



THE INFORMATION CONTAINED IN THIS ANNOUNCEMENT IS RESTRICTED AND NOT FOR PUBLICATION, DISTRIBUTION OR RELEASE, DIRECTLY OR INDIRECTLY IN THE UNITED STATES OF AMERICA

## **PIK GROUP (“The Group” or “PIK”)**

### **PIK SEES CONTINUED MOMENTUM AS NEW SALES RISE 18%**

#### **Russia’s leading developer of affordable residential housing sees rising demand lift residential property prices**

(LONDON, September 18 2012) - PIK (LSE: PIK), a leading Russian residential developer, today announces its consolidated IFRS financial results for 6 months ended June 30 2012.

#### **Financial highlights:**

- Total revenues reached RUB15.1 billion (1H11: RUB22.8 billion), the fall compared to 1H11 reflecting a strong second half bias in 2012 of building completions
- Gross profit margin increased by 5.2 ppt to 21.2% (1H11: 16.0%)
- Adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA) from development activities amounted to RUB2.18 billion (1H11: RUB2.99 billion)
- Adjusted EBITDA margin increased by 1.4 ppt to 14.5% (1H11: 13.1%)
- Total assets as of June 30 2011 increased to RUB134.2 billion (December 31 2011: RUB128.3 billion) as PIK’s construction activities continued to accelerate
- Net debt as of June 30 2012 remained largely unchanged at RUB43.2 billion (December 31 2011: RUB42.9 billion)

#### **Operational highlights:**

- Total new sales to customers were up by 17.9% to 270,000 sq. meters (1H11: 229,000 sq. meters) due to wider range of available units for sale at PIK’s active development project
- Transfers to customers decreased to 138,000 sq. meters (1H11: 260,000 sq. meters) as due to PIK’s construction schedule for the year the vast majority of transfers are scheduled in 2H12
- Total net cash collections were up by 26.3% to RUB25.3 billion (1H11: RUB20.0 billion)
- Average implied selling price per sq. meter on transfers incurred increased to RUB69.5 thousand (1H11: RUB66.6 thousand)

## Outlook

- PIK reiterates its 2012 full-year guidance on new sales to customers within the range of 600,000-650,000 sq. meters with corresponding total cash collections within the range of RUB62-67 billion.

### **Pavel Poselenov, President of PIK Group comments:**

*“The Moscow residential market is showing good stability, with rising demand for apartments and good availability of mortgage finance. PIK continued to accelerate its development activity during the period and I am pleased to report an 18% rise in new apartment sales in the first half. We have maintained good control over our costs and our margins are showing encouraging growth.”*

### **Enquiries:**

#### *Investors*

PIK Group  
Viktor Szalkay

Tel: +7 495 505 97 33 ext. 1358 / 1315

#### *Media*

Natalia Ivanova

Tel: +7 495 505 97 33 ext. 1010 /1014

Citigate Dewe Rogerson  
Tom Baldock  
Priscilla Garcia

Tel: +44 20 7638 9571

## Operational and financial review for the 6 months for ended 30 June 2012

### Operating overview

During the first six months of 2012, PIK Group continued to accelerate its development pipeline and landbank conversion. Overall, 20 new buildings (1H11: 15) were launched on the market, of which 16 were in PIK's core market in the Moscow Metropolitan Area ('MMA').

This includes a number of new residential projects:

- 1) "Grand Kuskovo", a mid-sized mass market residential project (over 130,000 sq. meters of sellable area) located on 15.3 hectares of land in the eastern part of Moscow
- 2) "Mironovskiy", a mid-sized mass market project (around 50,000 sq. meters of sellable area) located on 2.6 hectares of land in the northern-eastern part of Moscow;
- 3) "Buninskiy", a large-sized mass market residential project (over 1 million sq. meters of sellable area), located on 127 hectares of land in the territory of Grand Moscow, where PIK has initiated the first phase of construction.
- 4) "Michurinsky", a mid-sized business class residential project, where PIK acts as a co-investor at the project level;
- 5) "Piccadilly", a mid-sized mass market project (around 150,000 sq. meters of sellable area) located in the city of Novorossiysk.

