

# 1H 2018 Financial Results

August 2018



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# 1H 2018 FINANCIAL RESULTS HIGHLIGHTS

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## Revenue

- Revenues reached RUB 51.7bn, up 27% YoY, primarily driven by robust performance across all regions of presence (Saint-Petersburg, Moscow, Yekaterinburg)

## Adjusted EBITDA and margin

- Adjusted EBITDA surged by 28% YoY to RUB 9.5bn
- Adjusted EBITDA margin stands at 18%

## Net profit

- Profit for the period increased by 94% YoY to RUB 3.8bn, on the back of revenue and operating profitability growth

## Debt and leverage

- Net debt decreased by 6% (against December 31, 2017) to RUB 40.6bn
- Net debt/ EBITDA ratio stands at 1.0x
- Average borrowing rate declined to 8.59% as compared to 9.1% as of December 31, 2017

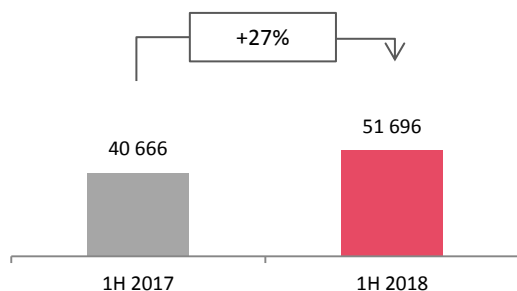
## Operating cash flow

- Cash flow from operations positive at RUB 1.2bn

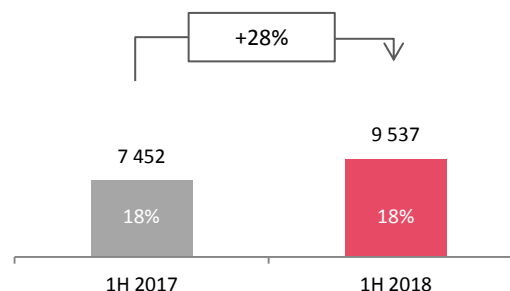
# REVENUE AND ADJUSTED EBITDA BREAKDOWN

- Revenue amounted to RUB 51.7bn, up 27% YoY, with adjusted EBITDA demonstrating robust growth of 28% YoY
- Adjusted EBITDA margin stood at 18% while operating profit margin was 11%
- Growth primarily driven by strong performance across all regions (Saint-Petersburg, Moscow, Urals)
- Profit for the period reached RUB 3.8bn (+94%) on the back of revenue and operating profitability growth

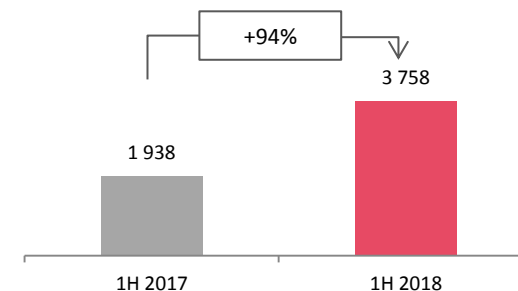
### REVENUE DYNAMICS (RUB M)



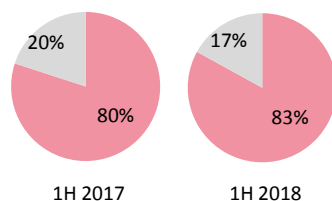
### ADJUSTED EBITDA<sup>1</sup> DYNAMICS (RUB M)



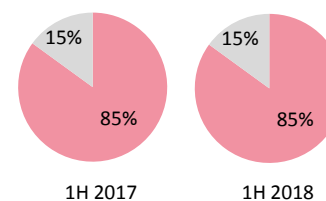
### NET PROFIT DYNAMICS (RUB M)



### Revenue Breakdown



### Adjusted EBITDA Breakdown<sup>2</sup>



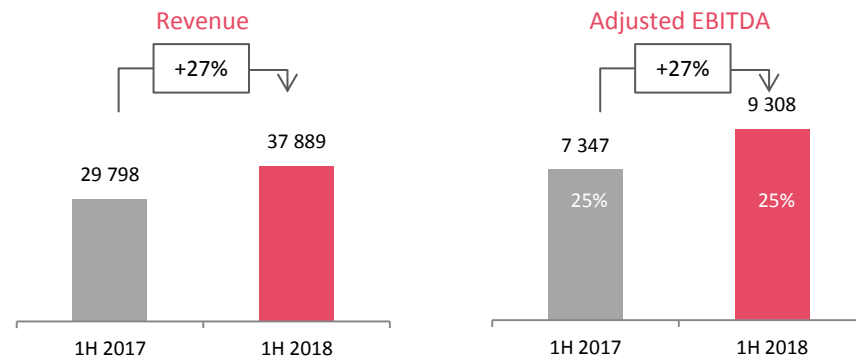
■ Real Estate & Construction   ■ Building Materials

# REAL ESTATE DEVELOPMENT SEGMENT PERFORMANCE

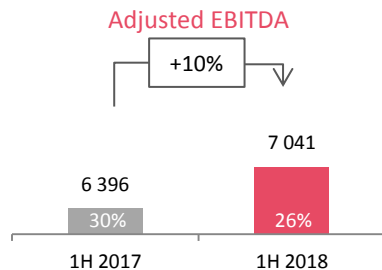
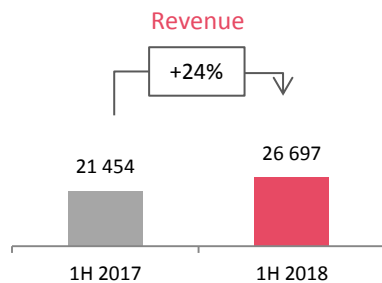
## KEY DEVELOPMENTS

- In 1H 2018 Real Estate segment revenue increased by 27% to RUB 37.9bn
- Real Estate adjusted EBITDA rose to RUB 9.3bn (27% YoY), with adjusted EBITDA margin standing at 25%
- Robust growth rates were driven by solid performance across all regions of presence (Saint-Petersburg revenue up 24% YoY, Moscow – 39% YoY, Urals – 27% YoY)

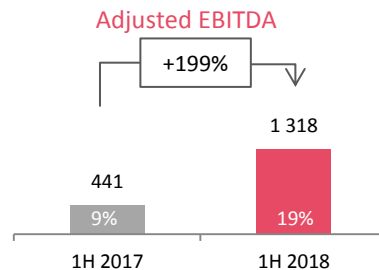
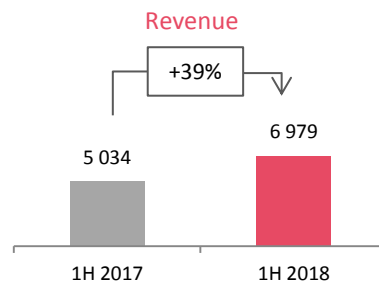
## REVENUE AND ADJUSTED EBITDA DYNAMICS (RUB M)



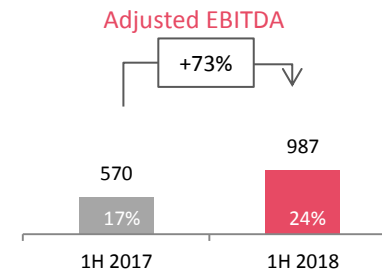
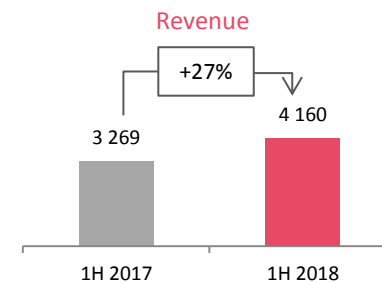
## SAINT PETERSBURG



## MOSCOW



## URALS

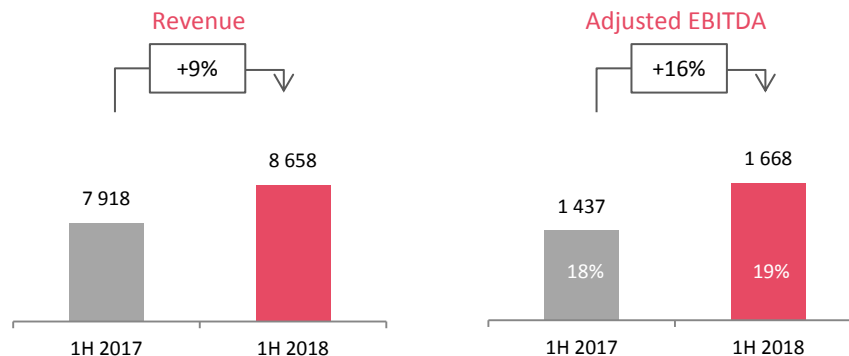


# BUILDING MATERIALS SEGMENT PERFORMANCE

## KEY DEVELOPMENTS

- In 1H 2018 the sales revenue of building materials division increased by 9% to RUB 8,658m
- Adjusted EBITDA increased by 16% to RUB 1,668m with margin up to 19% level
- Crushed granite is driven by the increased sales to M-11 highway
- Sand is driven by the growing sales of dredged sand and the increased prices across all types of sand delivered to the market
- Ready-mix concrete sales driven by the increased demand in the market and our efforts to attract new clients, primarily large domestic homebuilders
- Reinforced concrete results were affected by the disposal of the production facility in the Leningrad region
- Aerated concrete results were affected by the transfer of our production facility in St. Petersburg to a new production site

