target is to become leading Building Materials player in Ukraine with chosen product range
- Expansion started with aerated concrete:
 - brand-new aerated concrete factory to be launched in summer 2008
 - acquisition of existing local player approved by the Board
- Expand business with other products most attractive for Ukrainian market in terms of demand, pricing opportunities and level of competition

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Real Estate Development

Segment	Brand	2007 Sales, US\$m	2007 EBITDA, US\$m	Land bank, ha	NSA, th sqm	OMV, US\$m
Elite residential and commercial		133	51	38	641	2,786
Mass and business class residential		178	31	705	6,835	2,282
Real estate in Moscow		48	12	6	59	195
Gated communities		4	0,1	214	142	143
Total		398*	97*	1015	8,235	5,672**

Development strategy

Maintain leadership residential real estate in NW Russia

Expand into new promising segments/ regions

Execute through business units with flexible autonomous management

(*) After eliminations and sundry operations

(**) Includes several plots with an aggregate valuation by DTZ of \$494mn for which acquisition is still outstanding

Source: LSR Group, DTZ valuation as of 31 December 2007

Strong Track Record in Residential Real Estate

Elite residential

1997

Griboyedova, 85



1999

Kamennostrovsky, 56



2000

Malodetskoyesky, 28



Berezovaya alleya



2003

Konnaya, 14



2003

Michurinskaya, 6



2004

Karpovka Emb, 10



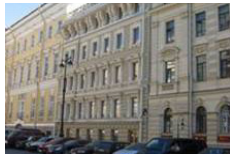
2004

Nevsky, 137



2005

B.Morskaya, 4



2006

Robespyera, 1



2006

Konung



2007

Shpalernaya, 60



2007

Kamennostrovsky, 56-58



Martinova, 74



27 projects with total area of 221 th sq m completed since 1997

Mass market residential

2003

Komendantsky, 16



2004

Chudnovskogo



2005

Koroleva



Kosygina



2006

Komendantsky, 17



2006

M. Zaharova



Telmana



2007

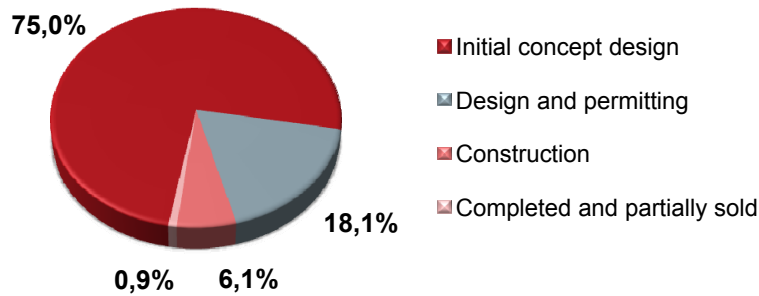
Pulkovsky Posad



10 projects with total area of 346 th sq m completed since 2003

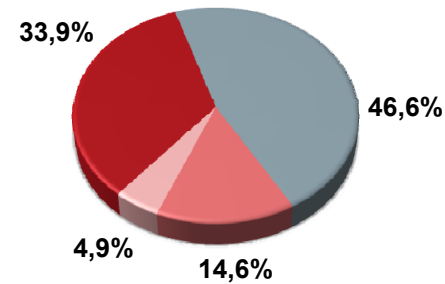
Large and Diversified Development Portfolio Across a Range of Segments

NSA by Phase



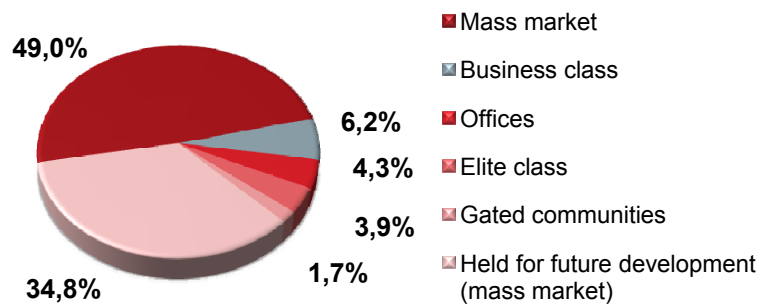
NSA of 8.2 mn sqm

OMV by Phase

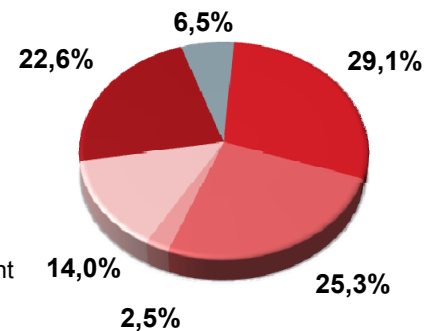


OMV of US\$5.7bn

NSA by Segment

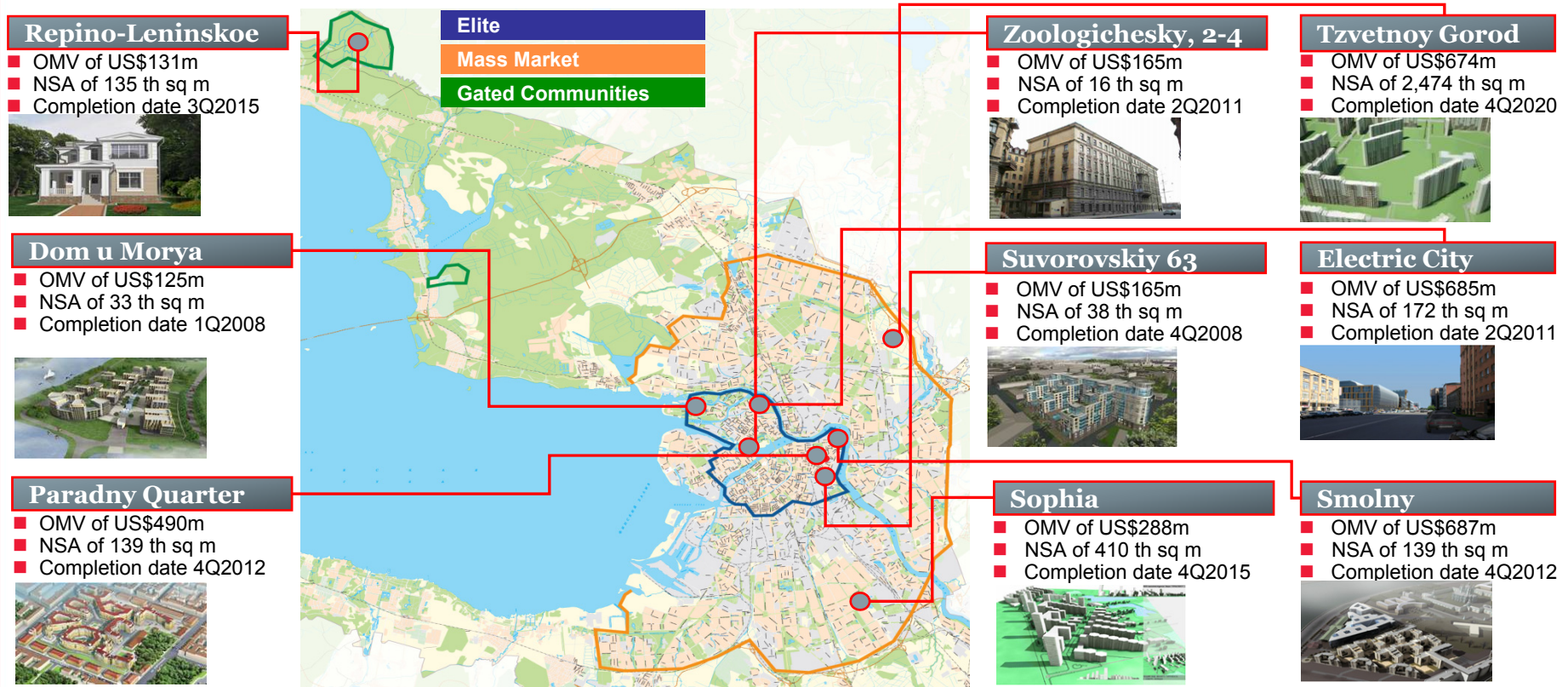


OMV by Segment



Note: Properties held as investment by phase include land plots and completed commercial properties
 Source: DTZ valuation as of 31 December 2007

