

# Capital Markets Day

25 July 2018



**L S R**

# DISCLAIMER

---

By attending the meeting where this presentation is made, or by reading the presentation slides, you agree to be bound by the following limitations:

This presentation does not constitute or form part of and should not be construed as, an offer to sell or issue or the solicitation of an offer to buy or acquire securities of PJSC LSR Group (“hereinafter – the Company”) or any of its subsidiaries in any jurisdiction or an inducement to enter into investment activity. No part of this presentation, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. The information in this document has been prepared by the Company solely for use at presentations. This document and its contents may not be distributed, published, reproduced (in whole or in part) by any medium or in any form.

No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information, or opinions contained herein. None of the Company nor any of its shareholders, directors, officers or employees nor any other person accepts any liability whatsoever for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection therewith. The information set out herein may be subject to updating, completion, revision, verification and amendment and such information may change materially.

The information communicated in this document contains certain statements that are or may be forward looking. These statements typically contain the words «anticipate», «believe», «intend», «estimate», «expect», «will» and words of similar meaning. By their nature forward looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. We assume no obligations to update amend or revise the forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting these statements. Investment in the Company will also involve certain risks. There maybe additional material risks that are currently not considered to be material or of which the Company and its advisors or representatives are unaware.

The forward-looking statements in this presentation are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control and we may not achieve or accomplish these expectations, beliefs or projections. In addition, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the achievement of the anticipated levels of revenues, profitability and growth, cost and synergy of our recent acquisitions and restructuring, the timely development and acceptance of new products, the impact of competition and competitive pricing, the ability to obtain necessary regulatory approvals and the ability to fund our future operations and capital needs through borrowing or otherwise, the ability to successfully implement any of our business strategies, the ability to integrate our business and to realize anticipated cost savings and operational benefits from such integration, our expectations about growth in demand for our products and services, the effects of inflation, interest rate and exchange rate fluctuations, and our success in identifying other risk to our business and managing the risk of the aforementioned factors, the condition of the economy and political stability in Russia and the other markets of operations and the impact of general business and global economic conditions. The foregoing assumptions and qualifications apply in particular (but are in no way limited to) slides 19 and 20 of this presentation, which present forward-looking data with respect to (i) the real estate business (including with respect to projected contract sales, completions and new launches in 2018) and (ii) the building materials business (including with respect to projected sales in 2018 of crushed granite, reinforced concrete, bricks, sand, ready-mix concrete and aerated concrete).

Under no circumstances shall this document constitute an offer to sell or a solicitation to buy securities in any jurisdiction, including the United States of America, and nothing in this document should be construed as a recommendation or advice to any person to purchase any securities.

The distribution of this presentation in some jurisdictions may be restricted by law and persons into whose possession this presentation comes should inform themselves about, and observe, any such restrictions.

# 1H 2018 HIGHLIGHTS

---

## New contract sales

- New contract sales up 39% YOY in Q1 2018, to 358 th sqm. The value of the contracts up 34%, to RUB 34bn.

## Guidance

- 43% of the annual guidance for new contract sales – fully on track to deliver the annual volume

## Share of mortgages

- The share of mortgage sales up to 52% across the company in 1H 2018.

## Aggregates

- Sales positively affected by the progress of the key infrastructure projects, more than 30% growth YOY.

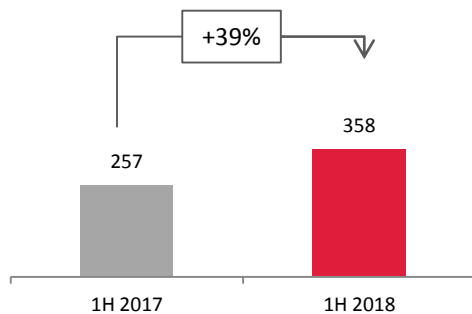
## Cost of debt

- Average cost of debt down to 8.59% as of June 30, 2018, as compared to 9.1% as of December 31, 2017

# REAL ESTATE DEVELOPMENT

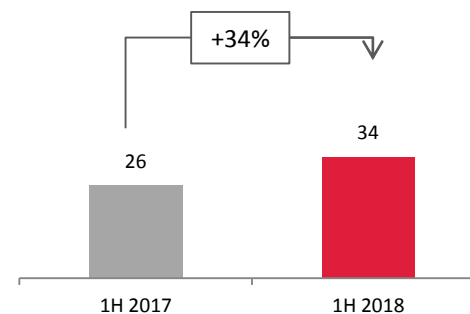
- In 1H 2018 we entered into new contracts for the sale of 358 th sqm (+39% YOY) with a total value of RUB 34bn (+34% YOY)
  - Average price per sqm in 2Q was RUB 97 th
  - 261 th sqm launched during the first half
  - Completions amounted to 102 th sqm
  - Share of mortgage contracts was 52% across the company

