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PIK GROUP (“The Group” or “PIK”)

FINANCIAL RESULTS FOR THE 12 MONTHS ENDED DECEMBER 31 2010

(LONDON, May 05 2011) - PIK (LSE: PIK), a leading Russian residential developer, today announces its consolidated IFRS financial results for 12 months ended December 31 2010, audited by KPMG.

Financial Summary

- Total revenues were down by 7.5% to RUB38.0billion (2009: RUB41.17billion); this fall was anticipated following the low level of construction activity in 2009;
- Revenues from the sale of apartments declined by 11.7% to RUB27.1billion (2009: RUB30.7billion) due to decreased transfers to customers;
- Revenue from construction services, sale of construction materials and others increased by 4.8% to RUB10.9billion (2009: 10.4billion)
- Consolidated gross profit margin fell to 6.5% (2009: 19.3%) due to a revision of social infrastructure costs;
- Adjusted EBITDA from development activities was negative and amounted to RUB0.8billion (2009: RUB4.5billion);
- Adjusted EBITDA from development activities before revision of social infrastructure costs fell to RUB3.35billion (2009: RUB4.5billion);
- Normalized net loss was RUB3.04billion (2009: RUB2.03billion);
- Total assets as of December 31 2010 increased by 19.1% reaching RUB122billion (December 31 2009: RUB115billion);
- Net debt as of December 31 2010 was up to RUB39.6billion (December 31 2009: RUB34.8billion) upon drawdown of funds available from open credit facilities;

Pavel Poselenov, CEO of PIK Group comments:

“PIK always faced a tough outcome for 2010 following the very low levels of development activity in 2009. During 2010, however, we were able to move forward and launched 25 new apartment buildings onto the market. An additional 11 have gone on sale in the first quarter of 2011.”

Looking ahead, we are comfortable that the market recovery will continue and management is encouraged by the 1Q2011 presales pattern which shows restored consumer confidence.

The outlook for the real estate sector is bright and longer-term the positive fundamentals remain unchanged.”

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REVIEW OF OPERATING AND FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

Russian residential real estate market environment

In 2010, the mass market segment of the real estate market started to show signs of recovery, with transaction volumes in Moscow, mortgage lending and average market prices all showing an improving trend.

Number of transaction on secondary market in Moscow

<i>(in units)</i>	1Q	2Q	3Q	4Q	TOTAL
2008	11,780	18,641	17,805	16,891	65,117
2009	8,986	13,804	13,907	18,976	55,673
2010	14,908	25,225	20,454	25,063	85,650
2011	18,140	-	-	-	-

Source: Rosreestr

The number of transactions on the secondary market in Moscow soared and reached 85,650 units, a 54% increase on the previous year. In every quarter of 2010 transaction volumes were higher than those of 2008 and 2009. This trend continued in 1Q2011.

Mortgage lending environment

<i>(RUB in billions)</i>	2006	2007	2008	2009	2010
Housing loans outstanding	350	758	1,265	1,181	1,295
<i>As of GDP, %</i>	1.3%	2.3%	3.1%	3.0%	2.9%

Source: CBR

Housing loans outstanding started to recover in 2010 as total loans issued rose by 9.6% during the year to reach RUB1,295 billion. Although mortgage penetration is increasing, the Russian mortgage market is still considered to be undeveloped compared to other countries, with mortgage penetration in 2010 still below 3% of the country's GDP; average mortgage rates stand at approximately 13.4%.

Average property price dynamics

Average property prices* <i>(in '000 RUB per square meter)</i>	FY2009	FY2010	Change, %
Moscow	100.8	113.8	12.9%
Moscow region	59.9	64.1	7.0%
Other regions	33.1	36.4	9.9%

Note: (*) calculated for property under construction with retail customers
Source: Management accounts

Average property prices slightly increased as the available supply of apartments in Moscow tightened. Developers decreased the number of discounts on offer and

simultaneously increased average selling prices. The average prices of PIK properties enjoyed a comparable trend to the market.

Operating overview

In 2010 total housing completions (including own real estate development, construction services and others) fell by 16.4% to 739,000 square meters. This was an anticipated decline, driven by the lack of construction activity in 2009, when the Group faced significant liquidity constraints. Accordingly, transfers of properties to customers at own real estate development declined by 11.8% to 434,000 square meters.

