PIK GROUP

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PIK GROUP (“The Group” or “PIK”)

FINANCIAL RESULTS FOR THE 6 MONTHS ENDED JUNE 30 2011

(LONDON, September 26 2011) - PIK (LSE: PIK), a leading Russian residential developer, today announces its consolidated IFRS financial results for 6 months ended June 30 2011.

Financial Summary

- Total revenues were up by 50.7% to RUB 22.8billion (1H10: RUB 15.2billion)
- Gross profit increased to RUB 3.7billion (1H10: negative gross profit of RUB44million), while gross profit margin amounted to 16.4% (1H10: negative)
- Earnings before interest, taxes, depreciation and amortization (EBITDA) reached RUB5.0billion (1H10: negative EBITDA of RUB3.2billion)
- Adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA) from development activities were at RUB 1.8 billion (1H10: RUB (1,7) billion))
- Net income came out of the negative territory and reached RUB3.2billion (1H10: net loss of RUB5.2billion)
- Total assets as of June 30 2011 increased to RUB 129 billion (1H10: RUB 122 billion)
- Net debt as of June 30 2011 amounted to RUB 42.5 billion (1H10: RUB 38.9 billion)

Pavel Poselenov, CEO of PIK Group comments:

“We are pleased with the outcome at the half year stage, which demonstrated positive results for the first time since 2008. This shall serve as a positive indicator ahead of the seasonally important second half of the year.”

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REVIEW OF OPERATING AND FINANCIAL RESULTS FOR THE 6 MONTHS ENDED 30 JUNE 2010

Operating overview

The Russian residential real estate market – especially its mass market segment – showed continuing grow in 1H2011. Accordingly, PIK enjoyed healthy sales with prices and buying patterns returning to normality.

In 1H11 PIK's new sales to customers surged by 44% to 229,000 sq meters upon continuing market growth and the diversification of our product offering. During the period 19 new buildings were introduced for sale of which 14 were in the Moscow Metropolitan Area ("MMA").

In '000 sqm	**2008**	**2009**	**2010**	**1H10**	**1H11**	**Change y-to-y, %**
Total housing completions(1)	813	884	739	245	354	44.5%
New sales contracts to customers(1)	520	123	392	159	229	44%
Transfers to customers(2)	378	492	434	152	260	71%

Source: (1) Management accounts
(2) as per revenue recognition policy adopted under IFRS

PIK's construction activity during the period grew substantially, with total housing completions up by 44.5% to 354,000 sq meters. Transfers to customers under PIK's own development projects reached 260,000 sq meters (1H10: 152,000 sq meters).

At the same time, effective selling prices for PIK's apartments, which are presold at the construction stage, enjoyed positive trends . Overall, consumer confidence is back and individuals are buying real estate from the early stage of construction. Selling prices in Moscow were up by 10% (not including our English Town business-class project, whereas the price growth was over 20%), while in Moscow region and other Russian regions they increased by 8.2% and 4.4% respectively.

Average property prices(1)(2) *(in '000 RUB per square meter)*	**FY2010**	**1H2011**	**Change, %**
Moscow	113.8	140.0	*23.0%*
Moscow(excl. business-class) (3)	103.7	114.1	*10.0%*
Moscow region	64.1	69.4	*8.2%*
Other regions	36.4	38.0	*4.4%*

Note: (1) PIK is preselling properties at different stages of construction. Selling prices vary depending on geographic location, size, floor location, stage of construction. Accordingly, average prices per square meters represent blended average price calculations of the above.
(2) Calculated for property under construction on contracts with retail customers
(3) I.e. English Town project, which was launched in 4Q2010
Source: Management accounts

Mortgage market dynamics was extremely strong as PIK to established partnership mortgage programs (i.e. special programs tailored to PIK's product) with most of the leading banks. Currently, PIK has ten existing mortgage partners, including Sberbank, VTB24, Gazprombank, as well as Bank Vozrogdenie, Rosbank, Nordea, Investtorgbank and Bank Baltica. PIK has also recently entered into a mortgage partnership agreement with Nomos Bank, its second largest creditor.

The increased number of partner banks and mortgage programs resulted in substantial growth of sales funded by mortgages. Share of sales funded by mortgages reached 25.3% in 2Q11 and in August 2011 exceeded 30%.