## NEW CONTRACT SALES (TH. SQM)



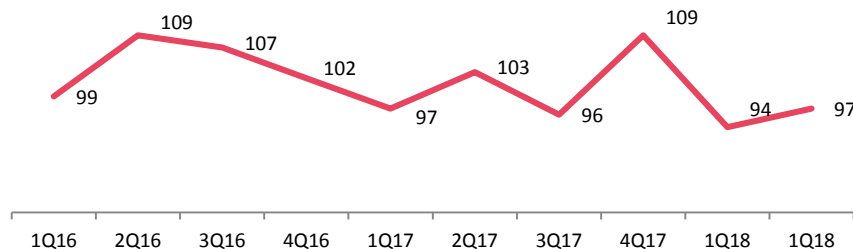
- In 1H 2018, in all regions of our operations we entered into new contracts for the sale of 358 th sqm (+39% YOY)

## NEW CONTRACT SALES (RUB BN)

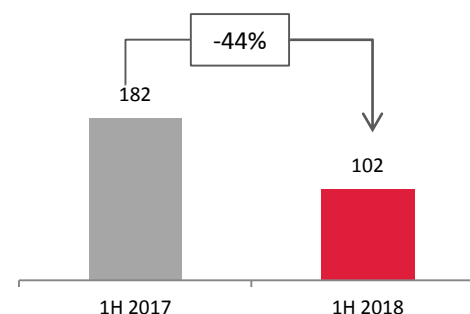


- The total value of the contracts for the sale of apartments and other premises in 1H 2018 was ca. RUB 34bn (up 34% YOY)

## AVERAGE PRICE (RUBk / SQM)



## COMPLETIONS (TH. SQM)

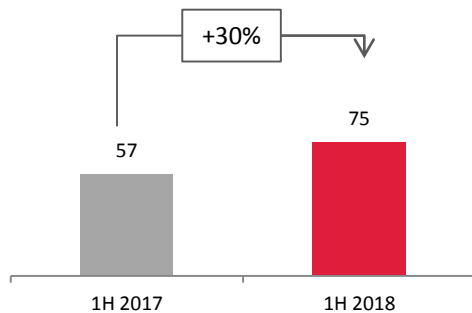


- In 1H 2018, we completed 102 th sqm of net sellable area, in line with the construction schedule.

# REAL ESTATE DEVELOPMENT: MOSCOW

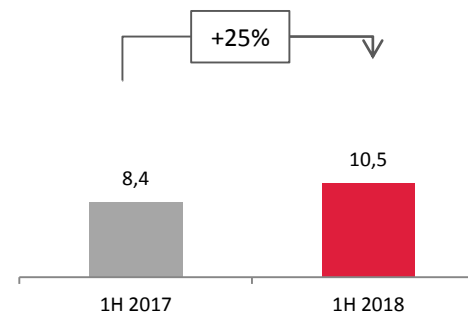
- In 1H 2018 we entered into new contracts for the sale of 75 th sqm (+30% YOY) with a total value of RUB 10.5 bn (+25% YOY)
  - Average price per sqm in 2Q was RUB 142 th
  - 78 th sqm launched during the quarter
  - Share of mortgage contracts was 48% in Moscow

## NEW CONTRACT SALES (TH. SQM)



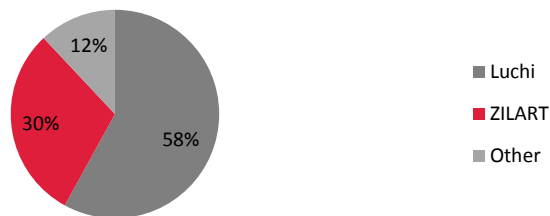
- In 1H 2018, in Moscow, we entered into new contracts for the sale of 75 th sqm (+30% YOY)

## NEW CONTRACT SALES (RUB BN)



- The total value of the contracts for the sale of apartments and other premises in 1H 2018 was ca. RUB 10.5bn (+25% YOY)