Map of Key Development Projects



Project	Area, ha	NSA, th sq m	OMV, US\$m
In the course of development	666	5 366	4 880
Total for top-10 projects	534,0	3 564	3 461
	+		
Held for future development	349	2 869	792
	=		
Total portfolio	1 015	8 235	5 672

Source: DTZ valuation as of 31 December 2007
 NSA stands for Net Sellable Area
 OMV stands for Open Market Value

Panel Construction Capacity Lined Up to Capture Market Growth

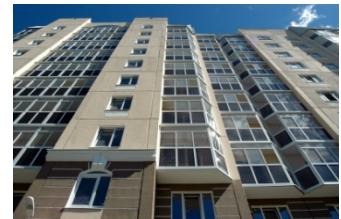
Key Financials

USD m	2007
Sales volume (th sqm)	311
Capacity utilisation (%)	84%*
Sales	250
EBITDA	40
<i>EBITDA margin</i>	16%

*In 2007 capacity was limited due to ongoing modernisation of production facilities

Customer Mix

	2007
LSR Group	38%
Municipal orders	21%
3 rd Party developers	41%



Modernization strategy

2007 - Capacity 370 th sq m

US\$ 130m Net investment

2010 - Capacity 750 th sq m

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

- The external sales represented 60% of total sales
- 54% market share in St. Petersburg panel construction market

Real Estate Highlights

- **Strategic focus on attractive and less saturated market of St. Petersburg and the Leningrad region**
- **Strong market position, track record and brand name**
- **Powerful development platform with in-house competencies in key areas**
- **Well-balanced real estate portfolio valued at US\$5.7bn by DTZ**
- **Largely self-financing business model with strong earnings visibility from significant pre-sales**



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Strong and Unique Investment Case

- Favourable economic environment
- Long-term cost advantages supporting high margins
- Market leadership
- Substantial barriers for new entrants
- Clear strategy to deliver highly-profitable growth
- Attractive cement opportunity
- Scope for further value-enhancing acquisitions



Key Characteristics

			2007 Sales, US\$m	2007 EBITDA Margin	
Aggregates	Crushed granite		Extensive reserves and infrastructure	101	29%
	Sand			116	42%
Building materials	Reinforced concrete		Economies of scale based on mass production	217	25%
	Ready-mix concrete			199	10%
	Bricks			94	32%
	Aerated concrete			62	28%
Services	Tower cranes hire		Large fleet	38	44%
	Transportation of building materials			21	13%
Total			920*	25%*	

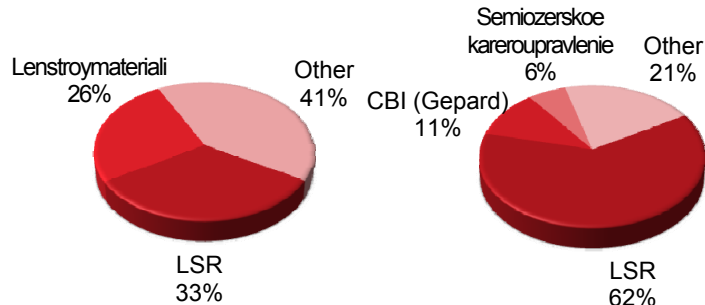
(*) Including other non-core products

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

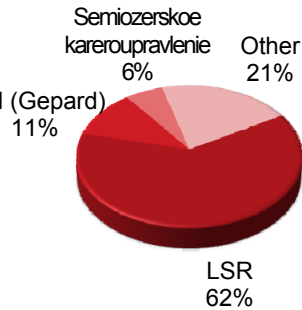
Margin Drivers

Aggregates Market in St Petersburg and Leningrad Region

Crushed Granite

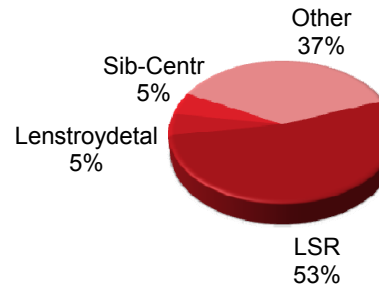


Sand

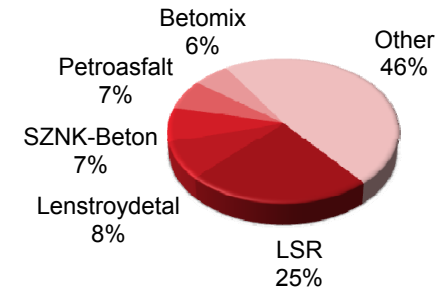


Building Materials Market in St Petersburg and Leningrad Region

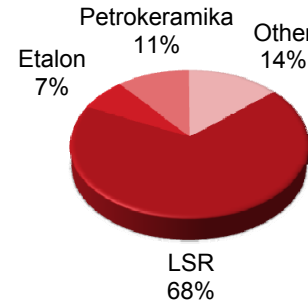
Reinforced Concrete



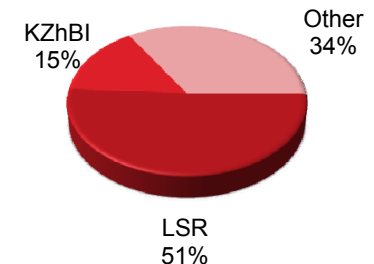
Ready-Mix Concrete



Bricks



Aerated Concrete



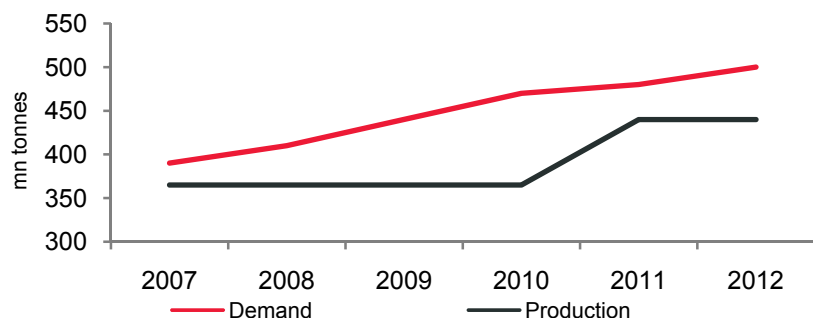
- Demand exceeds supply; gap expected to widen in some categories in the future

- Supply is lagging behind demand
- Highly consolidated markets with LSR businesses commanding largest shares
- High entry barriers due to licensing and large capex requirements