## REVENUE AND ADJUSTED EBITDA DYNAMICS (RUB M)

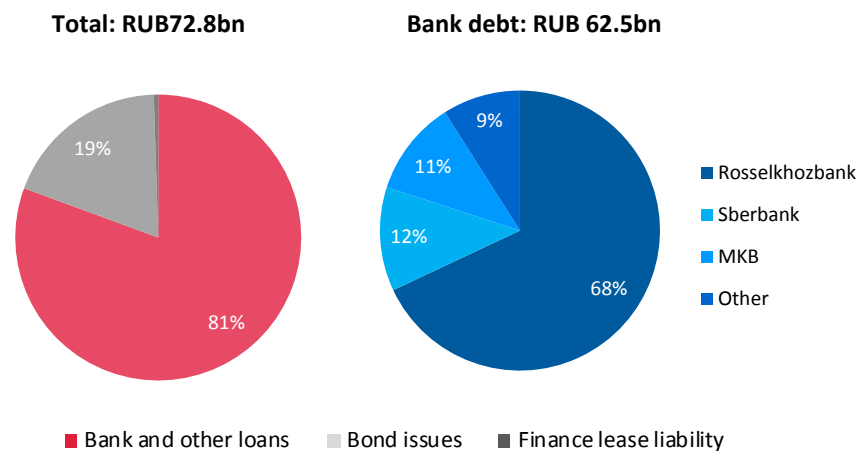


# MAINTAINING STRONG BALANCE SHEET

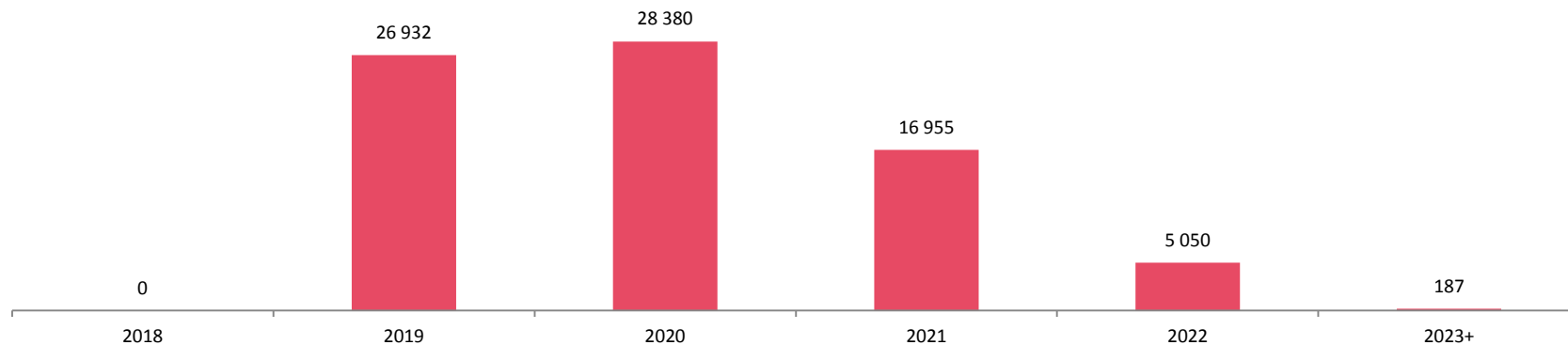
## COMPANY DEBT SNAPSHOT

- Total debt up to RUB 77.5bn, as of 30 June 2018
- The average interest rate down to 8.59% as compared to 9.1% as of December 2017
- Net debt down to RUB 40.6bn (-6% against 31 Dec 2017)
- Net debt/EBITDA – 1.0x
- 100% of debt denominated in RUB

## COMPANY DEBT COMPOSITION (AS OF 30-JUN-2018)



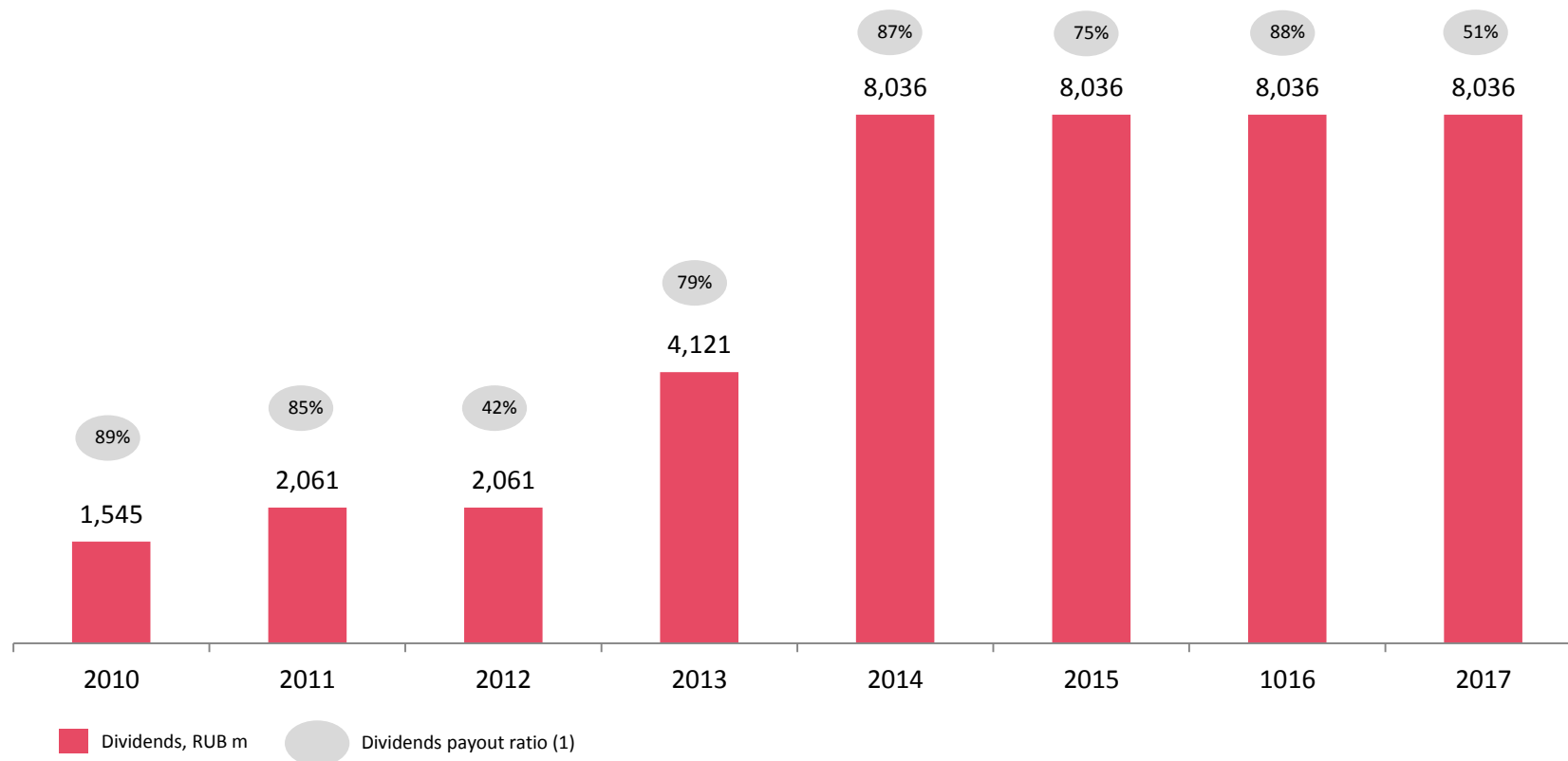
## DEBT MATURITY PROFILE (RUB M)



# SUSTAINABLE DIVIDEND POLICY

## DIVIDEND POLICY

- Dividend policy of LSR Group is developed in accordance with the existing Russian legislation, the company's charter and internal regulations of LSR Group
- Recommended amount of dividend payments is determined by the BoD based on the company's annual financial results and, as a rule, constitutes at least 20% of the consolidated net profit as per IFRS

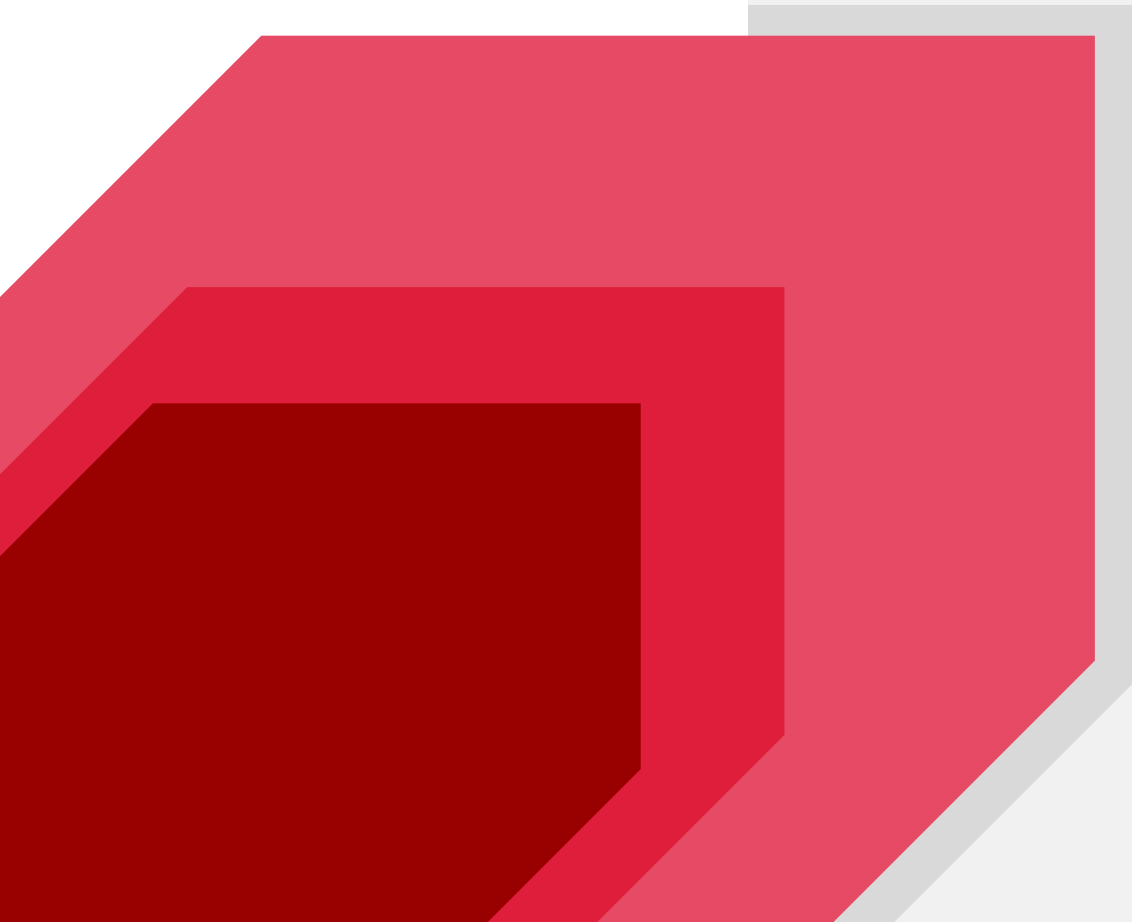






# MARKET UPDATE

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# Introduction of federal law 2018

