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For immediate release

29 August 2016 **PRESS RELEASE** **Saint-Petersburg**

In the first half of 2016 LSR Group generated RUB 31,618m of revenues and RUB 4,486m of EBITDA

- Sales revenue increased by **10%**, up to **RUB 31,618m**
- EBITDA decreased by **22%**, down to **RUB 4,486m**
- EBITDA margin was **14%**
- Profit for the period decreased by **72%**, down to **RUB 1,100m**
- Earnings per share amounted to **RUB 10.87**
- Net debt/EBITDA ratio was **1.09**

Andrey Molchanov, CEO and Chairman of the Executive Committee of LSR Group comments:

The first half of 2016 brought many positive changes for us. The real estate market demonstrated recovery on the back of bottoming out economic environment and mortgage subsidy program. We have successfully expanded our presence in Moscow and saw increasing demand in our projects in the capital. We have strengthened our reputation as a reliable homebuilder of mass-market and elite projects in the home region. We have implemented a number of important organizational and structural changes, including the approval of the new financial strategy, which are focused on delivering sustainable predictable growth over the long term. We are open to change, and are committed to maximizing shareholder value.

Notes to Editors:

PJSC LSR Group is a real estate development and building materials company founded in 1993 and operating in a number of complementary market segments. Its core business areas are real estate development, prefab construction and production of building materials. LSR Group's main operations are located in St. Petersburg, Moscow and Yekaterinburg. As of December 31, 2015 (according to Knight Frank), the net sellable area of the projects in LSR Group's real estate portfolio is equal to 9.3m m^2 with the market value of RUB 136bn. In 2015, the sales revenue of LSR Group amounted to RUB 86,830m (IFRS). LSR Group is a public company, with its GDRs traded on the London Stock Exchange and its ordinary shares traded on MOEX.

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KEY FINANCIALS

RUB m	6m 2015	6m 2016	Change, %
Revenue	**28,741**	**31,618**	**10%**
EBITDA	**5,767**	**4,486**	**(22%)**
EBITDA, %	20%	14%	-
Operating profit	**4,201**	**2,080**	**(50%)**
Operating profit, %	15%	7%	-
Profit for the period	**3,944**	**1,100**	**(72%)**
Operating cash flow	(3,628)	3,022	-
Amortisation and depreciation	1,465	1,497	2%
Capitalised capital expenditure	1,759	1,818	3%
	31.12.15	**30.06.16**	**Change, %**
Total debt	33,018	43,956	33%
Net debt	12,584	18,902	50%
Net debt/EBITDA	0.68	1.09	-

Consolidated Statement of Profit or Loss and Other Comprehensive Income

RUB m	6m 2015	6m 2016	Change, %
Revenue	**28,741**	**31,618**	**10%**
Cost of sales	(19,334)	(22,436)	16%
Gross profit	**9,407**	**9,182**	**(2%)**
Distribution expenses	(1,956)	(3,142)	61%
Administrative expenses	(3,323)	(4,100)	23%
Other income and expenses	73	140	92%
Operating profit	**4,201**	**2,080**	**(50%)**
Finance income	1,808	1,004	(44%)
Finance costs	(1,474)	(1,299)	(12%)
Profit before income tax	**4,535**	**1,785**	**(61%)**
Income tax expense	(591)	(685)	16%
Profit for the period	**3,944**	**1,100**	**(72%)**
Foreign currency translation differences for foreign operations	(419)	(466)	-
Total comprehensive income for the period	**3,525**	**634**	**(82%)**
Basic and diluted earnings per ordinary share (RUB)	**38.67**	**10.87**	**(72%)**
EBITDA	5,767	4,486	(22%)
EBITDA, %	20%	14%	-

Definitions:

EBITDA equals to operating result plus depreciation and amortisation of fixed assets and intangible assets less change in fair value of investment property less write off of change in fair value of the disposed asset less impairment of goodwill less capitalised interest recognised in cost of sales.

EBITDA margin equals to the ratio between EBITDA and sales revenue.

Total debt calculated as the sum of non-current loans and borrowings, current loans and borrowings and bank overdraft including finance lease liabilities.

Net debt calculated as total debt less cash and cash equivalents (excluding restricted cash).

Net debt/ EBITDA ratio is calculated on annualised basis.

EBITDA is not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information.

The financial and operating indicators in this press release are rounded to whole numbers, while percentage changes in indicators are calculated using underlying data in RUB thousands.