Key operating indicators

<i>(in '000 sqm)</i>	FY2007	FY2008	FY2009	FY2010
Total housing completions	1,542	813	884	739
Transfers to customers under IFRS	992	378	492	434
New sales contracts to customers	825	520	123	392

Note: Total housing completion figures include city share, share of third party co-investors, construction services provided and PIK's own share.

Source: Management accounts, IFRS

Following a change in the Group's ownership and capital structure in 2009 PIK secured long-term funding, which resulted in the activation of current and new projects in early 2010. New marketing launches and renewed construction activity drove a significant recovery in pre-sales together with recovering customer confidence. Consequently, new sales contracts to customers rose by 219% to 392,000 square meters in 2010.

Mortgage availability (i.e. mortgage funded sales calculated as share of mortgage sales as of total sales) was a driver of growing importance during the year, totaling 6.6% in 2010 compared to 3.1% for 1Q2010. This resulted from the success of our initiatives to introduce various mortgage programs with different banks, such as VTB24, Gazprombank, Sberbank and others and enrich the availability of mortgages for almost every property on sale. Since early 2011, PIK has seen increasing interest from commercial banks wishing to provide mortgages to PIK customers.

By 1Q11 the proportion of mortgage funded sales reached an average of approx 12.4% of total sales. In March 2011 alone, mortgage funded sales were at 18.2% of total sales.

This more confident market led us to accelerate the pace of construction in 3Q2010 and onwards through new project launches. Accordingly, the Group launched 25 new projects in 2010 and in 1Q2011 added an additional 11 project launches. Since the average construction period is over a year, completion of these launches will be reported in 2011 and onwards.

PIK believes that it is well-positioned to take advantage from the continuing market recovery. The Group has a substantial landbank, acquired before the financial crisis. Total net sellable area reached 10.5 million square meters as of 31 December 2010 and has been valued by an independent appraiser at US\$2.4 billion. Moscow Metropolitan area ('MMA'), which is the core market for the Group accounted for 47.2% of the total landbank and provides a 5-year construction horizon. PIK believes that its landbank is sufficient, however looking ahead the Group will still consider purchasing quality land for mass market housing in the MMA in a disciplined manner, in order to secure cheap land in a post crisis market environment.

Landbank portfolio of properties overview

	Number of properties ⁽²⁾	Net selling area, PIK share ⁽¹⁾ ('000 sqm)	Unsold area ('000 sqm)	Value (\$MM)
Moscow	28	1,860	1,196	1,300
Moscow region	24	5,413	3,809	762
Other regions	48	6,043	5,591	343
Total	100	13,316	10,596	2,405

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

The top-10 key projects, accounting for 64.2% of value, are shown below:

Top-10 key projects by value

Top-10 key projects by value			December 31 2010	
Project Name	Location	Status	Unsold area ('000 sqm)	Value (\$MM)
Mantulinskaya St., 7	Moscow	predevelopment	254	339
Mytishi, Yaroslavsky	Moscow region	active construction	677	231
Mytnaya, 13 (English Town)	Moscow	active construction	34	160
Khimki, Novokurkino	Moscow region	active construction	286	150
Kuntsevo	Moscow	active construction	150	147
Kommunarka, plot #27	Moscow region	predevelopment	1,079	127
Khimki, Sovkhoznaya str.	Moscow Region	active construction	288	115
Michurinsky pr-t., district 5-6	Moscow	predevelopment	65	101
Perovskaya str., 66	Moscow	predevelopment	127	90
South Chertanovo, districts 17-18	Moscow	active construction	81	83
Subtotal			3,041	1,543
As of total, %			28.7%	64.2%

Source: CB Richard Ellis valuation report

Financial overview

Total sales revenue were RUB38billion down by 7.5% on the previous year. The Group's major activity - revenue from the sale of apartments - accounted for 71.2% of total revenue.

Revenue from the sale of apartments declined by 11.7% following low construction activity in 2009, a consequent fall in completions in 2010 and fewer transfers to customers recognized. In 2010, transfers to customers were down by 11.8% from 492,000 square meters to 434,000 square meters. Average realized prices remained unchanged and amounted to approx. RUB62.5 thousand per square meter.