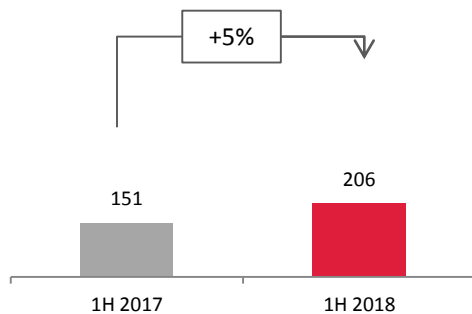
## NEW CONTRACT SALES (% by volume)



# REAL ESTATE DEVELOPMENT: ST. PETERSBURG

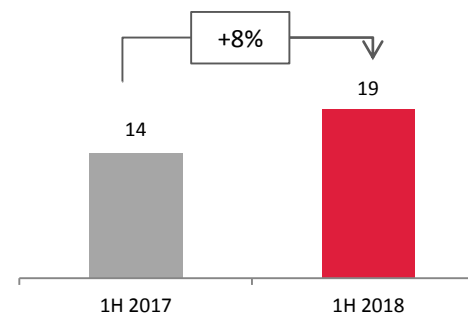
- In 1H 2018 we entered into new contracts for the sale of 206 th sqm (+36% YOY) with a total value of RUB 19 bn (+33% YOY)
  - Average price per sqm in 2Q was RUB 93 th
  - 94 th sqm launched during the quarter
  - Share of mortgage contracts was 51% in St. Petersburg

## NEW CONTRACT SALES (TH. SQM)



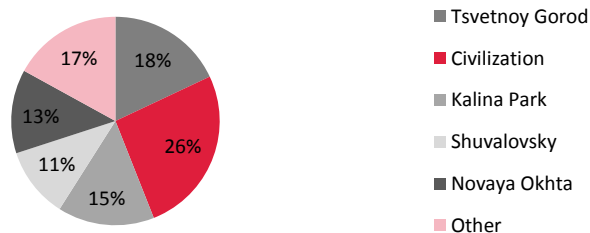
- In 1Q 2018, in St. Petersburg, we entered into new contracts for the sale of 89 th sqm (+5% YOY)

## NEW CONTRACT SALES (RUB BN)



- The total value of the contracts for the sale of apartments and other premises in 1Q 2018 was ca. RUB 8.4bn (+8% YOY)

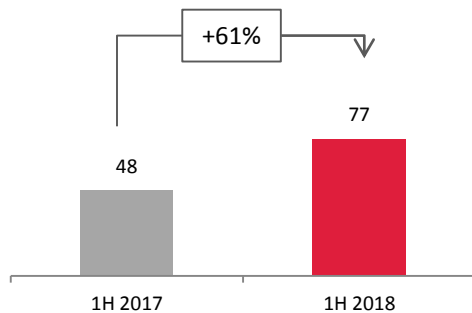
## NEW CONTRACT SALES (% by volume)



# REAL ESTATE DEVELOPMENT: YEKATERINBURG

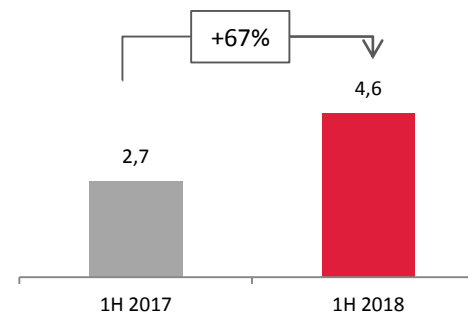
- In 1H 2018 we entered into new contracts for the sale of 77 th sqm (+61% YOY) with a total value of RUB 4.6 bn (+67% YOY)
  - Average price per sqm in 2Q was RUB 60 th
  - 89 th sqm launched during the quarter
  - Share of mortgage contracts was 56% in Yekaterinburg

## NEW CONTRACT SALES (TH. SQM)



- In 1H 2018, in Yekaterinburg, we entered into new contracts for the sale of 77 th sqm (+61% YOY)

## NEW CONTRACT SALES (RUB BN)



- The total value of the contracts for the sale of apartments and other premises in 1H 2018 was ca. RUB 4.6bn (+67% YOY)