Material scope for sales price increase

Bricks: Investing to Widen Margins

Brick Market in St Petersburg and Leningrad Region



Source: Reshenie

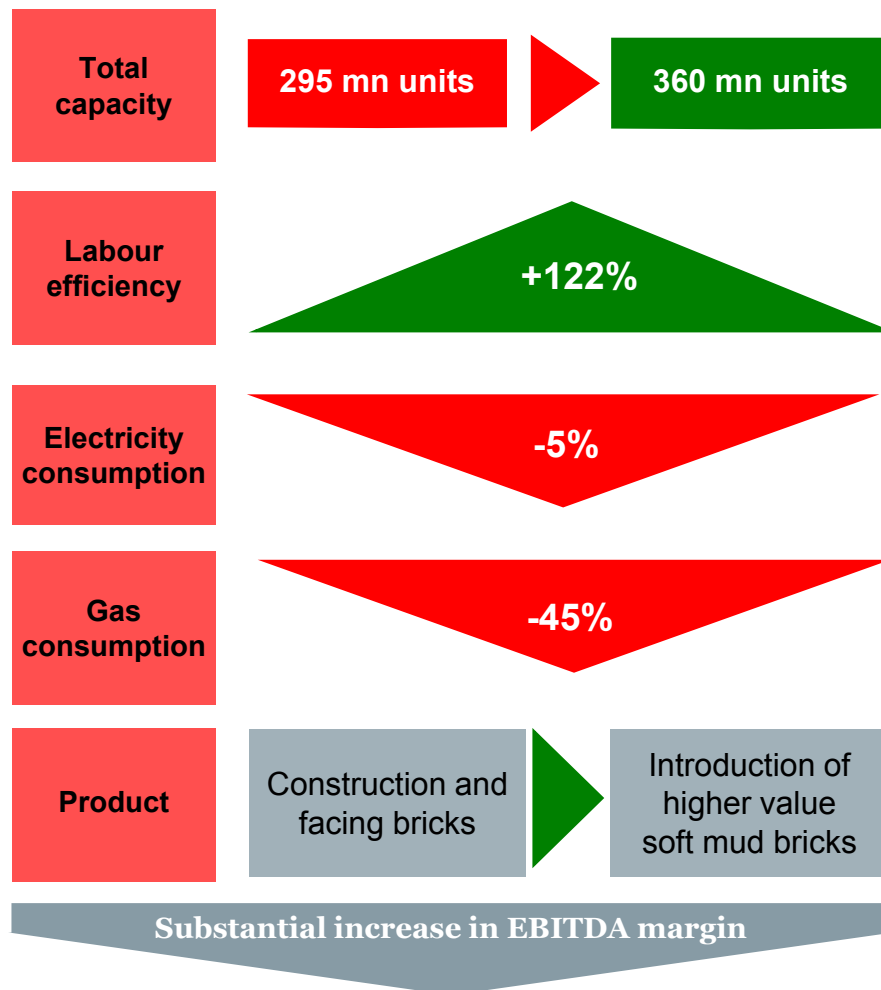
Project Details

- 5 current plants cut to 3 modern facilities
- Estimated net investment of US\$240m
- State-of-the-art equipment to be supplied by Ceric (€71m contract signed)

Benefits:

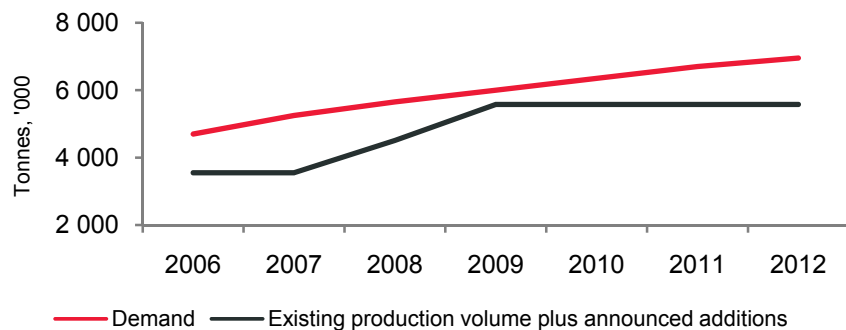
- Cost reduction by 30%
- Release of land for development or sale

Capacity 2011



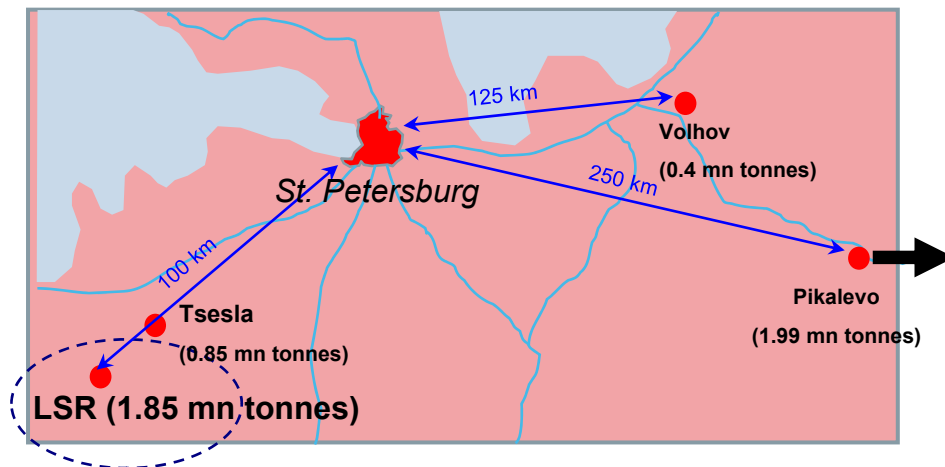
New 1.85 mn Tonnes Cement Plant

Cement Market in North-West Russia



Note: Before LSR's planned investment
Source: Reshenie

Cement Capacity in North-West Russia



Investment Highlights

- State-of-the-art dry production technology plant
- Ideal location close to LSR's own reserves
- Ability to serve end markets through own integrated transport network
- Positions LSR to become significant player in the highly attractive market cement market
- Expected to fully meet internal LSR needs and allow for third party sales
- Scope allows the construction of the second production line to increase capacity up to 4mn tonnes

Project Details

Production capacity	1.85mn tonnes
Estimated net investment (2H 2007-2010)	US\$500m
Confirmed reserves	66.5mn tonnes of limestone, 29.8mn tonnes of 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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Post-IPO Developments

GEOGRAPHIC DEVELOPMENT



Expansion Into Key Target Markets

Yekaterinburg: Rolling Out Integrated Business Model

Acquisitions of :

- largest prefabricated panel producer in the region with market share of 79% in 2008
 - building materials operations including: reinforced concrete, ready-mix concrete and aerated concrete production facilities
 - 60 hectares of land, and In addition our current acquisition pipeline in Yekaterinburg contains the series of land plots, real estate development and aggregates operations.
- US\$ 300m development budget devoted to this region for 2008

Moscow: Strengthening Positions in Real Estate

Acquisition of land area of 1.8 hectares for mixed use development with total estimated gross buildable area of 115 th sq m.