Net sellable area (NSA) includes the area of apartments, offices and other areas designated for sale, including the area of balconies which is adjusted using the appropriate ratio.
Net sellable area, gross building area and other parameters of real estate development projects (especially those of them which are at the initial stages of development) can change during their design and construction.

The complete consolidated financial statements of LSR Group for the six months ended 30 June 2016 are available at http://www.lsrgroup.ru/en/media/files/LSR_CFS_6m2016_Eng.pdf

REVIEW OF OPERATING AND FINANCIAL RESULTS

Revenue

Our sales revenue in 1H 2016 was RUB 31,618m (+10%).

Gross Profit

The gross profit decreased by 2% and amounted to RUB 9,182m.

Distribution and administrative expenses

In 1H 2016, the distribution costs increased by 61%, up to RUB 3,142m.

The administrative costs increased by 23%, to RUB 4,100m.

EBITDA and Operating Profit

EBITDA decreased by 22%, to RUB 4,486m. EBITDA margin was 14%. Operating profit decreased by 50%, to RUB 2,080m, and operating profit margin was 7%.

Net Financing Costs

Net financing costs were RUB 295m.

Income Tax Expense

In 1H 2016 income tax expense amounted to RUB 685m. The effective tax rate was 38% and the statutory income tax rate was 20%.

Total Comprehensive Income

In the reported period we received total comprehensive income of RUB 634m (-82%).

Cash Flows and Liquidity

Consolidated Cash Flow Statement

RUB m	6m 2015	6m 2016
Net Income	3,944	1,100
Depreciation & amortisation	1,465	1,497
Net finance costs	(334)	295
Other, net	567	1,489
Operating profit before changes in working capital and provisions	**5,642**	**4,381**
Change in Inventories	*(14,143)*	*(22,916)*
Change in Trade and Other Receivables	*(2,004)*	*7,250*
Change in Trade and Other Payables	*11,050*	*18,763*
Increase/ decrease in provisions	*(984)*	*(329)*
Cash flow from operations before income taxes and interest paid	**(439)**	**7,149**
Income Taxes Paid	*(1,499)*	*(2,046)*
Interest Paid	*(1,690)*	*(2,081)*
Cash flow from (utilised by) operating activities	**(3,628)**	**3,022**
Capital Expenditures	(1,722)	(1,394)
Disposals	5,109	98
Other	3,762	318
Cash flow from (utilised by) investing activities	**7,149**	**(978)**
Debt issued (repaid)	(1,560)	10,914
Dividends paid	(8,036)	(8,036)
Cash flow from (utilised by) financing activities	**(9,596)**	**2,878**
Net change in cash	**(6,075)**	**4,922**
Cash at beginning of period	**25,278**	**20,434**
Exchange rate fluctuations	(263)	(302)
Cash at end of period	**18,940**	**25,054**

Cash inflow from operations before income taxes and interest paid was equal to RUB 7,149m.

Interest payments amounted to RUB 2,081m.

The income tax expense paid was RUB 2,046m.

The cash outflow from investment activities was RUB 978m.

The cash inflow from financing activities was RUB 2,878m.

As of 30 June 2016, the cash balance was RUB 25,054m.

Debt

As of 30 June 2016, the company's total debt increased by 33%, compared to 31 December 2015, up to RUB 43,956m. The net debt / EBITDA ratio was 1.09.

The key partner banks of the company that granted us funds in 1H 2016 were VTB, Alfa-bank, Rosselkhozbank, International Bank of Saint-Petersburg and Sberbank.

Debt Structure

RUB m	31.12.2015	30.06.2016
Bank and other loans	31,710	43,662
Bond issues	1,154	160
Finance lease liability	154	134
Total debt	**33,018**	**43,956**
Less cash and cash equivalents	20,434	25,054
Net debt	**12,584**	**18,902**

As of 30 June 2016, the major part of our debt (99%) consisted of bank and other loans. The rouble bond issues and the finance lease liability together accounted for less than 1% of our debt.

FINANCIAL RESULTS BY BUSINESS DIVISION

REAL ESTATE DEVELOPMENT AND CONSTRUCTION

In 1H 2016, the sales revenue of Real Estate Development and Construction division was RUB 22,411m, up 10%, against 1H 2015, this amount is stated net of revenue from intra-group transactions, which amounted to RUB 10,251m. EBITDA decreased by 22%, down to RUB 4,455m. EBITDA margin decreased from 28% to 20%.