## FORMER REQUIREMENTS TO PRE-SALES

Construction permit received before **1 July 2018**

Receiving construction permit

**80%** OF ALL PROJECTS ARE FINANCED THROUGH PRE-SALES<sup>1</sup>

## NEW REQUIREMENTS TO PRE-SALES

**One** bank account per construction permit

**One** construction permit per legal entity and per land plot

## PROJECT FINANCE

IS SET TO BECOME MAIN SOURCE OF FINANCING

## MARKET OUTLOOK

### Benefitting LSR

**1** Starting from 2H 2018, significant number of small and mid-sized real estate developers are expected to disappear as they might not be able to operate under new regulations



**2** Strong limitations to pipeline are expected to result in decreased number of new projects in the upcoming years implying higher margins



**3** Real estate prices are expected to surge starting 1H 2018 as customers are likely to increase demand on the back of expected shortage in new projects



## LSR GROUP IN THE CONTEXT OF NEW LEGISLATION

- ✓ Construction permits received before **1 July 2018** are permitted to meet current pre-sales criteria:
  - LSR Group land bank (c. 8.6 million sqm of net sellable residential real estate) with received permits for 5.7 million sqm before cut-off date
- ✓ As a result, LSR Group is not expected to be affected by new requirements during transition period
- ✓ LSR Group is the only developer in Russia in a position to launch several big projects backed up by current pre-sales requirements

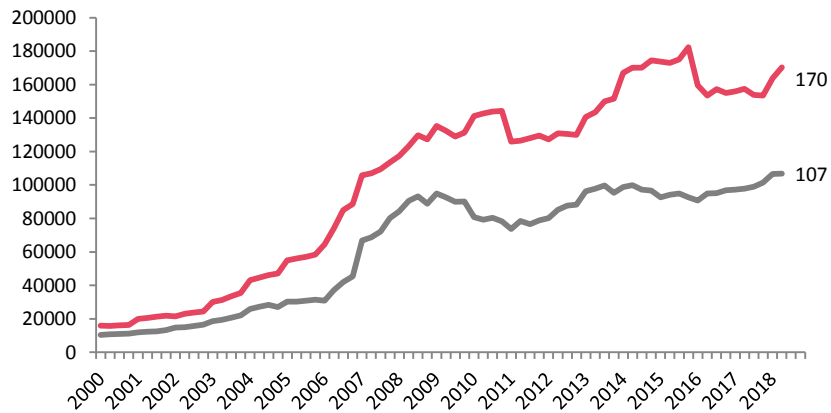
LSR Group is one of the key Russian players who is expected to benefit from new legislation on the back of increasing demand, decreasing mortgage interest rates and positive macro trends

# Macro factors: Affordability and pricing

## AFFORDABILITY AT MAXIMUM LEVELS

- On the back of falling mortgage rates and real estate prices easing, the affordability of housing has reached its all-time high levels
- Primary market prices have been relatively flat lately
- Consumers are becoming more and more price wary which in a large number of cases defines apartment size
- Nominal RUB and USD prices in Moscow have been largely flat
- Envisaged regulatory changes and new supply might lead to housing prices growth on the back of increased construction costs that might rise after project financing is rolled out

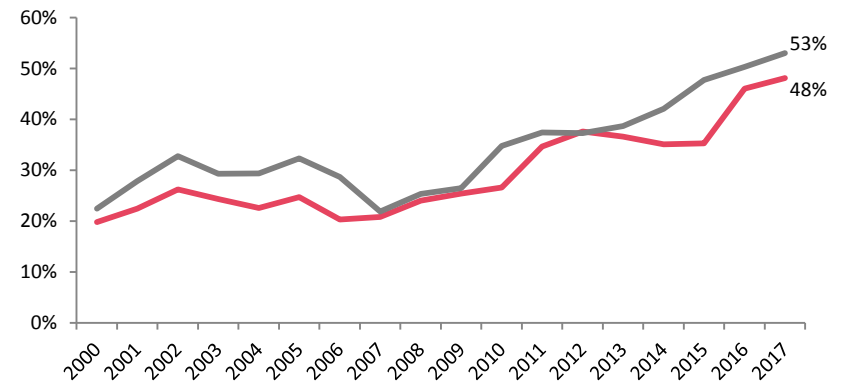
## PRIMARY MARKET HOUSING PRICES, RUBk PER SQM



Source: Rosstat

— Moscow  
— St. Petersburg

## AVERAGE MONTHLY WAGE PER AVERAGE SQM PRICE



Source: Rosstat

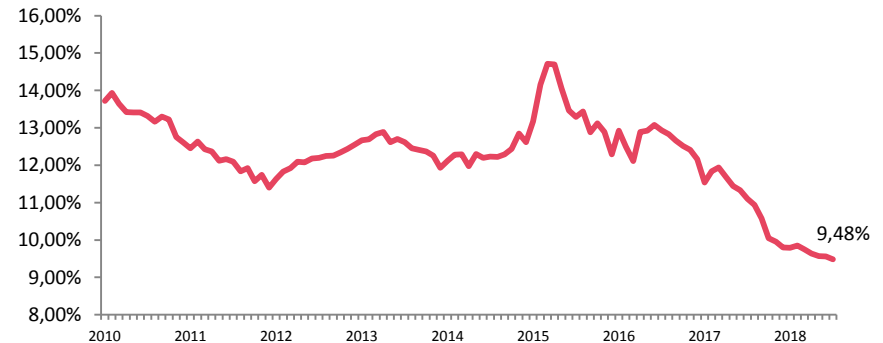
— Moscow  
— St. Petersburg

# Macro factors: Mortgage lending and rates dynamics

## KEY DEVELOPMENTS

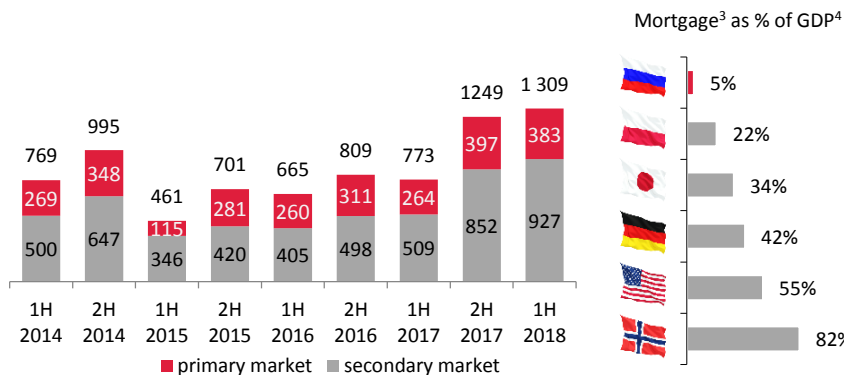
- 1H 2018 saw 663.4 thousand mortgage loans issued (up 57% YOY) worth RUB 1.31 trillion (up 69% YOY)
- Mortgage rates continue to decrease and reach record low levels which in its turn helps to boost record high mortgage lending levels
- Average mortgage rate in 1H 2018 amounted to 9.62% (down 1.88 pp as compared to 1H 2017). As of June the average rate is at 9.48%.
- For families with the second and third child born starting from 2018, a subsidized mortgage rate of 6% will be applied for new housing or refinancing

## AVERAGE MORTGAGE RATE IN RUSSIA<sup>1</sup>



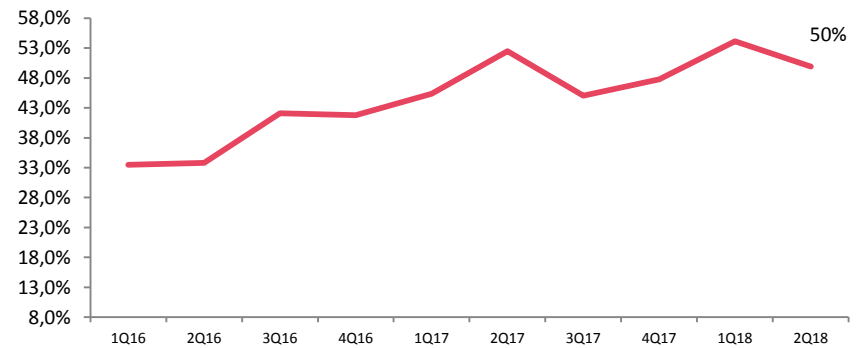
Source: CBR

## MORTGAGE LOANS ISSUED, RUB bn



Source: CBR, AIZhK, EMF

## SHARE OF MORTGAGE TRANSACTIONS IN LSR SALES<sup>2</sup>



Source: company information

# Macro factors: Mortgage affordability outlook

## SENSITIVITY OF MONTHLY MORTGAGE PAYMENT (RUB)

Mortgage rate	Down payment			
	20%	25%	30%	35%
10.0%	34,387	32,238	30,089	27,940
9.0%	32,457	30,428	28,399	26,371
8.0%	30,581	28,670	26,758	24,847
7.0%	28,763	26,965	25,167	23,370

- Presented sensitivity table assumes the following:
  - Apartment price of RUB 4.0 m
  - Duration of mortgage of 15 years