Ukraine: Building Leading Position in Rapidly Growing Market

With two recent initiatives - building brand-new large aerated concrete plant in 2008 and beginning process of acquisition of existing local aerated concrete player we are well-positioned to become the market leader with this product in Ukraine

MAJOR INVESTMENT PROJECTS



New Brick and Cement Plants: Execution Is On Track

Signing the contracts for construction of brick and cement factories

Equipment for brick plant to be supplied by world leading equipment manufacturer CERIC (€71m) and construction works to be made by ZAO Kompakt (€95m)

Equipment for cement plant to be supplied by FLSmidth (€129m) and construction works to be performed by Hefei Cement Research and Design Institute (€163m)

Construction works started. Equipment delivery to start in 2008

CAPACITY ADDITIONS AND MODERNISATION PROGRAMME



Growing Capacity and Improving Efficiency

Key achievements:

Crushed granite: new granite deposit prepared to be launched in 2008, new crushing plant with capacity of 660 th m3 installed and ready to be launched

Sand: operating efficiency improved by modernization of significant part of sea sand extraction and transportation fleet

Reinforced Concrete: series of new production equipment launched into operation

Bricks: part of production equipment upgraded

Aerated concrete: capacity increased by optimization of production process

Prefabricated construction: first phase of new modern production line installed in DSK Blok

Tower cranes: fleet expanded by 201 units by 31 March 2008

CORPORATE GOVERNANCE



Strengthening the Board of Directors

Appointments of:

Seppo Juha Remes as new independent non-executive director and Elena Tumanova as new executive director

Board of Directors established new Strategy and Investment Committee in addition to existing Audit Committee and HR and Compensation Committee.

All three committees are headed by independent non-executive directors

Yekaterinburg: Rolling Out Integrated Business Model

- Yekaterinburg is the 4th largest city in Russia and the attractive area for our business development due to its strong economic fundamentals including above Russian average and growing income per capita
- In Yekaterinburg we are aimed at establishing the same integrated business model that we have in St. Petersburg
- We effect our expansion through selected strategic acquisitions production facilities and land assets
- We acquired the largest prefabricated panel factory in the region, building materials operations and large land area to develop entirely new mass market class residential neighborhood
- The Board of Directors of LSR approved acquisition of a 100% stake in OOO Uralscheben (a crushed stone business with a total volume of proven reserves around 160 million cub.m.), a 100% stake in OOO PKU Nova-StroyProekt (a design office, which track record includes 400 implemented projects) and a 100% stake in ZAO Nova-Stroy (one of the leading real estate developers with a land bank allowing to develop the total net sellable area of more than 530,000 sq.m. of mass market housing and 100% stake in OOO SMU Nova-Stroy, Yekaterinburg's largest construction contractor).
- Currently, we are at the final stage of due diligence in respect of series of building materials production assets owned by local company Nova-Group

Real Estate Development and Construction

Acquired assets

- Prefabricated panel construction with annual capacity of 200 th sq m
- ca. 60 hectares of land/ ca. 650 th sq m of future NSA

Acquisition pipeline

- Real estate development and construction company
- Number of land plots

Building materials and Aggregates

Annual capacity:

- Reinforced concrete 120 th m3
- Aerated concrete 120 th m3
- Ready-mix concrete 50 th m3

Capacity:

- Aggregates
- Reinforced concrete
- Ready-mix concrete

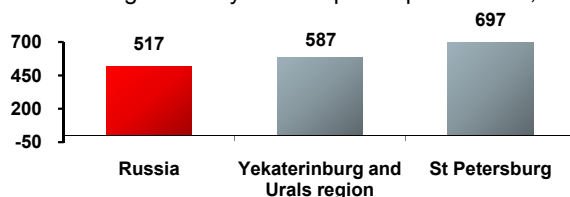
Yekaterinburg General Information

4th largest city in Russia with a growing economy

Population: 1.3m people

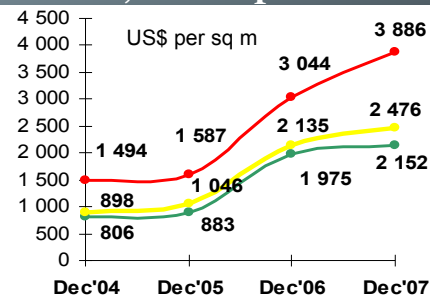
S&P: BB, outlook "Positive"

Average Monthly Income per Capita in 2006, US\$



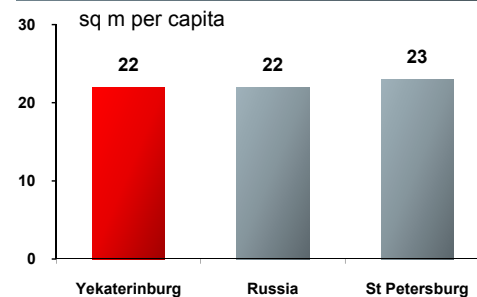
Source: Rosstat

Primary Market Average Price, New Apartments



Source: DTZ

Housing Stock, 2007



Source: Rosstat, DTZ

Agenda

Company Overview

Real Estate Development and Construction

Building Materials, Aggregates and Construction Services

Post-IPO Developments

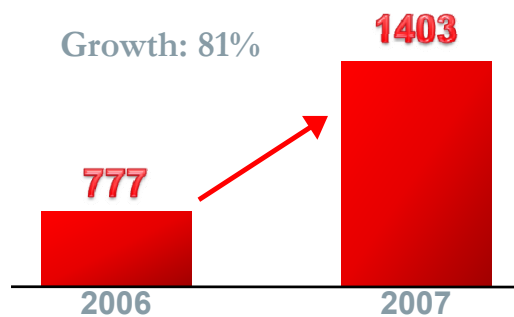
Review of FY2007 Results and 1H 2008 Update

Conclusion

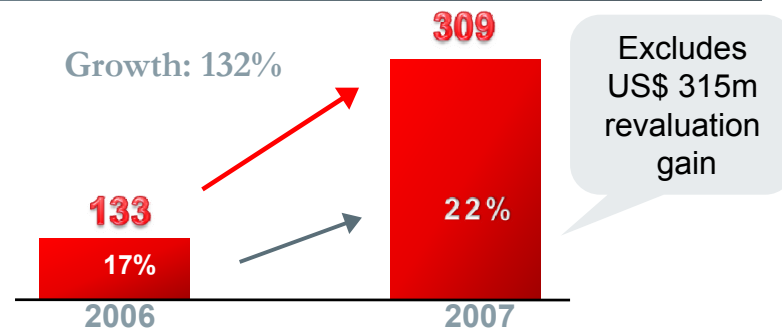
Appendixes

Key Financials

Sales (US\$m)

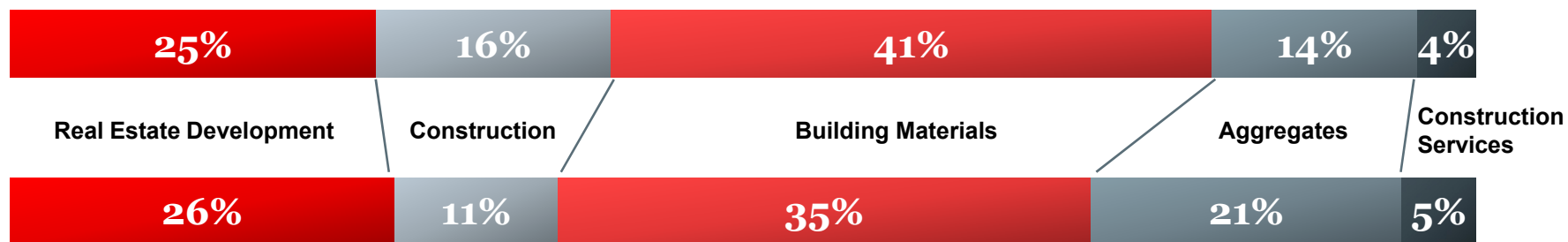


EBITDA (US\$m)/EBITDA Margin (%)