As well as launching new projects, PIK introduced a number of innovative solutions targeting new customers, which included:

- 1) Offering high quality European fit outs for apartments in Moscow and selectively in Moscow and other regions;
- 2) Introducing the new "Flagman" series of buildings at "Grand Kuskovo" in Moscow;
- 3) Reaching new customers by opening own sales offices in Murmansk and working in cooperation with local real estate brokers in Siberia (Surgut, Norilsk, Irkutsk, Archangelsk);
- 4) Providing a 'Built-in kitchen', option for new customers (the first have been made available at the "Novokurkino" project).
- 5) Modernizing existing "KOPE" series buildings with new elevators for disabled people and implementing energy-saving lighting systems for common areas;

Overall, during the first six months of the year, 270,000 sq. meters of apartment space were sold, up by 17.9% year on year. Approximately 28% of real estate sales were mortgage backed, with the remainder comprising cash transactions.

Meanwhile, transfers to customers were lower at 138,000 sq. meters, reflecting an exaggeration in 2012 of the seasonal nature of PIK's business due to the phasing this year of PIK's construction program. This will see an even greater proportion of transfers taking place in the second half of the year than in prior years.

### New sales and transfers to customers

'000 sqm	2008	2009	2010	2011	1H11	2H12	1H12
New sales contracts to customers <sup>(1)</sup>	520	123	392	510	229	281	270
Transfers to customers <sup>(2)</sup>	378	492	434	512	260	252	138

Source: (1) Management accounts

(2) as per revenue recognition policy adopted under IFRS

### Financial overview

Total revenues equaled to RUB15.0 billion (1H11: RUB22.8 billion) as sales of apartments reached RUB9.6 billion.

<b>Total revenue</b>	<b>1H12</b>	<b>1H11</b>
Revenue from sale of apartment, RUB bn	9.6	17.3
Other revenue from construction services, RUB bn	5.4	5.5
<b>Total revenue</b>	<b>15.0</b>	<b>22.8</b>

Source: IFRS

As described above, the dynamics of apartment sales is explained by 47% decrease in transfers to customers in the first half of 2012 to 138,000 sq. meters. In line with the Group's revenue recognition policy, sales on sq. meters sold are recognized only once the building is completed and the state acceptance act from the local authorities is granted. In line with PIK's current construction program for 2012, the majority of completions (i.e. transfers to customers) are expected to take place in the second half of the year.

Reflecting the ongoing market and sales price growth, the implied average sales price, continued growing to RUB69.5 thousand per sq. meters.

<b>Implied average selling prices <sup>(1)</sup></b>	<b>1H12</b>	<b>1H11</b>
Revenue from sale of apartments, RUB bn	9.6	17.3
Transfers to customers, 000' sqm	138	260
Implied average selling price, 000' RUB per sqm	69.5	66.5

Note: (1) calculated as revenue from apartment sales divided by transfers to customers

Source: IFRS

Gross profit equaled RUB3.2 billion (1H11: RUB3.6 billion), whilst gross profit margin grew by 5.2% year-on-year to 21.2% (1H11: 16.0%).

<b>Gross profit margin</b>	<b>1H12</b>	<b>1H11</b>
Total revenue, RUB bn	15.0	22.8
Gross profit, RUB bn	3.2	3.6
Gross profit margin, %	21.2%	16.0%

Source: IFRS

Cost remained under close control with total general administrative, selling & distribution expenses in line with last year at RUB1.6 billion (1H11: RUB1.6 billion). As expenses are borne over the reporting period, the uneven recognition of sales revenue this year resulted in PIK's adjusted EBITDA margin for the period increased slightly compared to last year. Adjusted EBITDA amounted to RUB2.2 billion (1H11: RUB3.0 billion), despite margins hitting 14.5%, up by 1.4%, while net income in H1 fell to RUB0.9 billion (1H11: RUB3.2 billion).

<b>Adjusted EBITDA margin</b>	<b>1H12</b>	<b>1H11</b>
Total revenue, RUB bn	15.0	22.8
Adjusted EBITDA, RUB bn	2.2	3.0
Adjusted EBITDA, %	14.5%	13.1%

Source: IFRS

Total assets grew to RUB134.2 billion (December 31 2011: RUB128.3 billion) as the Group's construction activities continued to accelerate and new construction works were initiated. Accelerating construction activities were funded purely through customer deposits, total debt remained flat at RUB43.2 billion.

### **Outlook**

The economic outlook remains stable and we are confident of continued progress in 2012. The second half of the year will see building revenues as new buildings are completed and the transfer of apartments to customers gathers pace. PIK is therefore pleased to reiterate its 2012 full-year guidance on new sales to customers within the range of 600,000-650,000 sq. meters with corresponding total cash collections within the range of RUB62-67 billion.