Gross profit fell to RUB2.5billion (FY10: RUB7.95billion). As highlighted in our half year statement, the gross profit margin was under pressure during the year due to revision of social infrastructure costs on some projects imposed by the local

authorities and revised master plans on certain developments. Gross profit was therefore down due to increased provisions (accruals) for construction costs to completion of RUB4.2billion. PIK recognized RUB3.9billion out of this amount in the first half of the year but as a result gross margin fell to 6.5% for the full year (FY10: 19.3%).

G&A, S&G expenses came down by 11.6% to RUB3.86billion (FY10: RUB4.36billion) as the Group continued its costs control program.

Adjusted EBITDA from development activities was negative and amounted to RUB0.8billion (2009: RUB4.5billion). Adjusted EBITDA from development activities before revision of social infrastructure costs fell to RUB3.35billion (2009: RUB4.5billion).

During 2010, PIK accrued RUB2.1billion of penalties (FY09: RUB0.2billion) relating to potential fines for late completions and late payments under investment contracts. In addition, PIK accrued RUB1.2billion of penalties and fines (FY09: RUB2.4billion) relating to loans' late repayment. Going forward, PIK will further negotiate with local authorities, suppliers and credit institutions to release part of these accrued fines. As a result of past arrangements in 2010, PIK already recorded RUB2billion gain on termination of long-term lease agreements on certain regional projects in Omsk and Nizhny Novgorod.

Normalized net loss was RUB3.04billion (2009: RUB2.03billion), normalized net loss per share amounted to RUB6.15 (2009: RUB4.12).

Total assets grew to RUB122billion (FY09: 115billion).

Inventories were up by RUB4.2billion up to RUB67.6billion construction activity advanced and finished goods grew. On the back of significant growth of new sales to customers, accompanied by restored customer confidence, advanced from customers were up by RUB3.5billion to RUB29.9billion (FY09: 26.4billion).

The Group reclassified RUB4.8billion of assets as held for sale, which related to the disposal of the 'Park-City' project and the 'Bolsaya Ochakovskaya' project.

The 'Park-city' project represents the redevelopment of the former site of the Badaevsky brewery, with construction of a mixed-use complex including residential apartments, retail, and a hotel. PIK's share of this project was 32.5% as of December 31 2010.

Since the acquisition of the land lease of 13.4 hectares, this project has been in predevelopment phase (construction works have not been started and sales of apartments have not been launched). The project's outstanding budget was over US\$500million. Given the Group's revised strategy to focus on the development of mass market housing and the long development cycle (estimated completion in 2020), PIK decided to divest this project in February 2011 for its net asset value of RUB1.7billion to reduce debt levels.

The 'Bolsaya Ochakovskaya' project represents a mass market residential project where PIK has a share of approximately 50%. The landplot of 11.2 hectares was leased by ZAO Ochakovsky ZhbK, a subsidiary of PIK. The project has been in the predevelopment stage and in July 2010 PIK entered into an agreement with a third party developer to sell its interest for RUB2.1billion of which RUB1.7billion has been already received. The transaction is expected to be completed during first half of 2011. Net asset of value of that project was RUB275million.

Following the restructuring of the Group's debt in 2009-2011 and the provision by Sberbank of a RUB12.75billion credit facility backed by government guarantee

issued by the Ministry of Finance of Russian Federation, PIK has the financial capacity to unlock and move forward its development pipeline.

Mostly upon drawdowns from the above facility total debt has reached RUB43.9billion as of December 31 2010 (FY09: RUB38.3billion). As of the same date, the Group had cash reserves of RUB4.35billion and another RUB6.9billion remained undrawn from the available credit facilities. Net debt stood at RUB39.6billion as of December 31 2010 (FY09: RUB34.8billion)

The Group's loan agreements contain a number of covenants, breaches of which generally permit the lenders to demand accelerated repayment of principal and interest. Management does not believe that early repayment will be requested as a consequence of breaches of loan covenants that have occurred during the period. Further, a substantial proportion of loans is secured by pledged development properties with the remainder covered by a government guarantee of the Russian Federation. Going forward, PIK therefore plans to receive additional waivers from the respective credit institutions in relation to any covenant breaches.

Since the year-end PIK has successfully restructured its last outstanding debt, the US\$200million debt with NomosBank. Previously, US\$62million has been repaid by the Group. Each of the Groups' debts has now been restructured and none is scheduled for maturity in the current year. With the improving economic climate leading to better credit conditions and the business generating cash again, management is confident in that a further strengthening of the balance sheet can be successfully concluded at the appropriate time.