Sales and EBITDA Breakdown

2007 Sales breakdown

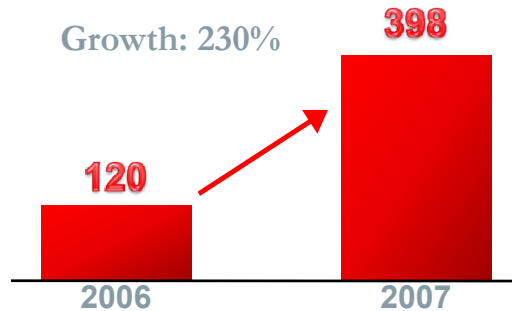


2007 EBITDA breakdown

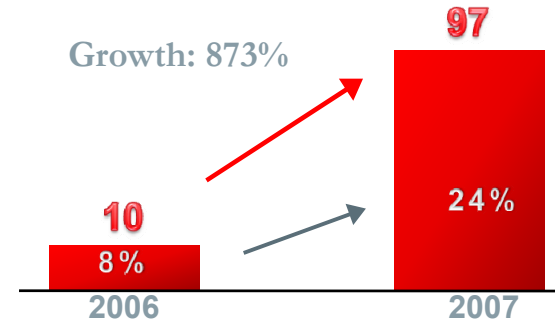
Note: Divisional breakdown of Sales and EBITDA shown before intercompany eliminations and unallocated amounts
Revenue and EBITDA of Commercial Real Estate segment accounted for less than 1% of the Group's revenue and EBITDA

Real Estate Development

Sales (US\$m)



EBITDA (US\$m)/EBITDA Margin (%)



Key Financials (US\$m)

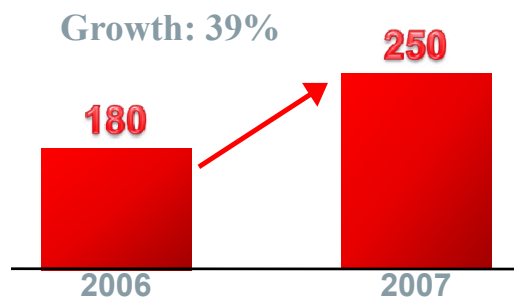
	Total*			Elite Real Estate			Business Class and Mass Market Real Estate			Gated Communities			Real Estate in Moscow		
	2006	2007	Change	2006	2007	Change	2006	2007	Change	2006	2007	Change	2006	2007	Change
Sales volume (th sq m transferred to customers)	92	191	107%	33	41	24%	59	132	124%	-	3	-	-	15	-
Sales revenue	120	398	230%	65	133	105%	56	178	220%	0.1	4	-	0	48	-
EBITDA	10	97	873%	12	51	320%	1	31	-	(0.1)	0.1	-	(3)	12	-
EBITDA%	8%	24%	-	19%	39%	-	3%	17%	-	-	1%	-	-	-	-
Gain on revaluation of investment property	5	268	-	5	268	-	-	-	-	-	-	-	-	-	-

(*) After intersegment eliminations and sundry operations

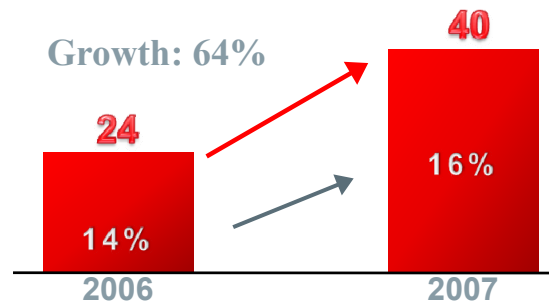
- Strong growth in completions and transfers of apartments to customers
- Past years price growth reflected in IFRS financials for 2007
- Completion of the first development project in Moscow
- Completion of the first country cottages in gated communities in Leningrad Region

Construction

Sales (US\$m)



EBITDA (US\$m)/EBITDA Margin (%)



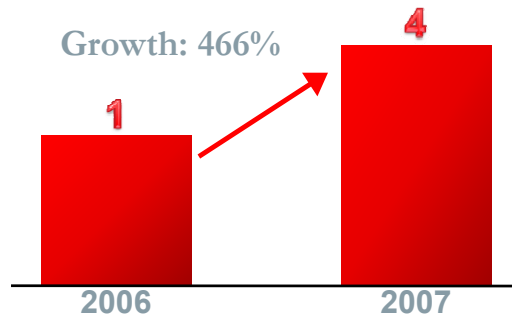
Key Financials (US\$m)

	2006	2007	Change
Sales volume (th sq m)	346	311	(10%)
Sales revenue	180	250	39%
EBITDA	24	40	64%
EBITDA%	14%	16%	

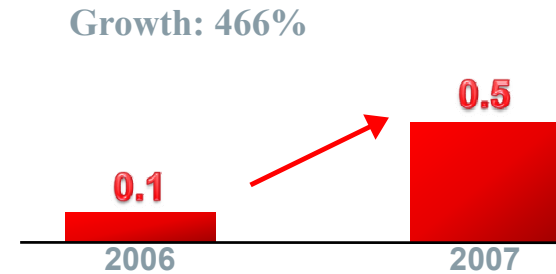
- Decrease of production and sales volumes due to temporary capacity decrease caused by modernization of one of prefab factories
- Due to strong pricing growth sales revenue was up 39% despite decrease of sales volume

Commercial Real Estate

Sales (US\$m)



EBITDA (US\$m)/EBITDA Margin (%)



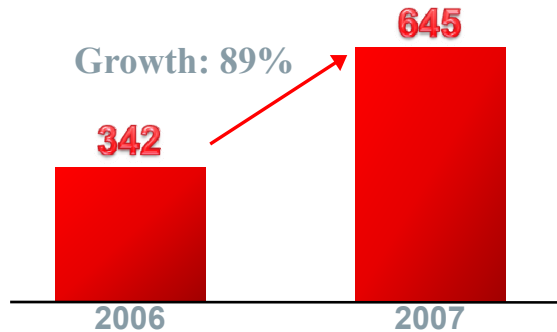
Key Financials (US\$m)

	2006	2007	Change
Net lettable area at 31 dec (th sq m)	5	10	110%
Sales revenue	1	4	466%
EBITDA	0.1	0.5	466%
EBITDA%	13%	13%	
Gain on revaluation of investment property	0,1	47	-

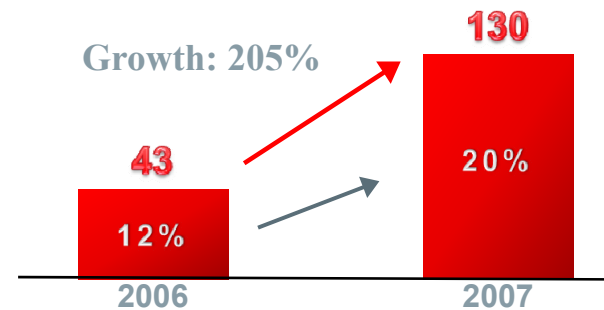
- A class business centre Apollo completed and fully let in 2007
- Approximately 330 th sq m of net leasable area of A class office centers in prime locations is under development

Building Materials

Sales (US\$m)



EBITDA (US\$m)/EBITDA Margin (%)



Key Financials (US\$m)