Real estate development

	6m 2015	6m 2016	Change, %
Completed (th m^2)	**130**	**206**	**59%**
Real Estate St. Petersburg	108	127	18%
Elite Real Estate	*29*	*18*	(40%)
Mass Market Real Estate	*79*	*110*	39%
Real Estate Moscow	16	56	252%
Real Estate Urals	6	23	277%
New contract sales (th m^2)	**228**	**366**	**61%**
Real Estate St. Petersburg	128	211	65%
Elite Real Estate	*19*	*27*	38%
Mass Market Real Estate	*109*	*185*	70%
Real Estate Moscow	58	119	104%
Real Estate Urals	42	36	(14%)
Revenue (RUB m)	**17,590**	**19,034**	**8%**
Real Estate St. Petersburg	15,741	13,483	(14%)
Real Estate Moscow	1,079	3,772	250%
Real Estate Urals	319	1,735	444%
EBITDA (RUB m)	**5,450**	**3,716**	**(32%)**
Real Estate St. Petersburg	5,604	4,461	(20%)
Real Estate Moscow	(84)	(844)	-
Real Estate Urals	(74)	169	-
EBITDA, %	**31%**	**20%**	**-**
Real Estate St. Petersburg	36%	33%	-
Real Estate Moscow	-	-	-
Real Estate Urals	-	10%	-
Operating profit (RUB m)	**5,318**	**2,757**	**(48%)**
Real Estate St. Petersburg	5,479	3,598	(34%)
Real Estate Moscow	(89)	(935)	-
Real Estate Urals	(76)	168	-
Operating profit, %	**30%**	**14%**	**-**
Real Estate St. Petersburg	35%	27%	-
Real Estate Moscow	-	-	-
Real Estate Urals	-	10%	-

In 2Q 2016, in all regions of our operations we entered into new contracts for the sale of 153 th m^2 (+32% y/y). The main drivers of the increase were expansion of Moscow presence and new launches. The total value of the contracts for the sale of apartments and other premises was RUB 16.7 bn, up 51% against 2Q 2015. In 2Q 2016, we completed 202 th m^2 of net sellable area (+55% y/y). The deliveries to be recognised in the company's real estate development revenue for 2Q 2016 amounted to 204 th m^2 (+61% y/y), including the net sellable area completed within the reported period and pre-sold/sold either within the reported period or in previous years along with the net sellable area completed in previous years but sold within the reported period.

In 1H 2016, we entered into new contracts for the sale of 366 th m^2 (+61% y/y). One of the main factors of the solid performance was the favorable base effect of 1Q 2015 sales' dynamics. The total value of the contracts for the sale of apartments and other premises was RUB 37.8 bn, up 76% against 1H 2015. In 1H 2016, we completed 206 th m^2 of net sellable area (+59% y/y). The deliveries in 1H 2016 amounted to 224 th m^2 (+66% y/y).

The sales revenue increased by 8% up to RUB 19,034m and EBITDA decreased by 32% down to RUB 3,716m. EBITDA margin was 20%.

Real Estate in St. Petersburg

In 2Q 2016, in St. Petersburg in total we entered into new contracts for the sale of 81 th m^2 of net sellable area, up 21% against 1Q 2015. The total value of the contracts was RUB 7.8 bn (+3% y/y). In 2Q 2016, we completed 127 th m^2 of net sellable area (+18% y/y). In the elite segment, we entered into new contracts for the sale of 10 th m^2 of net sellable area (-10% y/y). The total value of the contracts was RUB 1.8 bn (-30% y/y). We completed 18 th m^2 of net sellable area (-40% y/y) in Smolny Park project. In the mass market segment, we entered into new contracts for the sale of 71 th m^2, up 27% against 2Q 2015. The total value of the contracts was RUB 6,0 bn (+20% y/y). We completed 110 th m^2 of net sellable area (+39% y/y) in Sophia, Kalina-Park, and Quartet projects.

In 1H 2016, in St. Petersburg in total we entered into new contracts for the sale of 211 th m^2 of net sellable area, up 65% against 1H 2015. The total value of the contracts was RUB 19.3 bn (+36%). In the elite segment, we entered into new contracts for the sale of 27 th m^2 of net sellable area (+38% y/y). The total value of the contracts was RUB 4.4 bn (-2% y/y). In the mass market segment, we entered into new contracts for the sale of 185 th m^2, up 70% against 1H 2015. The total value of the contracts was RUB 14.8 bn (+54% y/y).

The sales revenue decreased by 14% to RUB 13,483m. The volume of elite real estate contracts recognized as revenue has decreased by 64% y/y. EBITDA decreased by 20% to RUB 4,461m. EBITDA margin was 33%.