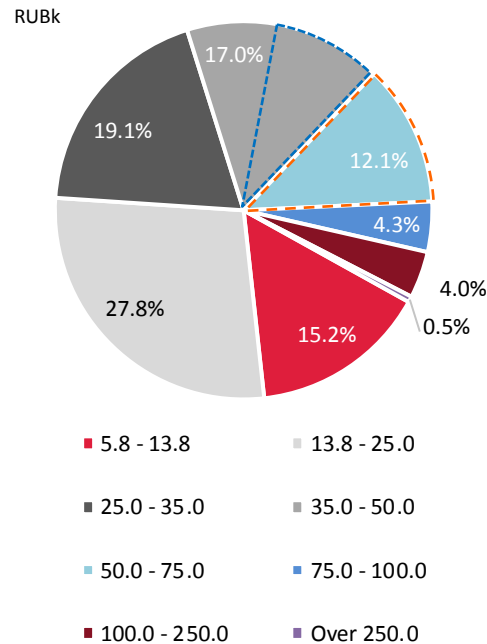
## REQUIRED SALARY FOR MORTGAGE APPROVAL (RUB)

Mortgage rate	Down payment			
	20%	25%	30%	35%
10.0%	68,775	64,476	60,178	55,879
9.0%	64,913	60,856	56,799	52,742
8.0%	61,162	57,339	53,517	49,694
7.0%	57,525	53,930	50,334	46,739

- Assuming salary should cover monthly mortgage payment by 2.0x

Source: company analysis

## BREAKDOWN OF EMPLOYED POPULATION OF RUSSIA BY MONTHLY SALARY<sup>1</sup>



- According to Rosstat, c.12.1% of Russia's employed population has monthly salary in the range of RUB 50.0-75.0 thousand
- Another 17.0% has monthly salary in the range of RUB 35.0-50.0 thousand
- Total employed population of Russia amounted to c.72m people<sup>2</sup>

Source: Rosstat

## INCREASING MORTGAGE AFFORDABILITY

- According to our estimates, at 9.68% (current average rate) only c.10% of Russian working population can afford mortgage for average mass market apartment
- Monthly payments are very sensitive to each mortgage percentage point change
- The government announced plans to decrease mortgage rate to 7% in the next coming years
- We estimate the upside to current customer base in the following way:

Mortgage rate	Upside to customer base
9%	Extra <b>5%</b> of working population
	<b>+50%</b> to existing customer base
8%	Extra <b>8%</b> of working population
	<b>+130%</b> to existing customer base

Source: company analysis

The image features a white background with two prominent red diagonal stripes. One stripe runs from the top-left corner towards the center, and the other runs from the bottom-left corner towards the center. In the center of the page, there is a pattern of overlapping, light gray diamond shapes. The word "APPENDIX" is written in a bold, black, sans-serif font in the lower-left quadrant.

# APPENDIX

# Investment highlights

## RIGHT INDUSTRY

- Supportive macroeconomic trends with falling interest rates and increasing housing affordability
- Positive regulatory changes supporting industry consolidation lead by a smaller number of professional and highly reputable homebuilders
- Increased customer focus on the quality of the apartments and infrastructure
- Lower competition for land

## RIGHT BUSINESS MODEL

- Truly federal level developer with leading positions across key markets presented in all residential housing market segments
- Large and well-balanced portfolio with attractive customer proposition following latest market trends
- Large-scale projects with a complete infrastructure and housing package
- Existing land bank is sufficient from a quality and volume perspective



## STRONG LEADERSHIP

- Long-term commitment to dividend payments and balanced capital structure
- Strong management team aligned with shareholders interests
- Best-in-class and internationally recognized corporate governance system
- Strong track record of delivering outstanding results
- Long-term support from the key shareholder

## RIGHT POINT IN CYCLE

- Company has recently completed its transformation by adjusting its product offering leading to increased affordability and more competitive proposition
- End of large-scale investment cycle
- Zilart is approaching cash-generative stage
- Balanced project mix and development schedule going forward
- Additional upside from FCF positive building materials business

# Strategy

## ADAPTING TO LATEST TRENDS

- Customers tend to focus more on apartment location and quality of common areas
- Gradual decreasing of average unit size as customers are now more focused on price per unit vs. price per sqm leading to higher demand for smaller apartments
  - Average size of unit decreased by c.15% mostly through optimization of common areas (entrance zone, corridors, etc.)
- LSR Group adapted its new projects to fit latest market trends

## ZILART – APPROACHING CASH-GENERATIVE STAGE

- Flagship redevelopment project close to the city center of Moscow
- First stage is already in completion phase
- Share of sold units reaching 97% for some lots
- Price per sqm increased by c.23% since start of pre-sales
- Expected to attract 25,000 people per day on the back of Zilart commercial infrastructure

## BALANCED DEVELOPMENT PIPELINE

- In 2017 main focus was on adjusting our product offering and introducing new projects to achieve an optimal mix of elite, business and mass-market developments while maintaining target construction volumes
- In 2018 we expect to complete new stages in existing projects and launch brand new projects currently being developed

## HIGH QUALITY BUILDING MATERIALS BUSINESS

- Market leader with excellent access to infrastructure, modern technologies and resource base maintaining dominant positions in the regions in which we operate where there are substantial barriers to entry
- Free cash flow positive building materials segment with predictable revenue stream, high margins and limited maintenance capex requirements
- Our production facilities are well-invested as a result of completed EUR 1 billion investment program



# LSR Group: Adapting to new customer

## INDICATIVE EVOLUTION OF APARTMENT PLAN

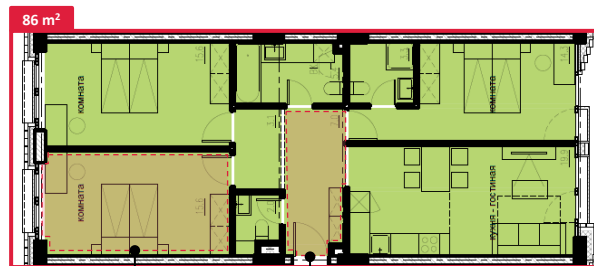
### INITIAL PROJECT Three-room apartment



Elongated rooms

Large common area

### AFTER ADJUSTMENTS Three-room apartment



Squared rooms

Reduced common area

### KEY FACTS

#### Projects affected

- Zilart, Tsvetnoy Gorod, Ruchi, Civilization, New Okhta and others

#### Changes implemented

- Complete redesign of all floor plans

#### Result

- > Dramatically increased customer appeal

## STRONG FOCUS ON THE LATEST MARKET TRENDS IN ALL PORTFOLIO SEGMENTS

### Separated parking lots and pedestrian areas



### Quality entrance zones

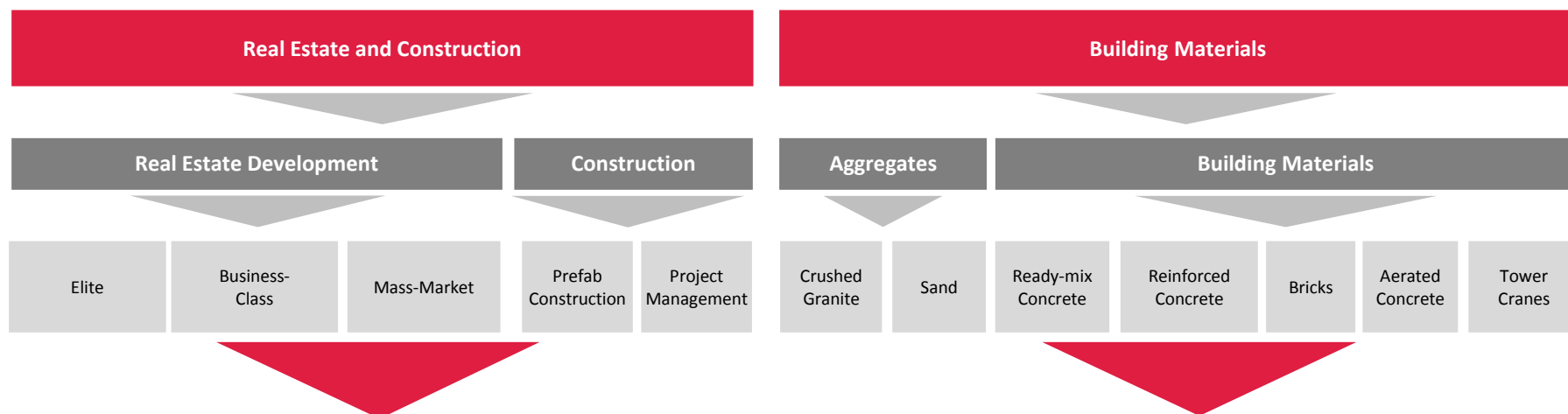


### Proximity to parks and promenades



# Business Structure

- We have 13 business units with a total staff of nearly 15 thousand employees
- We do full cycle of design, production and construction of mass-market projects



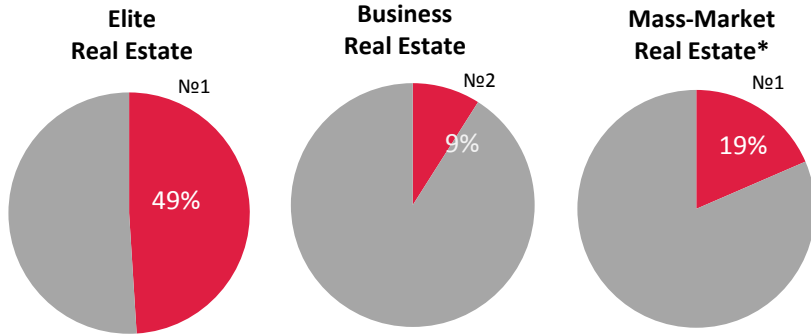
Region	Real estate portfolio (th m <sup>2</sup> )
St. Petersburg and Leningrad region	5 832
Moscow and Moscow region	1 871
Yekaterinburg	862
Germany	29
<b>Total</b>	<b>8 594</b>
Region	Home construction capacity (th m <sup>2</sup> )
St. Petersburg and Leningrad region	500
Yekaterinburg	200
<b>Total</b>	<b>700</b>

	St. Petersburg	Moscow	Yekaterinburg	Ukraine
<b>Building Materials, capacity</b>				
Ready-mix concrete	1 793 232 m <sup>3</sup>			
Bricks	380 mn	70 mn		
Aerated concrete	580 800 m <sup>3</sup>			1 064 062 m <sup>3</sup>
Reinforced concrete	113 700 m <sup>3</sup>			
<b>Aggregates</b>				
	<b>Reserves</b>	<b>Capacity</b>		
Sand	389 mn m <sup>3</sup>	11,7 mn m <sup>3</sup>		
Crushed granite	578 mn m <sup>3</sup>	7 mn m <sup>3</sup>		
<b>Tower Cranes, Capacity</b>				
Tower cranes	126 units	74 units	4 units	