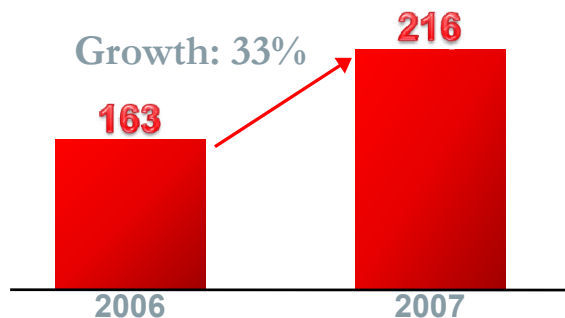
	Total*			Reinforced Concrete			Ready-Mix Concrete			Bricks			Aerated Concrete		
	2006	2007	Change	2006	2007	Change	2006	2007	Change	2006	2007	Change	2006	2007	Change
Sales volume	n/a	n/a	n/a	505 th m ³	578 th m ³	14%	1217 th m ³	1600 th m ³	31%	272 mn units	289 mn units	6%	473 th m ³	555 th m ³	17%
Sales revenue	342	645	89%	123	217	77%	116	199	72%	63	94	50%	39	62	59%
EBITDA	43	130	205%	14	55	287%	7	19	177%	13	30	135%	6	17	172%
EBITDA%	12%	20%		12%	25%		6%	10%		20%	32%		16%	28%	

(*) After intersegment eliminations and sundry operations

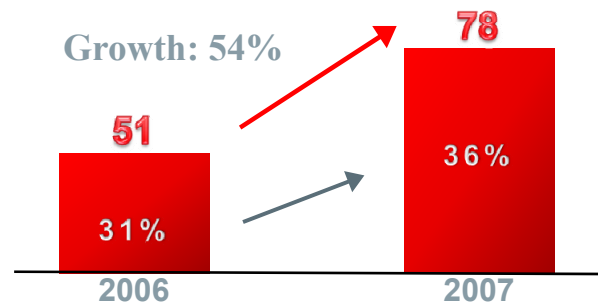
- Strong revenue and margin growth driven by volume and price increases across all products
- Continued capacity extension
- Modernization of equipment to improve efficiency
- Continued expansion of ready-mix concrete and reinforced concrete business units in Moscow
- Construction of new brick and cement plants is under way

Aggregates

Sales (US\$m)



EBITDA (US\$m)/EBITDA Margin (%)



Key Financials (US\$m)

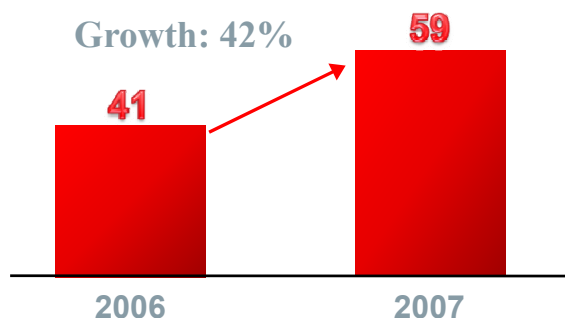
	Total*			Sand			Crushed Granite		
	2006	2007	Change	2006	2007	Change	2006	2007	Change
Sales volume (th m ³)	n/a	n/a	n/a	11,673	13,451	15%	3,596	4,275	19%
Sales revenue	163	216	33%	95	116	23%	69	101	46%
EBITDA	51	78	54%	32	49	52%	18	30	66%
EBITDA%	31%	36%	5%	34%	42%	8%	26%	29%	4%

(*) After intersegment eliminations

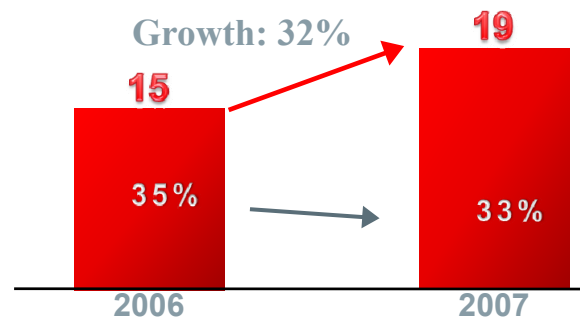
- Strong revenue and margin growth driven by volume and price increase
- Sand:
 - two new quarries and one sea sand deposit put into operation
 - operating efficiency improved by fleet modernization
- Crushed granite:
 - new mobile crushing plant put into operation
 - new crushed granite deposit prepared to be launched in 2008
 - operating efficiency improved by equipment modernization

Construction Services

Sales (US\$m)



EBITDA (US\$m)/EBITDA Margin (%)



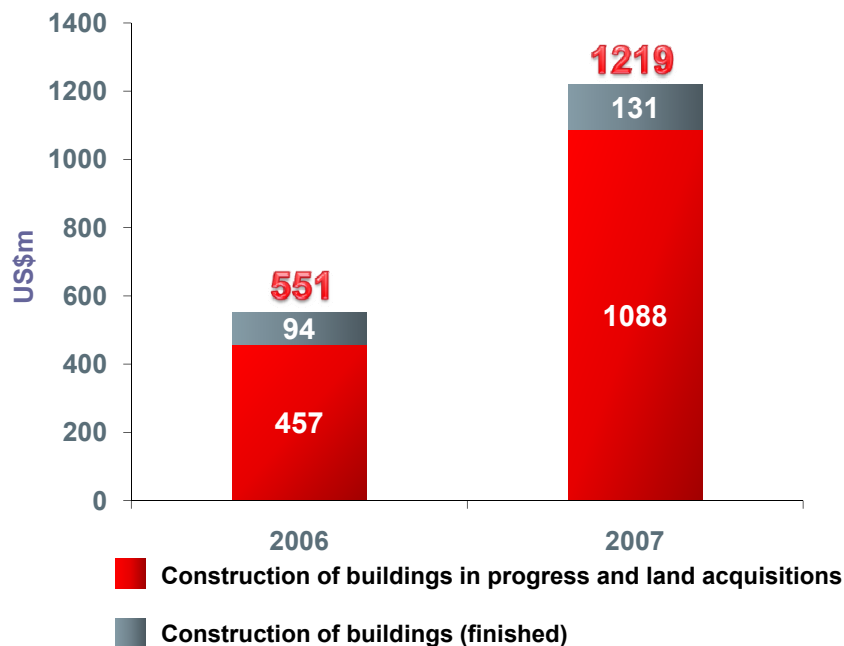
Key Financials (US\$m)

	Total			Tower Cranes Services			Transportation		
	2006	2007	Change	2006	2007	Change	2006	2007	Change
Sales revenue	41	59	42%	23	38	63%	18	21	15%
EBITDA	15	19	32%	9	17	78%	5	3	-48%
EBITDA%	35%	33%		40%	44%		29%	13%	

- Successful development of tower cranes services business in Moscow and St Petersburg
- Tower cranes fleet expanded from 148 to 193 units
- Declined margin in Transportation BU due to poor utilisation and performance of aggregates transportation fleet (sold out in 2008). The transportation business is to be revamped in 2008