## Appendix

Note: The calculation of following measures used in this announcement is set below. Our calculations of the below measures may be different from the calculation used by other companies and therefore comparability may be limited. The below measures are not measures of financial performance under IFRS.

1). EBITDA represents net profit/loss for the period before income tax expenses, interest income, interest expense including penalties payable, depreciation and amortization.

	1H12 MM RUB	1H11 MM RUB
<b>Net (loss) / profit for the period</b>	<b>(962)</b>	<b>3,186</b>
Depreciation and amortisation	346	339
Interest expense including penalties payable	2,831	1,312
Interest income	(43)	(115)
Income tax expense / (benefit)	(331)	830
<b>EBITDA</b>	<b>1,841</b>	<b>5,552</b>

2) Adjusted EBITDA from development activities represents EBITDA before impairment losses and reversal of impairment, impairment losses on financial assets, foreign exchange losses (gains), share of loss of equity accounted investees, net gain/loss on disposal of PP&E, gain/loss on disposal of subsidiaries and development rights, effect of termination of long-term land lease agreements, provision for doubtful accounts and accrued penalties and fees.

	1H12 MM RUB	1H11 MM RUB
<b>Net (loss) / profit for the year</b>	<b>(962)</b>	<b>3,186</b>
Depreciation and amortisation	346	339
Interest expense including penalties payable	2,831	1,312
Interest income	(43)	(115)
Income tax expense / (benefit)	(331)	830
<b>EBITDA</b>	<b>1,841</b>	<b>5,552</b>
Impairment (reversals) / losses	(24)	(1,710)
Impairment losses / (reversals) on financial assets	246	(15)
Forex loss / (gain)	44	(894)
(Gain) / loss on disposal of PP&E	40	4
(Gain) / loss from disposal of subsidiaries	22	-
Change in non-controlling interest in limited liability companies	11	59
<b>Adjusted EBITDA from development activities</b>	<b>2,180</b>	<b>2,996</b>

3. Total assets calculated as sum of non-current and current assets.

	June 30 2012 MM RUB	December 31 2011 MM RUB
Total non-current assets	25,953	36,284
Total current assets	108,242	92,003
<b>Total assets</b>	<b>134,195</b>	<b>128,287</b>

4. Total debt calculated as sum of non-current loans and borrowings, current loans and borrowings.

	June 30 2012 MM RUB	December 31 2011 MM RUB
Non-current loans and borrowings	26,928	27,549
Current loans and borrowings	20,414	19,522
<b>Total debt</b>	<b>47,342</b>	<b>47,071</b>

5. Net debt calculated as total debt less accrued interest payable, accrued penalties, cash and equivalents.

	<b>June 30 2012 MM RUB</b>	<b>December 31 2011 MM RUB</b>
Total debt	47,342	47,071
Accrued interest payable	(1,490)	(1,324)
Accrued penalties	-	-
Cash and equivalents	(2,668)	(2,874)
<b>Net debt</b>	<b>43,184</b>	<b>42,873</b>

*This press-release does not constitute or form a part of, and should not be construed as, an offer or invitation to subscribe for or purchase any securities of PIK and neither this press-release nor anything contained herein shall form the basis of, or be relied on in connection with, any offer or commitment whatsoever.*

*Matters discussed in this press-release may constitute forward-looking statements. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The words "believe", "expect", "anticipate", "intend", "estimate", "forecast", "project", "will", "may", "should" and similar expressions identify forward-looking statements but are not the exclusive means of identifying such statements. Forward-looking statements appear in a number of places in this press-release and may include statements regarding: strategies, outlook and growth prospects; future plans, expectations, projections and potential for future growth; plans or intentions relating to acquisitions; future revenues and performance; liquidity, capital resources and capital expenditures; economic outlook and industry trends; the impact of regulatory initiatives; competitive strengths and weaknesses; and the strengths of competitors. The forward-looking statements in this press-release 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 PIK's records and other data available from third parties. Although PIK believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors which are difficult or impossible to predict and are beyond its control. Such risks, uncertainties, contingencies and other important factors could cause the actual results of PIK or the industry to differ materially from those results expressed or implied in this press-release by such forward-looking statements. No representation is made that any of these forward-looking statements or forecasts will come to pass or that any forecast result will be achieved and you are cautioned not to place any undue influence on any forward-looking statement. No one undertakes to publicly update or revise any such forward-looking statement.*