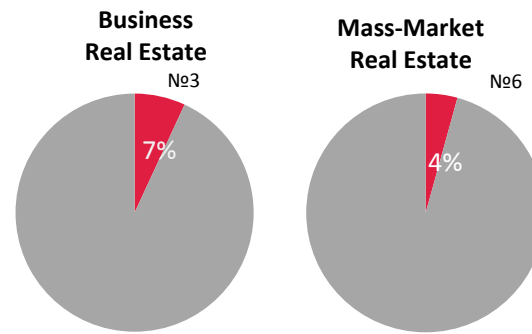
# Company Factors: Real estate Market Positions

## Housing Under Construction

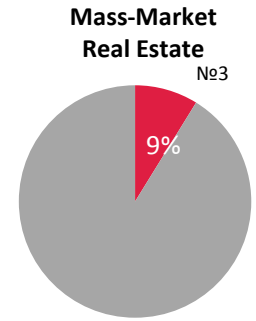
### Saint-Petersburg



### Moscow

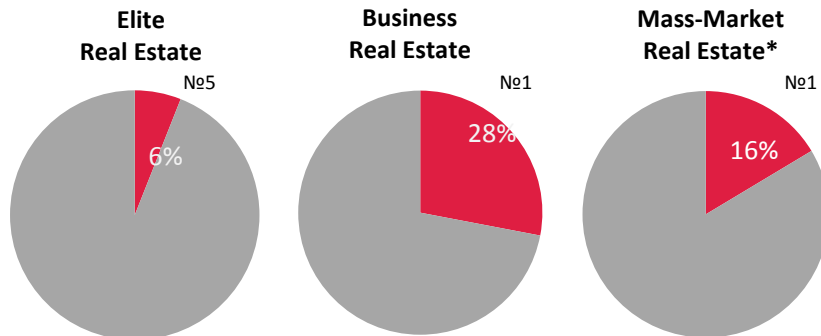


### Urals

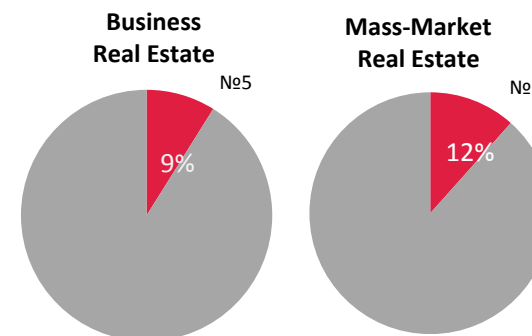


## Housing Completions

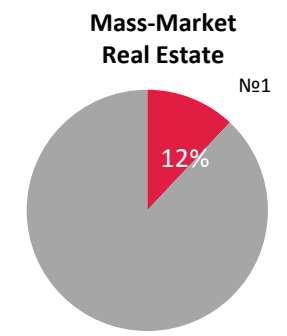
### Saint-Petersburg



### Moscow



### Urals



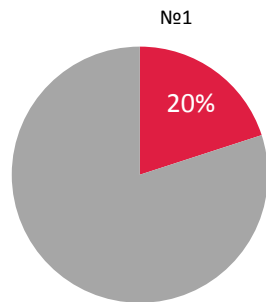
Source: SPb Realty, Company  
Note: \* Excluding social housing

# Company Factors: Building Materials Market Positions

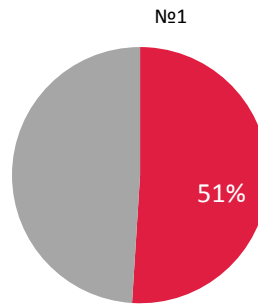
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## Saint-Petersburg

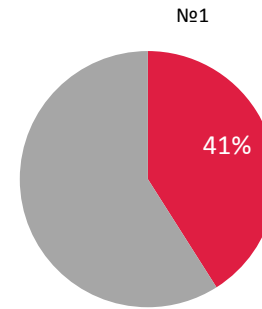
**Ready-Mix Concrete**



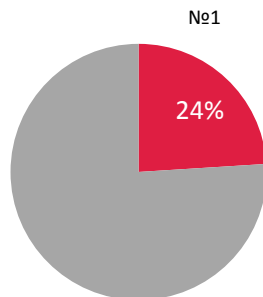
**Sand**



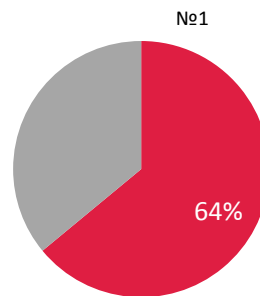
**Crushed Granite**



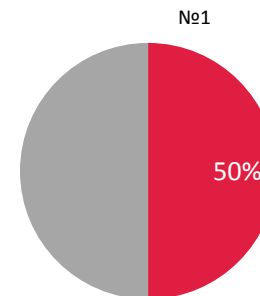
**Reinforced Concrete**



**Bricks**



**Aerated Concrete**



# Management Team

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**Maxim Sokolov**  
CEO, Chairman of the  
Executive Committee



**Evgeny Yatsyshin**  
First Deputy CEO  
Real Estate  
Development



**Vasily Kostritsa**  
Deputy CEO  
Building Materials



**Leonid Sorokko**  
Deputy CEO  
Construction



**Dmitry Kutuzov**  
CFO



**Yuri Ilyin**  
Managing Director



**Galina Volchetskaya**  
Executive Director

# Board of Directors

## Executive directors



**Andrey Molchanov**  
Chairman of BoD



**Dmitri Gontcharov**  
Deputy Chairman of BoD  
Managing Director  
LSR Europe GmbH



**Maxim Sokolov**  
CEO,  
Chairman of the  
Executive Committee

## Independent & non-executive directors



**Aleksey Makhnev**  
INED

COO Global Investment  
Banking Department  
VTB Capital  
Senior Vice President  
VTB Bank



**Andrey Nesterenko**  
INED

Consultant to Colombo  
& Partners SA



**Vitaly Podolsky**  
INED



**Alexandr Prisyazhnyuk**  
INED

# Project Pipeline 2018

- New launches to the market in all three cities to total 890 thousand m<sup>2</sup> in 2018 vs 800 thousand in 2017
- Saint-Petersburg accounts for almost 65% of new launches by volume



## Shuvalovsky (mass-market)

Land plot – 31 ha  
 Total NSA – 422 th m<sup>2</sup>  
 Start of pre-sales – July 2014  
 Completion – December 2020



## Civilization (mass-market & business)

Land plot – 59 ha  
 Total NSA – 825 th m<sup>2</sup>  
 Start of pre-sales – March 2016  
 Completion – June 2024



## Tsvetnoy gorod (mass-market)

Land plot – 363 ha  
 Total NSA – 2,414 th m<sup>2</sup>  
 Start of pre-sales – May 2015  
 Completion – December 2033



## Ruchyi-7 (mass-market)

Land plot – 20 ha  
 Total NSA – 211 th m<sup>2</sup>  
 Start of pre-sales – August 2018  
 Completion – June 2023



## ZILART (business)

Land plot – 65 ha  
 Total NSA – 961 th m<sup>2</sup>  
 Start of pre-sales – September 2015  
 Completion – December 2025



## Luchi (mass-market)

Land plot – 39 ha  
 Total NSA – 477 th m<sup>2</sup>  
 Start of pre-sales – February 2016  
 Completion – September 2023



## Leningradskoe shosse (business)

Land plot – 1,5 ha  
 Total NSA – 54 th m<sup>2</sup>  
 Start of pre-sales – June 2018  
 Completion – October 2020

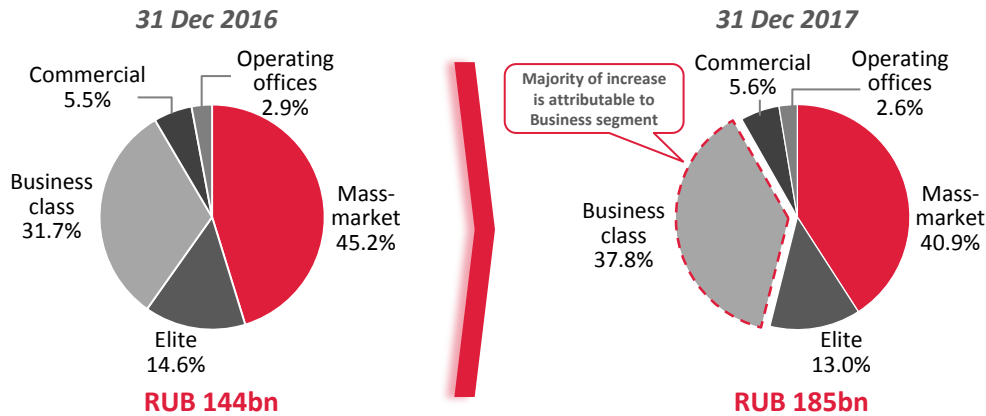


## Neva Haus (elite)

Land plot – 6 ha  
 Total NSA – 110 th m<sup>2</sup>  
 Start of pre-sales – October 2017  
 Completion – December 2022

# GROUP PORTFOLIO AMOUNTS TO RUB 185 BILLION

## VALUE OF OUR LAND BANK INCREASED BY RUB 42 BILLION



## BREAKDOWN BY GEOGRAPHY

X% - market value for assets in key cities<sup>1</sup> as % of total



## TOP-4 PROJECTS BY VALUE

Project Name	Location	Segment	Value (RUB)	Area (th. m <sup>2</sup> )
<b>Zilart</b>	Moscow	Business	<b>RUB 36bn</b>	838 th. m <sup>2</sup>
<b>Civilization</b>	Spb	Mass-market	<b>RUB 13bn</b>	709 th. m <sup>2</sup>
<b>Tsvetnoy Gorod</b>	Spb	Mass-market	<b>RUB 13bn</b>	2,367 th. m <sup>2</sup>
<b>Sea facade</b>	Spb	Business	<b>RUB 11bn</b>	508 th. m <sup>2</sup>