Real Estate in Moscow

In 2Q 2016, in Moscow we entered into new contracts for the sale of 55 th m^2 of net sellable area, up 94% on our sales in 2Q 2015. The total value of the signed contracts was RUB 7.9 bn (+249% y/y). In 2Q 2016, we completed 56 th m^2 of net sellable area (+252% y/y) in New Domodedovo project.

In 1H 2016, in Moscow we entered into new contracts for the sale of 119 th m^2 of net sellable area, up 104% on our sales in 1H 2015. The total value of the signed contracts was RUB 16.4bn (+236% y/y). The main reason behind the strong growth in 1H and 2Q was the launch of sales in ZILART project in September 2015 and Luchi project in February 2016.

The sales revenue increased by 250% up to RUB 3,772m. EBITDA loss was RUB 844m.

Real Estate in Yekaterinburg

In 2Q 2016, in Yekaterinburg we entered into new contracts for the sale of 17 th m^2 of net sellable area, down 17% against 2Q 2015. The total value of the contracts signed in 2Q 2016 decreased by 18% y/y, down to RUB 1,0 bn. In 2Q 2016, we completed 19 th m^2 of net sellable area (+206% y/y) in Michurinsky and Rassventiy projects.

In 1H 2016, in Yekaterinburg we entered into new contracts for the sale of 36 th m^2 of net sellable area, down 14% against 1H 2015. The total value of the contracts signed in 1H 2016 decreased by 13%, down to RUB 2.1 bn.

The sales revenue increased by 444% up to RUB 1,735m. EBITDA was RUB 169m. EBITDA margin was 10%.

CONSTRUCTION

	6m 2015	6m 2016	Change, %
Transferred to customers, th m^2	**461**	**487**	**6%**
St. Petersburg	283	318	12%
Moscow*	106	76	(29%)
Yekaterinburg*	71	92	30%
Revenue (RUB m)	**14,352**	**12,599**	**(12%)**
St. Petersburg	8,900	7,521	(15%)
incl. revenue from inter-group sales	8,675	7,472	(14%)
Moscow	3,459	3,052	(12%)
incl. revenue from inter-group sales	2,570	1,064	(59%)
Yekaterinburg	2,003	2,063	3%
incl. revenue from inter-group sales	1,746	1,636	(6%)
EBITDA (RUB m)	**1,144**	**720**	**(37%)**
St. Petersburg	916	604	(34%)
Moscow	37	(104)	-
Yekaterinburg	195	224	15%
EBITDA, %	**8%**	**6%**	**-**
St. Petersburg	10%	8%	-
Moscow	1%	-	-
Yekaterinburg	10%	11%	-
Operating profit (RUB m)	**797**	**380**	**(53%)**
St. Petersburg	704	397	(44%)
Moscow	(8)	(150)	-
Yekaterinburg	105	137	30%
Operating profit, %	**6%**	**3%**	**-**
St. Petersburg	8%	5%	-
Moscow	**-**	**-**	-
Yekaterinburg	5%	7%	-

*****Sales figures in Yekaterinburg and Moscow include both transfer of completed panel housing to the customers and sales of reinforced concrete for panel construction

Construction

Our subsidiaries in St. Petersburg, Moscow and Yekaterinburg in 1H 2016 transferred to the customers 487 th m^2 (+6% y/y) of panel housing.

In 1H 2015 sales revenue of Construction division was RUB 12,599m, down 12%, against 1H 2015. EBITDA decreased by 37% to RUB 720m. EBITDA margin was 6%.

In St. Petersburg the revenue of our prefab factory decreased by 15%, down to RUB 7,521m. EBITDA decreased by 34%, down to RUB 604m. EBITDA margin was 8%.

In the Moscow region our revenue declined by 12% y/y to RUB 3,052m. EBITDA loss was RUB 104m.

In Yekaterinburg our revenue increased by 3%, up to RUB 2,063m. EBITDA amounted to RUB 224m (+15%). EBITDA margin was 11%.

Project Management

Our sales revenue in 1H 2016 was RUB 346m. EBITDA loss was RUB 11m.

Tower cranes

The sales revenue in 1H 2016 was RUB 683m and EBITDA was RUB 167m. EBITDA margin was 24%.