## NEW CONTRACT SALES (% by volume)



# BUILDING MATERIALS

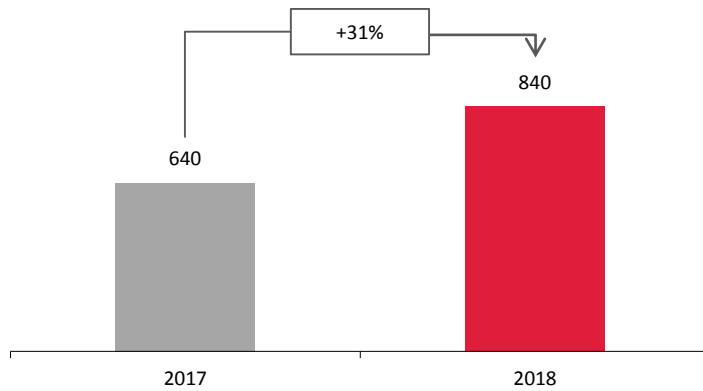
---

Sales by product	1H 2017	1H 2018	Change, %
Crushed granite, th cbm	2,638	3,544	34%
Sand, th cbm	3,444	4,785	39%
Ready-mix concrete, th cbm	506	517	2%
Bricks, mn units	139	139	-
Aerated concrete, th cbm	708	626	(12%)

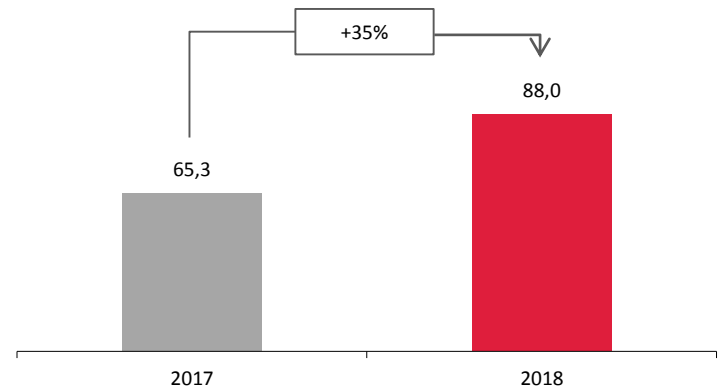


# OPERATING GUIDANCE 2018: REAL ESTATE

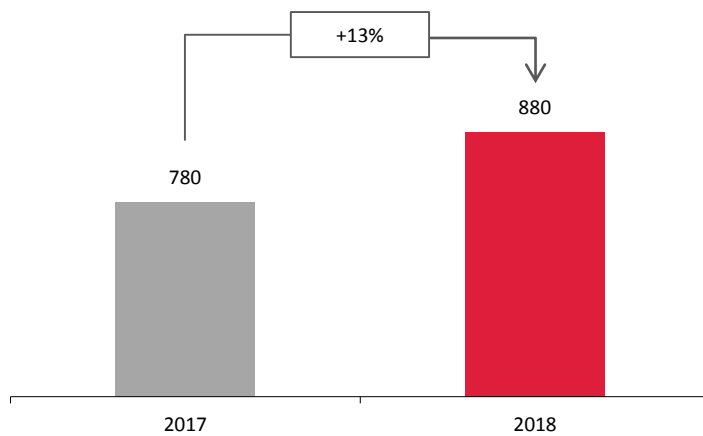
NEW CONTRACT SALES (TH. SQM)



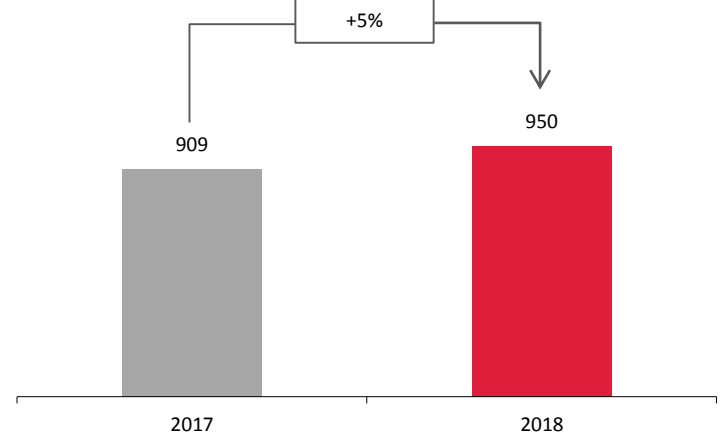
NEW CONTRACT SALES (RUB BN)



NEW LAUNCHES (TH. SQM)