## KEY FACTS

**1,290** ha

TOTAL AREA OF LSR GROUP SITES

**59** projects

IN ALL MARKET SEGMENTS

**c.109** th. RUB

AVERAGE SELLING PRICE PER SQM FOR UNSOLD RESIDENTIAL PROPERTIES

**8,597** th. sqm

YET TO BE SOLD AND LEASED IN OUR PROJECTS



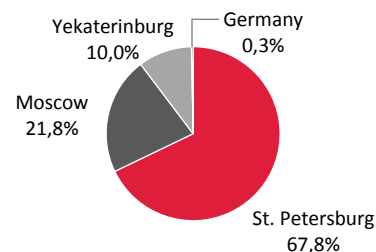
# PORTFOLIO OVERVIEW

## PORTFOLIO BREAKDOWN

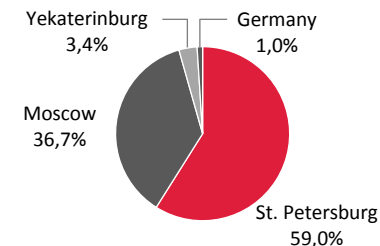
### BY REGION

Region	NSA ('000m <sup>2</sup> )	% of total	MV (RUB mn)	% of total
St. Petersburg and Leningrad region	5,832	67.8%	109,338	59.0%
Moscow and Moscow region	1,874	21.8%	67,986	36.7%
Yekaterinburg	862	10.0%	6,255	3.4%
Germany	29	0.3%	1,887	1.0%
<b>Total</b>	<b>8,597</b>	<b>100%</b>	<b>185,466</b>	<b>100.0%</b>

by net sellable area



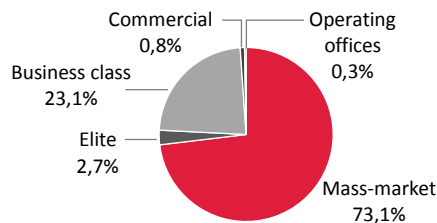
by market value



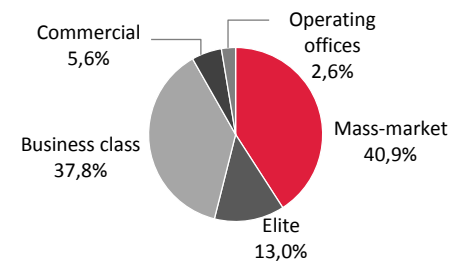
### BY SEGMENT

Property Sector	NSA ('000m <sup>2</sup> )	% of total	MV (RUB mn)	% of total
Mass-market	6,285	73.1%	75,829	40.9%
Elite	233	2.7%	24,187	13.0%
Business class	1,987	23.1%	70,183	37.8%
Commercial	67	0.8%	10,396	5.6%
Operating offices	25	0.3%	4,870	2.6%
<b>Total</b>	<b>8,597</b>	<b>100%</b>	<b>185,466</b>	<b>100.0%</b>

by net sellable area



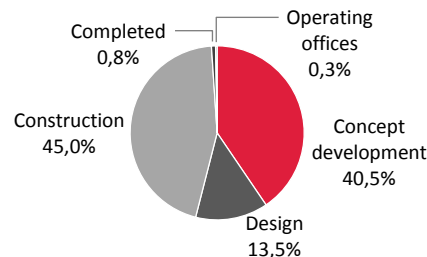
by market value



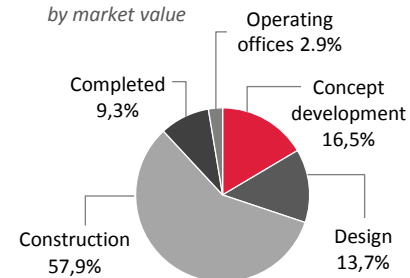
### BY STAGE

Property Sector	NSA ('000m <sup>2</sup> )	% of total	MV (RUB mn)	% of total
Concept Development	3,482	40.5%	30,567	16.5%
Designing	1,159	13.5%	25,333	13.7%
Construction	3,866	45.0%	107,476	57.9%
Completed	66	0.8%	17,221	9.3%
Operating offices	25	0.3%	4,870	2.6%
<b>Total</b>	<b>8,597</b>	<b>100%</b>	<b>185,466</b>	<b>100.0%</b>

by net sellable area



by market value



# LSR real estate projects pipeline – St. Petersburg

			Net unsold area, m <sup>2</sup>	2018	2019	2020	2021	2022+
			<b>Elite</b>					
1	Russkiy Dom	Korolenko St., 5, 5A	15 595					
2	Verona	Morskoy Pr., bld. 29, lit. A	4 152					
3	Petrovskiy ostrov Bavaria	Petrovskiy Pr. 9, 11	83 189					
4	Petrovskiy ostrov REB Flota	Remeslennaya St., 17	116 807					
			<b>Business Class</b>					
5	Bogemia	Smolenskaya St. 14	10 126					
6	Chyornaya Rechka	3, Lit.A,K,D, Chernoy Rechki Emb.	32 701					
7	Moskovskoye Hgwy (Hotel)	Moskovskoye Hwy, lit D	14 714					
8	Morskoy Façade	Nevskaya Guba, plots 12, 13, 14, 15	507 601					
			<b>Mass Market</b>					
9	Yuzhnaya Akvatoriya	Doblesti St.	71 142					
10	Novaya Okhta	Murinskaya Road	197 151					
11	Ruchyi-7	Piskarevsky Av., 145	211 421					
12	Ruchyi Tsvetnoy Gorod Vostok	Piskarevsky Av., 145	976 573					
13	Ruchyi Tsvetnoy Gorod Zapad	Piskarevsky Av., 145	1 390 780					
14	Zapovednaya	Orlovo-Denisovskiy Av., plots 14,17	89 000					
15	Sophiya	Yuzhnoe Highway	8 925					
16	Kalina Park	Marshala Blukhera Avenue, 12	57 298					
17	Shuvalovsky	Prigorodny (Kamenka)	177 538					
18	Oktyabrskaya Naberezhnaya	Oktyabrskaya Embankment, 42	706 840					
19	Aeroport Rzhevka	Rzhevka airfield	1 029 150					
20	Zvezdny Duet (Kosmonavtov/Dunayskiy)	Kosmonavtov Pr., plots 1,2	45 195					
			<b>Commercial</b>					
21	Nevsky 1	1, Nevsky Av.	8 509					

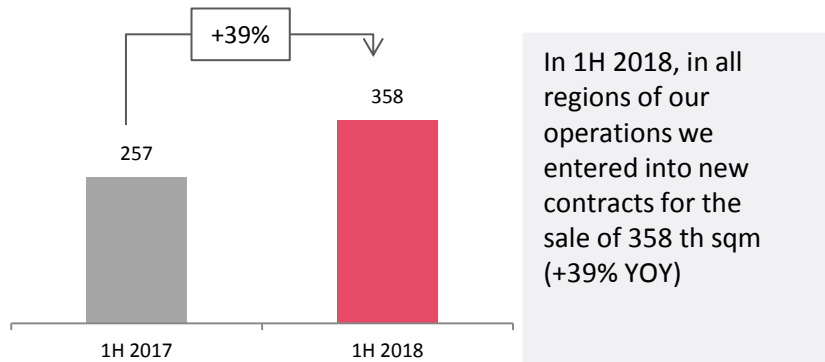
# LSR real estate projects pipeline – Moscow and Yekaterinburg

			Net unsold area, m <sup>2</sup>	2018	2019	2020	2021	2022+
<b>Business Class (Moscow)</b>								
1	Leningradskoe shosse, 58	Leningradskoe Highway, 58	53 575					
2	Zilart	Avtozavodskaya St. 23	838 095					
3	ZiL Yug	Avtozavodskaya St. 23	485 301					
<b>Mass Market (Moscow)</b>								
4	Luchi (Vzlet)	Bldg 6, Proizvodstvennaya St.	342 383					
5	Krasniy Mayak	26, Krasnogo Mayaka St.	69 300					
6	Nakhabino Yasnoe	near Chernaya Village	49 525					
<b>Commercial properties (Moscow)</b>								
7	Novy Balchug	Bldgs.1,2,3,9, Sadovnicheskaya St.	10 995					
<b>Mass Market (Yekaterinburg)</b>								
8	Rassvetny	2B, 40-Letiya Komsomola St.	1 967					
9	Khrustalniye Klyuchi	Latviyskaya St.	170 785					
10	Michurinsky	Sukholodskaya St.	121 053					
11	Rastochnaya	Rastochnaya St.	5 183					
12	Akademichesky	Verkhneuphaleyskaya St.	202 965					
13	Flagman (Repina-Zavodskaya)	Repina St.	47 783					
14	Voskhod	25, 40-Letiya Komsomola St.	33 990					
15	Tsvetnoy Bulvar	Bl'ukhera	125 794					
16	VIZ	Bol'shoy Konnyy	150 000					

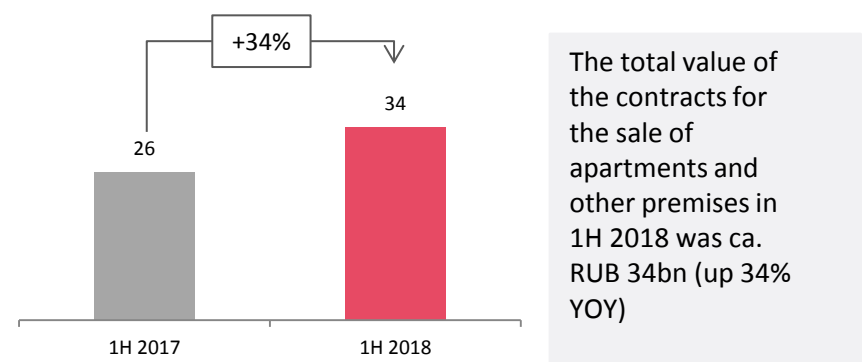
# 1H 2018 OPERATING RESULTS HIGHLIGHTS

- In 1H 2018 we entered into new contracts for the sale of 358 th sqm (+40% YoY) with a total value of RUB 34 bn (+34% YoY)
  - Average price per sqm in 2Q was RUB 97 th
  - 261 th sqm launched during 1H
  - Completions amounted to 102 th. sqm
  - In 1H 2018 the share of mortgage contracts was 52% across the Company