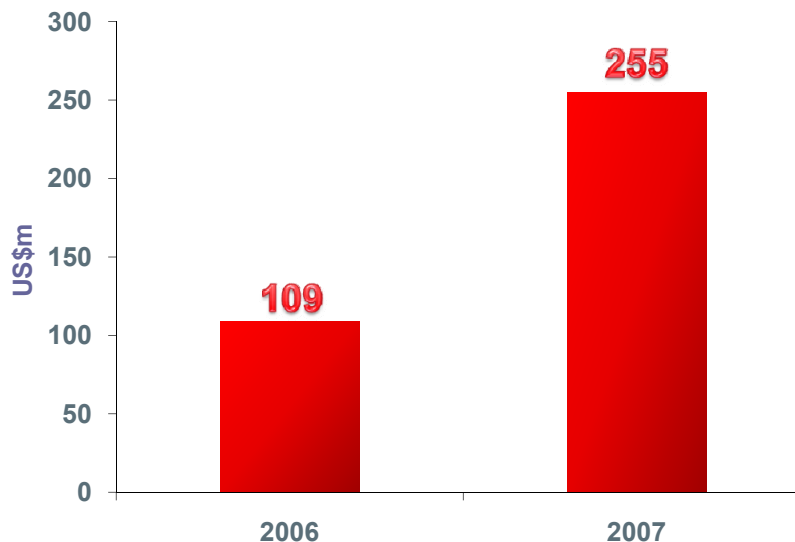
Inventory and Capex

Real Estate Development Inventory and Finished Goods



Projects under development
and land acquisitions
more than doubled in 2007

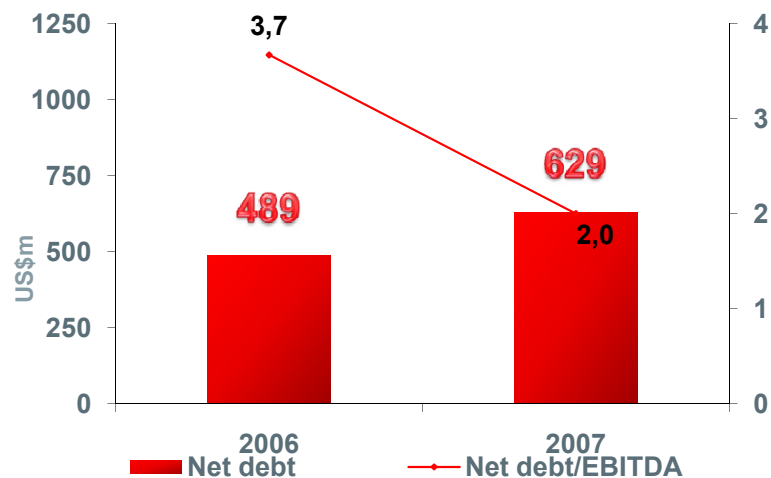
Capex Programme



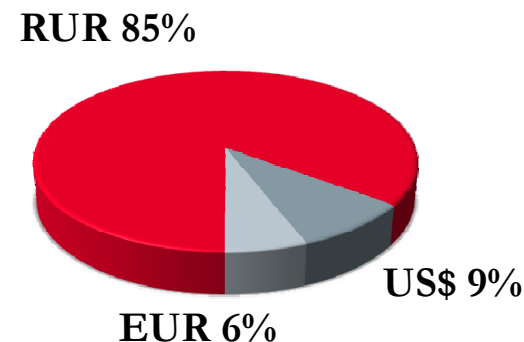
Large capital investment programme
aimed at increasing production within
Building Materials and Aggregates
business

Debt

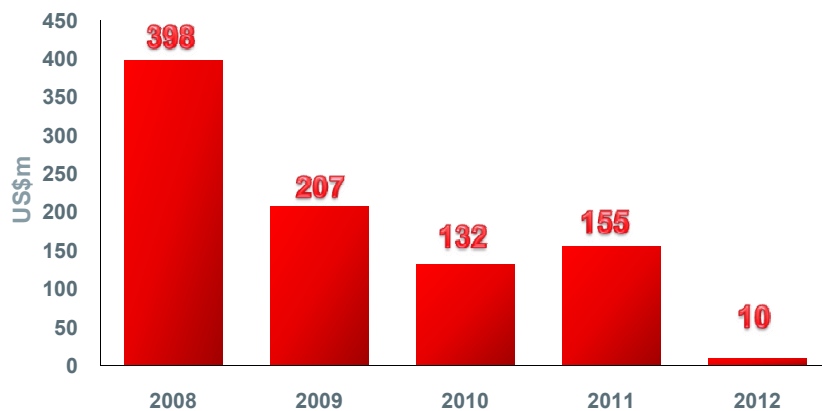
Net Debt Development



Debt Portfolio Currency Split (31 Dec 2007)



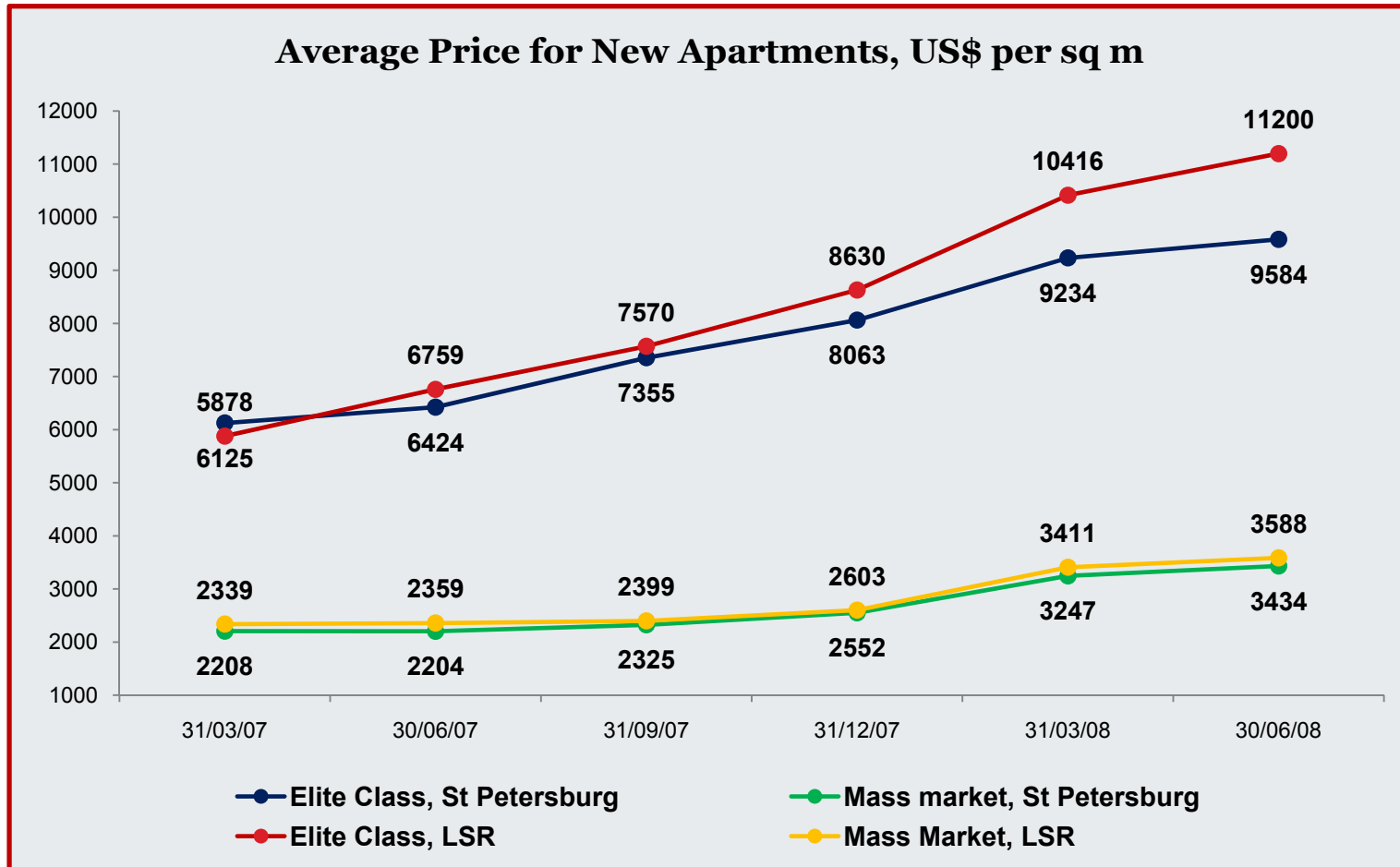
Debt Maturity Profile* (31 Dec 2007)