Strategy and outlook

The Group's strategy is to focus on mass market residential projects in order to take advantage of its existing expertise, substantial prefabricated production capacity, large land bank and existing portfolio of projects under construction. The Group will focus on the Moscow Metropolitan Area, which it expects to be the largest, fastest growing and most lucrative market in Russia in the near and medium terms. Management has already selectively restarted certain regional operations in cities such as Obninsk, Nizhniy Novgorod, Yaroslavl, Rostov-on-Don, Kaliningrad and Perm, however the scale of these operations remain still limited.

During the current year, PIK expects the market to strengthen further, especially in the Moscow Metropolitan area, which, accounts for 85-90% of the Group's total development activities. For 2011, PIK reiterates its target to achieve 520 thousand square meters of new sales to customers (FY10: 392 thousand square meters).

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) Adjusted EBITDA from development activities represents net loss for the period before income tax expenses, interest income, interest expense including penalties payable, depreciation, foreign exchange gain and losses, impairment reversals and losses, impairment loss on financial assets, gain/loss on disposal of subsidiaries and development rights, equity accounted investee, PP&E and other items (see calculation below)

	2010	2009
	RUB BN	RUB BN
Net (loss)/profit for the year	(6,085)	(11,488)
Depreciation and amortisation	759	860
Income tax expenses	(2,051)	866
Interest expenses including penalties payable	5,239	7,012
Interest income	(325)	(400)
EDITDA	(2,463)	(3,150)
<i>adjusted for:</i>		
Impairment (reversals) / losses	1,106	4,671
Impairment losses on financial assets	-	481
Forex losses	96	642
Share of loss of equity accounted investees	52	41
(Gain) / loss on disposal of PP&E	(6)	(16)
(Gain) / loss on disposal of subsidiaries and development rights	(368)	(43)
Effect of termination long-term land lease agreements	(2,032)	-
Provision for doubtful accounts	595	1,666
Accrued penalties and fines	2,191	238
Adjusted EBITDA from development activities	(829)	4,530
Provisions (accruals) on construction costs to complete	4,181	-
Adjusted EBITDA from development activities after provisions for construction costs to complete	3,352	4,530

2a) Normalized net profit/loss calculated as net profit before impairment reversals and losses, impairment losses on financial assets, penalties and fines related to loans' late repayment and others (see calculation below).

	2010	2009
	RUB BN	RUB BN
Net (loss) / profit for the year	(6,085)	(11,488)
Impairment (reversals) / losses	1,106	4,671
Impairment losses on financial assets	-	481
Effect of termination long-term land lease agreements	(2,032)	-
Provision for doubtful accounts	595	1,666
Accrued penalties and fines	2,191	238
Penalties and fines related to loans' late repayment	1,189	2,398
Normalized net loss	(3,036)	(2,034)

2b) Normalized profit/loss per share calculated as normalized net loss divided by number of shares outstanding as of December 31.

	2010	2009
	RUB BN	RUB BN
Normalized net loss	(3,036)	(2,034)
Number of shares outstanding as of December 31 (ths)	493,260	493,260
Normalized net loss per share	(6.15RUB)	(4.12RUB)

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

	December 31 2010 RUB BN	December 31 2009 RUB BN
Total non-current assets	32,632	37,005
Total current assets	89,529	78,353
Total assets	122,161	115,358

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

	December 31 2010 RUB BN	December 31 2009 RUB BN
Non-current loans and borrowings	4,916	6,277
Current loans and borrowings	39,062	32,013
Total debt	43,978	38,290

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

	December 31 2010 RUB BN	December 31 2009 RUB BN
Total Debt	43,978	38,290
Cash and cash equivalents	(4,350)	(3,417)
Net debt	39,628	34,873

Some of the information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of PIK. You can identify forward-looking statements by terms such as “expect,” “believe,” “anticipate,” “estimate,” “intend,” “will,” “could,” “may” or “might” the negative of such terms or other similar expressions. These statements are only predictions and actual events or results may differ materially. PIK does not intend to or undertake any obligation to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in PIK’s projections or forward-looking statements, including, among others, general economic conditions, PIK’s competitive environment, risks associated with operating in Russia, rapid technological and market change, and other factors specifically related to PIK and its operations.

The full version of the 2010 IFRS financial statements is available on the Group’s website at <http://www.pik-group.com/investors/financial-statements>

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