***Share of mortgage funded retail sales** (000' sqm)*	**1Q10**	**2Q10**	**3Q10**	**4Q10**	**1Q11**	**2Q11**
Share of sales funded by mortgages (1)	3.1%	6.4%	9.3%	7.5%	12.4%	25.3%

Note: (1) based upon retail sales, calculated upon flats only
Source: Management accounts

Portfolio of properties overview

The Group has a substantial landbank, acquired before the financial crisis. As of June 30 2011, the total net sellable area amounted to 10.1 million square meters. The Group's core MMA market accounted for 46% of the total landbank by space and 87% by value.

Last year's market recovery was accompanied by higher prices and an accelerated development pipeline. This together with ruble appreciation has led to a revision in the assumptions used by PIK Group's independent land value appraiser, CBRE, when valuing the portfolio. As a result, the market value of the portfolio rose by 12.5% to US$2.7bn (December 31 2010: US$2.4bn). Market value per sq. m showed an 18.5% increase to US$269 (December 31 2010: US$227).

The current market environment offers opportunities to enter into new Moscow Metropolitan Area ('MMA') based projects through co-investment processes (e.g. no cash up-front payment for land acquisition). PIK carefully considers small- and middle-sized projects in MMA with higher profitability, faster cash conversion cycle and minimal working capital requirements. The Group has signed MOUs on a number of such projects.

Portfolio of properties by region	**Number of properties** (1)	**Net selling area, PIK share ('000 sqm)**	**Unsold area ('000 sqm)**	**Value ($MM)**
Moscow	27	1,729	1,019	1,398
Moscow region	25	5,338	3,668	979
Other regions	48	5,911	5,422	347
Total	**100**	**12,883**	**10,109**	**2,724**

Source: CB Richard Ellis valuation report
(1) I.e. number of projects

Top-10 key projects by value			**December 31 2010**		**June 30 2011**	
Project Name	**Location**	**Type**	**Unsold area ('000 sqm)**	**Value ($MM)**	**Unsold area ('000 sqm)**	**Value ($MM)**
Mantulinskaya St., 7	Moscow	High-end residential	254	339	122	360
Mytischi, Yaroslavsky	Moscow region	Mass market residential	677	231	660	264
Khimki, Sovkhoznaya str.	Moscow Region	Mass market residential	288	115	340	193
Kuntsevo	Moscow	High-end residential	150	147	151	177
Khimki, Novokurkino	Moscow region	Mass market residential	286	150	277	167

Kommunarka, plot #27	Moscow region	Mass market residential	1,079	127	1,079	161
Mytnaya, 13 (English Town)	Moscow	High-end residential	34	160	26	130
Michurinsky pr-t., district 5-6	Moscow	High-end residential	65	101	64	129
Perovskaya str., 66	Moscow	Mass market residential	127	90	139	114
Varshavskoe highway, own. 141	Moscow	Mass market residential	115	78	130	105
Subtotal			**3,041**	**1,543**	**2,988**	**1,800**
As of total, %			***28.7%***	***64.2%***	***29.6%***	***65.8%***

Source: CB Richard Ellis valuation report

Financial overview

Total revenues were up by over 50% to RUB22.8billion (1H10: RUB15.2billion) driven by increased sales from sale of apartments from RUB10.2billion to RUB17.9billion. Revenue from apartments sales accounts for 79% of total sales (1H10: 68%), while revenue from construction services contributed 9% of total sales (1H10: 21%). The balance of revenues came from other businesses, such as facilities management and the sale of construction materials.

Revenue from the sale of apartments was up due to increased transfers to customers amounting to 260,000 sq meters (1H10: 151,000 sq meters). Average selling prices, calculated as revenue from apartment sales divided by transfers to customers, was slightly up by 2.7% to RUB69,000 per sq meter. Overall, increased revenues were driven mostly by volume grow rather price growth (as sales starts in most of the projects has been moved more closely to the initial stages of construction)

Gross profit totaled RUB3.7billion (1H10: gross loss of RUB44million). The gross profit margin accordingly for 1H11 was 16.3% (1H10: gross profit was negative).

G&A, S&G expenses – especially compared to sales revenue growth - were up by 10.6% to RUB2.2billion (1H10: RUB2.0billion). The Group is continuing with a programme to keep costs down as a proportion of income.