*excluding finance lease liability

- Credit rating B1 by Moody's and B+ by Fitch
- Consistent reduction of cost of debt – from 12.4% as of the end of 2004 to 9.2% as of the end of 2007

St Petersburg Residential Real Estate Market: Strong Pricing Growth Continued in 1H 2008



Strong Sales in 1H 2008

Real Estate Development				
Product	Unit	1H 2007	1H 2008	Change, %
Elite residential real estate				
new contract sales	th m ²	7	14	108%
	parking slots	71	86	21%
transfers of property to customers	th m ²	27	13	-52%
	parking slots	269	159	-41%
Mass market residential real estate				
new contract sales	th m ²	37	85	131%
	parking slots	15	20	33%
transfers of property to customers	th m ²	69	43	-38%
	parking slots	-	-	
Gated communities				
new contract sales	th m ²	0.7	1.5	114%
	parking slots	-	-	
transfers of property to customers	th m ²	0.2	0.7	218%
	parking slots	-	-	
Real estate in Moscow				
new contract sales	th m ²	1	1	19%
	parking slots	5	20	300%
transfers of property to customers	th m ²	12	2.3	-81%
	parking slots	94	8	-91%

Prefabricated Panel Construction				
Product	Unit	1H 2007	1H 2008	Change, %
Prefabricated panel construction	th m ²	145	216	49%

Building Materials and Aggregates				
Product	Unit	1H 2007	1H 2008	Change, %
Reinforced concrete	th m ³	260	316	22%
Ready-mix concrete	th m ³	698	763	9%
Bricks	Mn units	134	147	10%
Aerated concrete	th m ³	313	464	49%
Sand	th m ³	5397	7264	35%
Crushed granite	th m ³	1832	2507	37%

Note: Volume of square meters of residential real estate transferred to customers is driven by the construction schedule

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Building Materials, Aggregates and Construction Services

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Key Investment Highlights



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Income Statement

US\$m	2006	2007	% Change 2006-2007
Sales revenue	777	1 403	81%
Cost of sales	(507)	(934)	84%
Gross profit	269	469	74%
Distribution, G&A and other expenses	(177)	(220)	25%
Changes in fair value of investment property	5	315	6472%
Operating profit	97	563	481%
Net financial expenses	(32)	(74)	129%
Profit before income tax	65	489	656%
Income tax expense	(24)	(130)	435%
Net profit	40	359	787%
EBITDA	133	309	132%
EBITDA margin	17%	22%	5%
Depreciation & amortisation	41	61	48%

Balance Sheet

US\$m	2006	2007	% Change 2006-2007
ASSETS			
Non-current assets			
Property, plant and equipment	403	726	80%
Investment property under development	19	845	4378%
Investment property	40	83	109%
Other	51	160	214%
Total non-current assets	513	1 814	254%
Current assets			
Inventories	621	1 344	116%
Trade and other receivables	241	369	53%
Cash and cash equivalents	61	355	481%
Other	35	20	-44%
Total current assets	958	2 087	118%
Total assets	1 471	3 901	165%
EQUITY AND LIABILITIES			
Equity			
Share capital	1	1	0%
Restitutable Shares Reserve		570	
Additional paid in capital	78	636	721%
Foreign currency translation reserve	9	84	852%
Retained earnings	92	441	381%
Total equity attributable to shareholders	179	1 732	867%
Minority interest	16	19	18%
Total equity	195	1 751	797%
Non-current liabilities			
Loans and borrowings	331	544	64%
Other	36	644	1679%
Total non-current liabilities	367	1 187	223%
Current liabilities			
Bank overdraft	1	2	149%
Loans and borrowings	218	438	101%
Trade and other payables	678	480	-29%
Other	12	42	246%
Total current liabilities	909	963	6%
Total liabilities	1 276	2 150	68%
Total equity and liabilities	1 471	3 901	165%

Cash Flow

US\$m	2006	2007	% Change 2006-2007
Net Income	40	359	787%
Depreciation & amortization	41	61	48%
Other, net	58	(112)	-294%
Operating profit before changes in working capital and provisions	139	308	121%
<i>Change in Inventories</i>	(155)	(480)	210%
<i>Change in Trade and Other Receivables</i>	(63)	(154)	145%
<i>Change in Trade and Other Payables</i>	162	100	-38%
<i>Increase in provisions</i>	4	19	354%
Cash flow from operations before income taxes and interest paid	88	(207)	-336%
<i>Income Taxes Paid</i>	(28)	(57)	102%
<i>Interest Paid</i>	(39)	(70)	81%
Cash flow from (utilised by) operating activities	21	(335)	-1733%
Capital Expenditures	(69)	(192)	177%
Acquisitions	(154)	(82)	-63%
Disposals	15	17	16%
Other	(14)	12	-190%
Cash flow from (utilised by) investing activities	(222)	(244)	12%
Debt issued (repaid)	223	291	31%
Proceeds from equity issuance	-	569	-
Contribution from shareholder	8	-	-
Dividends	-	-	-
Other	-	-	-
Cash flow from (utilised by) financing activities	232	860	271%
Net change in cash	30	281	835%
Cash at beginning of period	27	60	126%
Exchange rate fluctuations	3	12	239%
Cash and end of period	60	352	486%

LSR Group IPO Parameters

Issuer	■ LSR Group OJSC
Size	■ US\$771.7m
New / existing capital	■ 80% primary, 20% secondary
Closing date	■ 15 November 2007
Listing	■ GDRs on LSE / ordinary shares on MICEX and RTS (ratio 5 GDRs: 1 ordinary share)
Offering structure	■ Offering to investors in Russia, to institutional investors outside Russia and the U.S. under Reg S and to QIBs in the U.S. under 144A
Pricing	■ US\$14.5 per GDR and US\$72.5 per ordinary share
Free float	■ 11.36%
Major shareholders	■ 72.9% Andrey Molchanov, 13.9% Management
Market cap	■ US\$6,791m at offer price
Use of proceeds	■ 1. Building materials capex 2. Land acquisition 3. Debt repayment

IPO attracted significant interest from major international investors and was successfully completed despite the mortgage crisis in the U.S. which made all real estate issuances very challenging

Significant Accounting Policies

- **Preparation of IFRS accounts from 01 January 2005 onwards**
- **Revenue and cost recognition in Development:**
 - Revenue and costs only recognised after the transfer of property to consumer upon completion of the project;
 - Prior to project completion development and construction costs are carried in the balance sheet as inventory (work in progress)
 - Land plot and infrastructure costs are also part of inventory
- **Construction Segment (prefabricated panel construction) revenue and costs are recognised on a percentage-of-completion basis**
- **Building Materials and Aggregates revenue and costs are recognised at the moment of transfer to customer**
- **Commercial property (operating offices) and land plots owned by the company designated for commercial property development are revalued by an independent appraiser at each reporting date. Gain / loss is reflected in income statement for the reporting period. The revaluation of the rest of property portfolio (non-commercial property-related) is not reflected in the financial statements**

Investor Calendar 2008: Key Events

Publication of financials results

2007 financial results

30 April

1H 2008 financial results

October

Trading volume updates

1st quarter 2008

15 May

2nd quarter 2008

July

3rd quarter 2008

October

4th quarter 2008

January 2009

Property portfolio valuations

As of 31 December 2007

19 February

As of 30 June 2008

August

Corporate events

Extraordinary general meeting

7 February

Annual general meeting

26 June

Investor/ analyst days

Analyst day (for sell-side analysts)

18-19 February

Investor days

TBC

For more dates and details please visit our IR website at www.lsrgroup.ru/en/investors

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