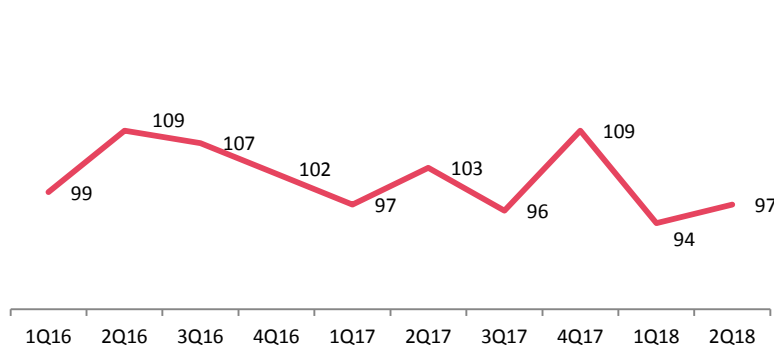
## NEW CONTRACT SALES (TH. SQM)



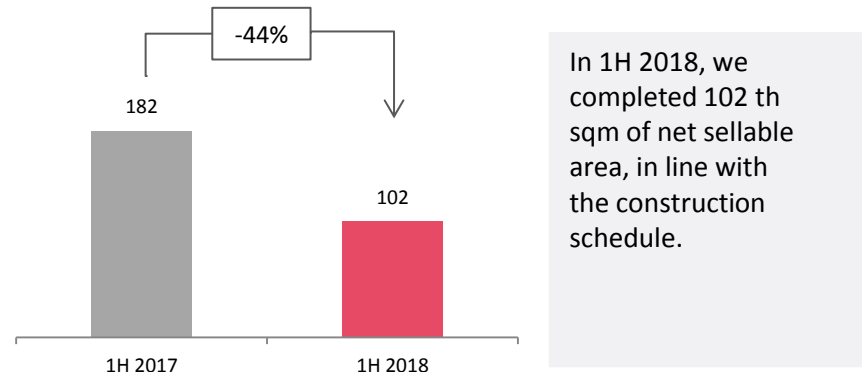
## NEW CONTRACT SALES (RUB BN)



## AVERAGE PRICE (RUBk / SQM)

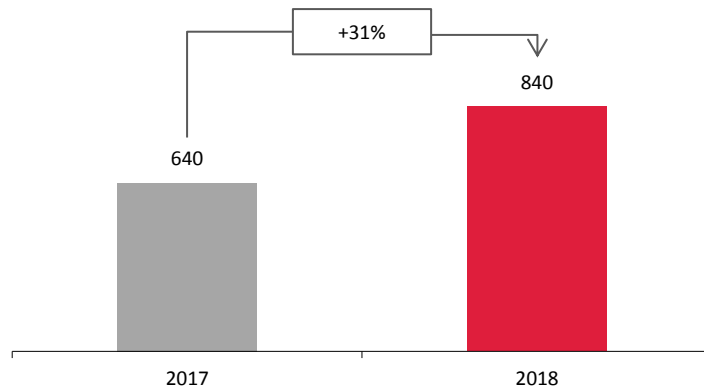


## COMPLETIONS (TH. SQM)

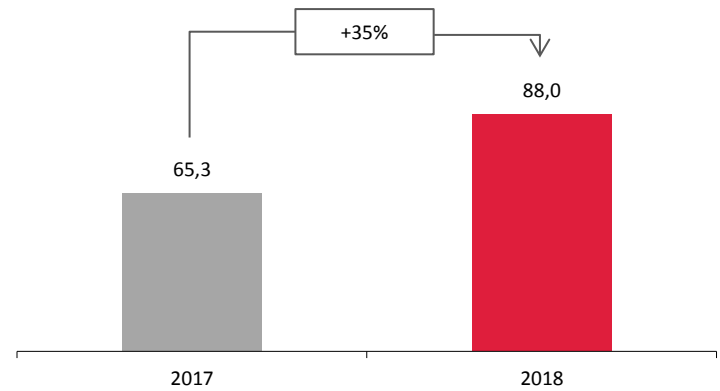


# OPERATING GUIDANCE 2018: REAL ESTATE

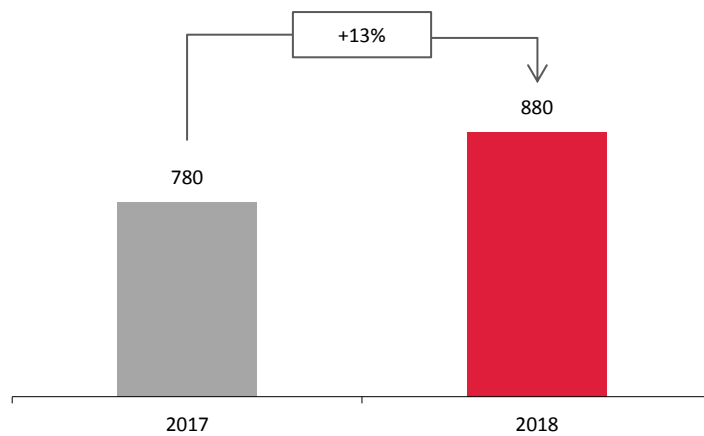
NEW CONTRACT SALES (TH. SQM)



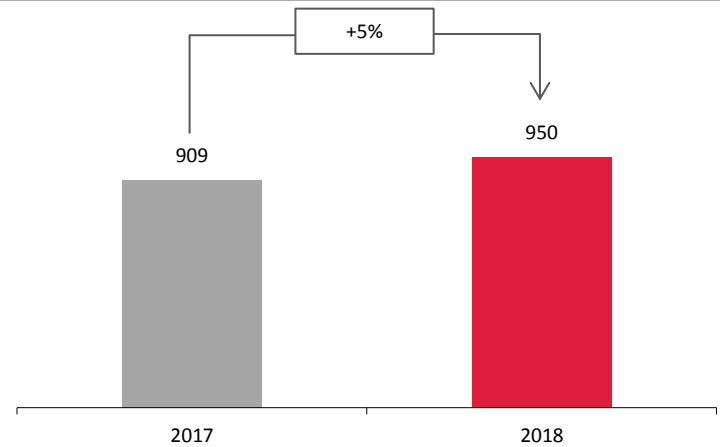
NEW CONTRACT SALES (RUB BN)



NEW LAUNCHES (TH. SQM)

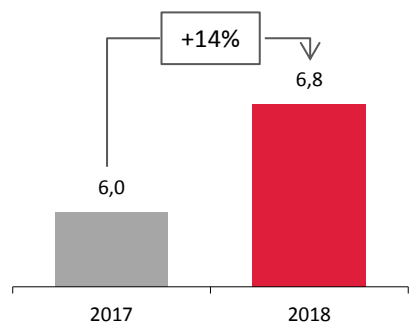


COMPLETIONS (TH. SQM)

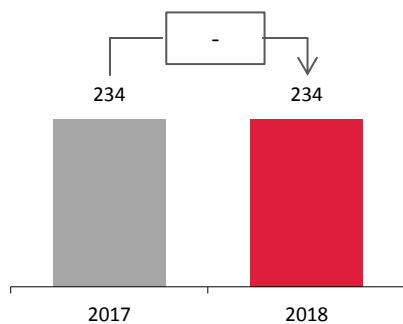


# OPERATING GUIDANCE 2018: BUILDING MATERIALS

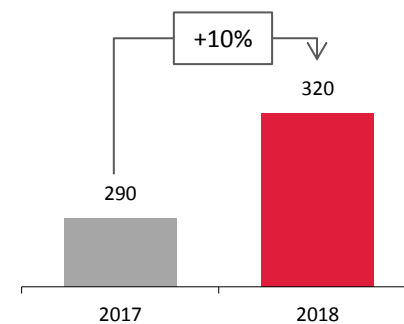
CRUSHED GRANITE (mn m<sup>3</sup>)



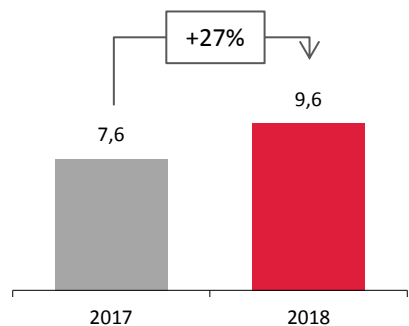
REINFORCED CONCRETE (th. m<sup>3</sup>)



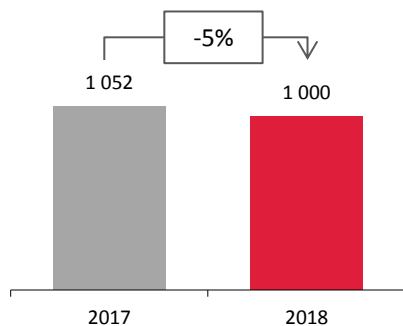
BRICKS (mn units)



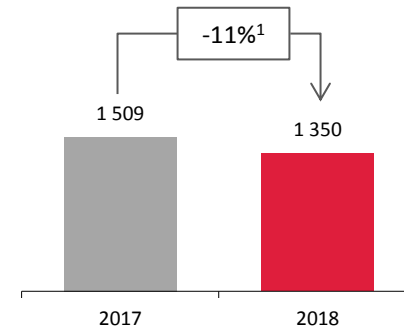
SAND (mn m<sup>3</sup>)



READY-MIX CONCRETE (th. m<sup>3</sup>)