In 1H11, PIK managed to cancel all penalties and fines relating to loans' late repayment and penalties relating to late completions under investment contracts. This cancellation was recorded as reversal of bank penalties of RUB1.3bn and reversal of penalties for late completion of RUB0.6bn in the income statement. Additionally, a forex gain of RUB0.9billion was also booked given ruble appreciation during the period.

As result of the above, EBITDA reached RUB5.0billion (1H10: negative EBITDA of RUB3.2billion) and Adjusted EBITDA was RUB 1.8 billion (1H10: RUB (1.7) billion).

For the first time since 2008 net income turned into positive territory and amounted to RUB3.2billion (1H10: RUB5.2billion).

Total assets grew to RUB129billion (December 31 2010: 122billion). Total equity turned positive to RUB1.2billion (December 31 2010: negative equity of RUB2billion).

Inventories were up by RUB9.2billion to RUB76.9billion as work in progress advanced on existing projects under construction. On the back of significant growth of new sales to customers, accompanied by restored customer confidence, advances from customers were up by RUB9.5billion to RUB39.4billion (December 31 2010: 29.9billion).

Since December 31 2011, total debt increased by RUB1.0billion to RUB45.0billion as PIK continued to draw down on an open credit facility from Sberbank and repay some of the small credit facilities which came due during 1H11. Net debt amounted to RUB42.5billion (December 31 2010: RUB39.6billion).

The Group's loan agreements contain a number of covenants and restrictions, which include, but are not limited to, financial ratios, maximum amount of debt, and cross-default provisions. Covenant breaches generally permit lenders to demand accelerated repayment of the principal and interest. As at 30 June 2011 the Group breached the following financial covenants in various loan agreements with the carrying value of RUB 4.9billion (2010: RUB 27.3billion): the debt to EBITDA ratio and amounts payable under lawsuits against the Group.

In June 2011 the Group obtained a letter from its major creditor Sberbank, which confirmed that the bank does not intend to demand early repayment of loans totalling RUB 26.0billion as a consequence of the breach of covenants. These loans have been classified as non-current loans as at 30 June 2011. In addition to that, in September 2011, the Group received a waiver from one of its creditors, Rosbank. Given that the date of this waiver is subsequent to the reporting period, the loan was classified as a current liability as at 30 June 2011.

In September 2011 as well, the Group attracted a new long-term loan amounting to RUB1.2billion. The loan matures in 2013-2015. With the proceeds the Group fully repaid an outstanding loan to Absolutbank, classified as a current liability as at 30 June 2011 in the amount of RUR 1.2billion.

Outlook

PIK believes that it is well-positioned to take advantage from the continuing market growth in Moscow Metropolitan Area and capture potential upside recovery in Russia's regions.

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.

	1H11 MM RUB	1H10 MM RUB
Net (Loss)/profit for the period	**3,186**	**-5,171**
Depreciation and amortisation	339	383
Interest expense including penalties payable	789	3,283
Interest income	-115	-211
Income tax expense/(credit)	830	-1,514
EBITDA	**5,029**	**-3,230**

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.

	1H11 MM RUB	1H10 MM RUB
Net (Loss)/profit for the year	**3,186**	**-5,171**
Depreciation and amortisation	339	383
Income tax expenses/(credit)	830	-1,514
Interest expenses, including penalties payable	789	3,283
Interest income	-115	-211
Impairment (reversals) /losses	-1 710	613
Impairment losses/(reversals) on financial assets	-15	528
Forex loss / (gain)	-894	472
Share of loss of equity accounted investees	0	33
(Gain)/loss on disposal of PP&E	4	-6
Gain on disposal of subsidiaries and development rights	0	-331
Effect of termination long-term land lease agreements	0	-857
Provision for doubtful accounts	0	0
Accrued penalties and fines\(reversals)	-584	1 039
Adjusted EBITDA from development activities	**1,830**	**-1,739**

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

	June 30 2011 MM RUB	December 31 2010 MM RUB
Total non-current assets	34,139	32,632
Total current assets	95,358	89,529
Total assets	**129,497**	**122,161**

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

	June 30 2011 MM RUB	December 31 2010 MM RUB
Non-current loans and borrowings	28,937	4,916

Current loans and borrowings	16,095	39,062
Total debt	**45,032**	**43,978**

5. Net debt calculated as total debt less cash and cash equivalents.

	June 30 2011 MM RUB	**December 31 2010 MM RUB**
Total debt	45,032	43,978
Cash and cash equivalents	-2,503	-4,350
Net debt	**42,529**	**39,628**

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