BUILDING MATERIALS

	6m 2015	6m 2016	Change, %
Sales volume			
Crushed granite, th m^3	2,403	2 794	16%
Sand, th m^3	4,140	4 446	7%
Ready-mix concrete, th m^3	531	391	(26%)
Reinforced concrete, th m^3	132	124	(6%)
Bricks, million units	176	149	(15%)
Aerated concrete, th m^3	587	640	9%
Revenue (RUB m)	**7,407**	**7,988**	**8%**
Crushed granite	1,192	1,389	17%
Sand	883	1,095	24%
Ready-mix concrete	1,539	1,290	(16%)
Reinforced concrete	1,214	1,708	41%
Bricks	1,664	1,471	(12%)
Aerated concrete	1,318	1,422	8%
EBITDA (RUB m)	**1,292**	**1,691**	**31%**
Crushed granite	65	296	355%
Sand	137	306	123%
Ready-mix concrete	4	(9)	-
Reinforced concrete	102	392	284%
Bricks	585	402	(31%)
Aerated concrete	397	305	(23%)
EBITDA, %	**17%**	**21%**	**-**
Crushed granite	5%	21%	-
Sand	16%	28%	-
Ready-mix concrete	0.3%	-	-
Reinforced concrete	8%	23%	-
Bricks	35%	27%	-
Aerated concrete	30%	21%	-
Operating profit (RUB m)	**391**	**787**	**101%**
Crushed granite	(59)	170	-
Sand	60	236	293%
Ready-mix concrete	(55)	(91)	-
Reinforced concrete	(44)	251	-
Bricks	158	(10)	-
Aerated concrete	329	232	(29%)
Operating profit, %	**5%**	**10%**	**-**
Crushed granite	**-**	12%	-
Sand	7%	22%	-
Ready-mix concrete	**-**	-	-
Reinforced concrete	**-**	15%	-
Bricks	9%	-	-
Aerated concrete	25%	16%	-

In 1H 2016 sales revenue of building materials division was RUB 7,988m, up 8%, against 1H 2015. EBITDA increased by 31% to RUB 1,691m. EBITDA margin was 21%.

<u>Crushed Granite and Sand</u>

In 2Q 2016, our crushed granite sales were 1.8 m m^3 up 25% against 2Q 2015, while sand sales were 2.5 m m^3 for the same period (+13% y/y). The positive dynamics were driven by M-11 highway construction contracts.

In 1H 2016, our crushed granite sales were 2.8m m^3 up 16% against 1H 2015, while sand sales were 4.4m m^3 for the same period (+7% y/y).

In 1H 2016, crushed granite sales revenue increased by 17% up to RUB 1,389m. EBITDA increased by 355% to RUB 296m. EBITDA margin was 21%.

In the same period sand sales revenue amounted to RUB 1,095m, up 24% against 1H 2015. EBITDA amounted to RUB 306m (+123%). EBITDA margin was 28%.

Ready-Mix Concrete and Reinforced Concrete

In 2Q 2016, ready-mix concrete sales were 228 th m^3, down 24% against 2Q 2015, and we sold 70 th m^3 of reinforced concrete items, down 11% against our sales in 2Q 2015. The sales drop was primarily caused by (1) weaker demand from construction companies, suspending or cancelling new projects and (2) intensifying competition in the ready-mix concrete market.

In 1H 2016, ready-mix concrete sales were 391 th m^3, down 26% against 1H 2015, and we sold 124 th m^3 of reinforced concrete items, down 6% against our sales in 1H 2015.

Ready-mix concrete sales revenue in 1H 2016 decreased by 16% down to RUB 1,290m, EBITDA loss amounted to RUB 9m.

Reinforced concrete sales revenue in the same period increased by 41% to RUB 1,708m, EBITDA was RUB 392m (+284%). EBITDA margin was 23%.

Bricks and Aerated Concrete

In 2Q 2016, our bricks sales amounted to 84 million units, down 14% on our sales in 1Q 2015. In 1H 2016, our bricks sales amounted to 149 million units, down 15% against our sales in 1H 2015. The brick sales' drop was driven by a combination of factors such as new transportation regulations and unfavourable weather conditions that both limited the volume of delivered bricks; slowdown of construction among selected buyers, and the high base effect of 1H 2015.

Aerated concrete sales amounted to 379 th m^3 in 2Q 2016 (+17% y/y) and 640 th m^3 in 1H 2016 (+9% y/y).

Bricks sales revenue decreased by 12% in 1H 2016, to RUB 1,471m. EBITDA was RUB 402m (-31%). EBITDA margin was 27%.

Aerated concrete sales revenue increased by 8% in 1H 2016, to RUB 1,422m. EBITDA decreased by 23% and amounted to RUB 305m, EBITDA margin was 21%.

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