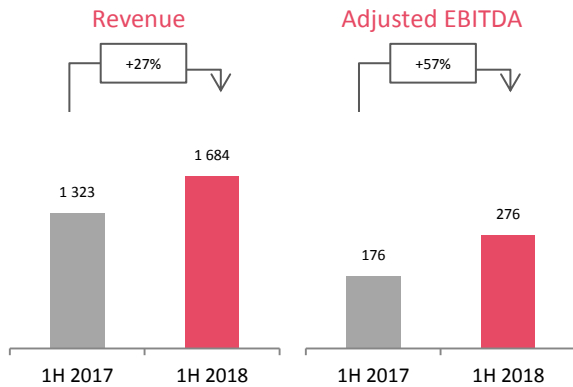


AERATED CONCRETE (th. m<sup>3</sup>)

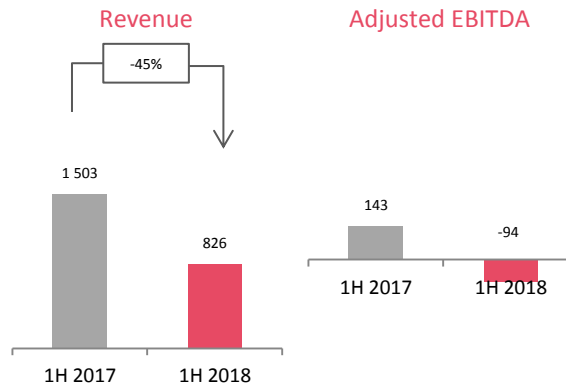


# BUILDING MATERIALS: FINANCIAL RESULTS BY PRODUCT

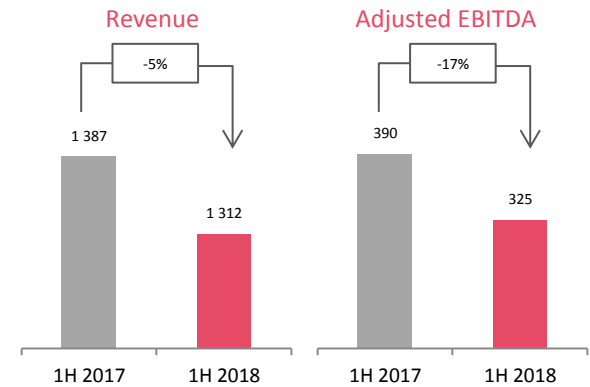
## CRUSHED GRANITE (RUB M)



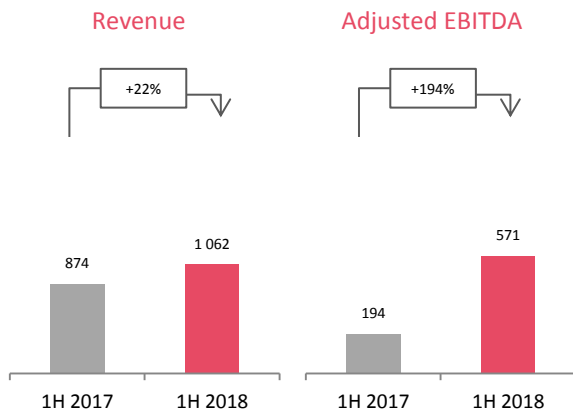
## REINFORCED CONCRETE (RUB M)



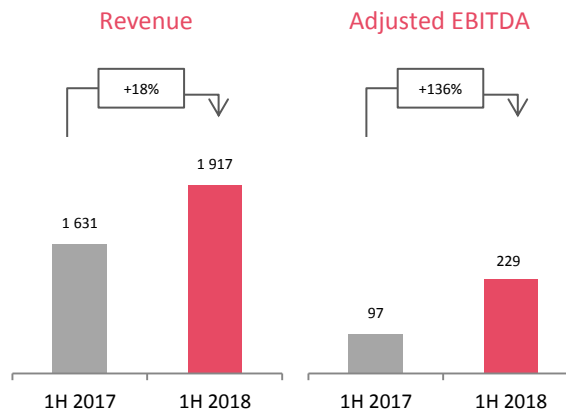
## BRICKS (RUB M)



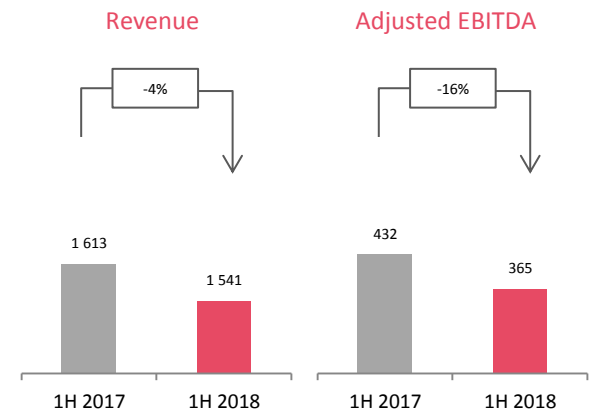
## SAND (RUB M)



## READY-MIX CONCRETE (RUB M)



## AERATED CONCRETE (RUB M)



# IFRS 15 – new revenue recognition standard in place starting 1 January 2017

## REVENUE RECOGNITION

### Former IFRS

Transfer of legal title or passing asset to possession of the buyer

### IFRS 15

#### One-time recognition

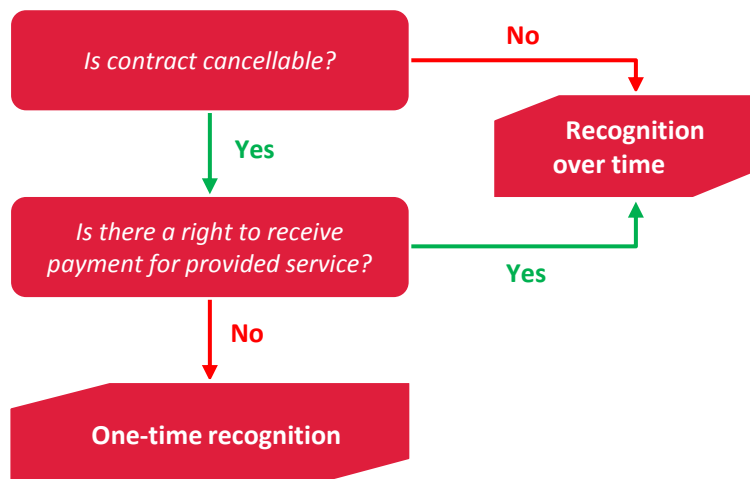
Revenue recognition occurs when the performance obligation is satisfied, i.e., when control over the relevant good or service is transferred to the customer

#### Recognition over time

Revenue recognition occurs if at least one of the below criteria is satisfied:

- The customer receives and consumes the benefits of the entity's performance as the entity performs
- The entity's performance creates or enhances a customer-controlled asset
- The asset being created has no alternative use to the entity, but the entity has a right to payment for performance completed to date

## KEY MECHANICS OF REVENUE RECOGNITION



## IMPACT ON LSR GROUP

- LSR Group will be recognizing c. 95% of its revenue over time vs. at the time each lot has been actually completed and sold
- Key stages of project development and impact on revenue recognition for each lot:
  - Launch of construction: c. 0%
  - Completion of first floor: c. 10%
  - Completion of last floor: c. 40%
  - Completion of exterior: c. 70%
  - Completion of common areas: c. 90%
  - Approval by state commission: c. 95%



# KEY OPERATING RESULTS

## REAL ESTATE<sup>1</sup>

	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018	2Q 2018	1H 2017	1H 2018	Change, %
<b>New contract sales, th. sqm</b>	140	117	167	216	160	198	257	358	40%
<b>Completed, th. sqm</b>	81	100	38	690	14	88	182	102	(44%)

### St. Petersburg

<b>New contract sales, th. sqm</b>	85	67	110	146	89	116	151	206	36%
Elite real estate	3	4	3	11	3	3	7	5	(19%)
Business class real estate	10	6	7	16	5	6	16	11	(30%)
Mass market real estate	71	57	100	119	81	108	129	189	47%
<b>Completed, th. sqm</b>	81	60	-	465	-	56	142	56	(60%)
Elite real estate	-	-	-	12	-	56	-	56	-
Business class real estate	-	28	-	78	-	-	28	-	-
Mass market real estate	81	32	-	375	-	-	113	-	-

### Moscow

<b>New contract sales, th. sqm</b>	29	28	29	36	31	44	57	75	31%
<b>Completed, th. sqm</b>	-	-	11	182	-	-	-	-	-

### Yekaterinburg

<b>New contract sales, th. sqm</b>	26	22	27	35	40	38	48	77	61%
<b>Completed, th. sqm</b>	-	40	27	42	14	32	40	46	15%

## BUILDING MATERIALS<sup>1</sup>

Product			3Q 2017	4Q 2017					
Crushed granite, th. m3	1,113	1,525	1,892	1,445	1,416	2,128	2,638	3,544	34%
Sand, th. m3	945	2,499	2,128	1,992	2,586	2,199	3,444	4,785	39%
Ready-mix concrete, th. m3	209	297	302	243	214	304	506	537	6%
Reinforced concrete, th. m3	44	56	75	60	57	37	99	94	(5%)
Bricks, million units	57	82	89	62	53	86	139	139	-
Aerated concrete, th. m3	269	439	492	310	257	369	708	626	(12%)

## KEY FINANCIALS

	2015	2016	2017	1H 2017	1H 2018	Change, %
Revenue, RUB m	91,730	106,524	138,494	40,666	51,696	27%
Adjusted EBITDA, RUB m	23,532	27,750	36,845	7,452	9,537	28%
Adjusted EBITDA, %	25.7%	26.1%	26.6%	18%	18%	-
Operating profit, RUB m	13,763	14,031	22,444	3,142	5,573	77%
Operating profit, %	15.0%	13.2%	16.2%	8%	11%	-
Profit for the year, RUB m	10,646	9,163	15,871	1,938	3,758	94%
	31.12.15	31.12.16	31.12.17			Change, %
Total debt, RUB m	33,018	55,695	72,786	62,218	77,478	25%
Net debt, RUB m	12,584	30,065	43,073	34,175	40,605	19%
Net debt/ EBITDA	0.53x	1.08x	1.17x	2.11	1.0	-

# Contacts



For more information please contact:

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[ilyin@lsrgroup.ru](mailto:ilyin@lsrgroup.ru)

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