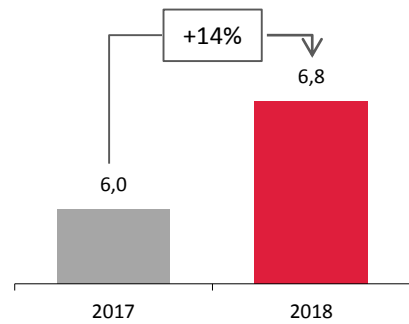


COMPLETIONS (TH. SQM)

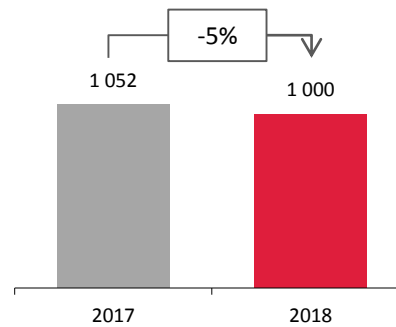


# OPERATING GUIDANCE 2018: BUILDING MATERIALS

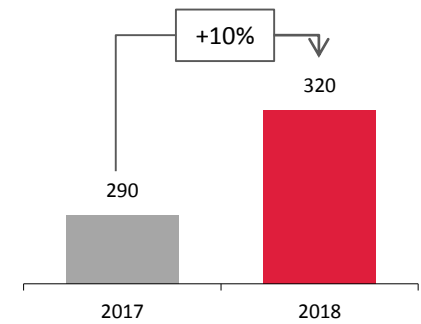
CRUSHED GRANITE (mn m<sup>3</sup>)



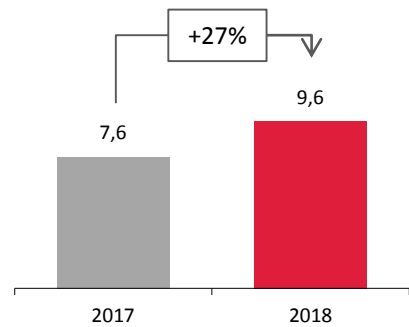
READY-MIX CONCRETE (th. m<sup>3</sup>)



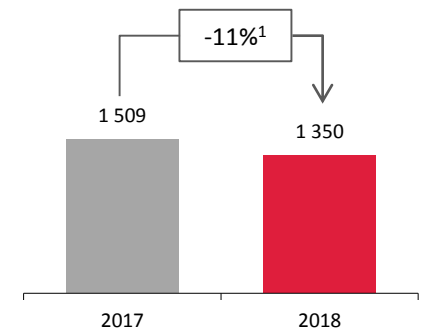
BRICKS (mn units)



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



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





**CHANGES IN THE REGULATION OF REAL  
ESTATE DEVELOPMENT**

## Construction permits received after 01.07.2018

---

### INFORMATION DISCLOSURE

- Audited annual financial reporting
- Interim (quarterly) financial results – unaudited

### CAPITAL REQUIREMENTS

- 1.2% of the pre-sale contract value must be contributed to the Compensation Fund
- 10% of the total project cost must be deposited in an authorized bank before the project launch or
- loan agreement with an authorized Bank in the amount of not less than 40% of the total project cost

### FINANCING

- Borrowing is strictly limited to the project financing from an authorized banks or the parent company (up to 20% of the project cost)
- No bonds, only equity issuance allowed

## Construction permits received after 01.07.2018

---

### THE USAGE OF FUNDS

- Advances associated with design and construction are limited to 30% of the total project cost
- Administrative costs are capped at 20% of the total project cost, if the developer reports under IFRS and at 10%, if it does not.

### ADDITIONAL REQUIREMENTS

- Minimum 3-year track record as a developer, an ordering party or a general contractor as well as at least 10 th sqm of area commissioned
- The company name must contain the words: "specialized developer".

## Construction permits received after 01.07.2019

---

### THE USE OF ESCROW ACCOUNTS

- Mandatory use of escrow accounts for incoming funds from sales
- Payments from customers will become available to developers after project commissioning
- Most of the previously imposed restrictions, such as mandatory contributions to the compensation Fund, will be removed when escrow accounts are used
- Banks interest rates are expected to be 4-6%, if project is backed by escrow accounts

## LSR Group – preparing for changing environment

---

### Current projects

- the construction permit is obtained before 01.07.2018
- at least 1 pre-sale agreement had been concluded and registered before 01.07.2019



- The project is implemented in accordance with the previous regulatory requirements and without the use of escrow accounts