## LSR Group announces financial results for the full year 2019

- *A decrease in net debt of 25% YoY amid strong operating cash flow generation*
- *Land bank value increased to RUB 207 billion, with the sqm value up 15% YoY*

**St. Petersburg, Russia** – 13 March 2020 – **PJSC LSR Group** ("LSR" or the "Company") (LSE: LSRG; MOEX: LSRG), one of the leading real estate developers and building materials producers in Russia, today announces its audited consolidated IFRS results for the full year ended 31 December 2019.

**FY2019 Financial Highlights:**

- Operating cash flow of RUB 24,748 million[1];
- Cash balance of RUB 66,859 million[2];
- Land bank valued at RUB 207 billion and totaled 7,579 sqm with a 15% year-on-year increase in assessed value per sqm to RUB 27.3 thousand;
- Net debt/ adjusted EBITDA ratio amounted to 1.08 in 2019;
- Net debt decreased by 25% year-on-year to RUB 22,760 million[3] (total debt: RUB 89,619 million);
- Revenue reached RUB 110,438 million;
- Adjusted EBITDA totaled RUB 21,037 million, with an adjusted EBITDA margin of 19%;
- Profit for the year amounted to RUB 7,469 million.

**Other FY 2019 Highlights:**

- New contract sales reached RUB 84 billion, or 817 th. sqm;
- Completions reached 834 th. sqm of net sellable area, in line with the project schedule;
- New 835 th. sqm of net sellable area launched in the reporting period;
- Solid performance of building materials segment, with sales mainly in line with 2018 results, as per management expectations;
- In June, LSR Group launched sales of apartments in a new business-class residential estate 'Morskaya Naberezhnaya' in St. Petersburg, with a living space of just over 512 th. sqm;
- In June, in line with LSR's strategy to diversify its development assets in the Moscow region, the Company sold its stake in its ZILYUG redevelopment project;
- In July, The Company sold its 100% interest in its subsidiary LLC LSR. Reinforced Concrete. This disposal represents another step towards the realisation of LSR Group's strategy to optimise its building materials business segment;
- In August, LSR Group expanded its sales portfolio with a new project – Zapovedny Park, a comfort class residential complex with a residential area slightly over 90,000 sqm;
- In October, Fitch Ratings upgraded LSR's Long-Term Issuer Default Rating (IDR) to 'B+', outlook stable;
- In November, LSR Group acquired LLC "H+H" Russian business of H+H International A/S.

1 Adjusted cash flow from operations before income taxes and interest paid, including cash in escrow accounts received during the reporting period

2 Cash balance, including cash in escrow accounts

3 Including cash in escrow accounts

***Andrey Molchanov, CEO of PJSC LSR Group, commented:***

"*LSR Group continues to demonstrate strength of its business and its market position as Russia's leading real estate developer.*

*Our sound financial position was further supported by strong operating cash flow generation of RUB 24.7 billion, driven by solid sales and cash collections.*

*With a substantial cash balance of RUB 66.9 billion, and the ability to develop a significant part of our current land bank without switching to escrow-backed sales, we secured a smooth transition to new legislative environment and expect the LSR Group to profit from new opportunities in light of ongoing market consolidation.*

*I am delighted to report a 15% increase in the sqm value of our land bank, now strengthened with new acquisitions that help further diversify and support our market offering.*

*We entered 2020 with optimism, clarity and financial strength while continuing to execute our strategy, thus securing leading market position in our key segments and regions.*"

**FINANCIAL SUMMARY**

| *RUB m* | **2019** | **2018** | ***Change, %*** |
|---|---:|---:|---:|
| **Revenue** | **110,438** | **146,376** | ***(25%)*** |
| **Adjusted EBITDA** | **21,037** | **36,400** | **(42%)** |
| *Adjusted EBITDA margin %* | *19%* | *25%* | - |
| **Operating Profit** | **16,624** | **24,798** | **(33%)** |
| *Operating Profit margin %* | 15% | *17%* | - |
| **Profit for the year** | **7,469** | **16,230** | **(54%)** |
| **Cash flows from operations** before income taxes and interest paid[4] | **24,748** | **30,248** | **(19%)** |
| **Amortisation and depreciation** | **1,898** | **2,429** | **(22%)** |
| **Total debt** | **89,619** | **86,088** | **4%** |
| **Net debt[5]** | **22,760** | **30,290** | **(25%)** |
| **Net debt/ adjusted EBITDA** | **1.08** | **0.83** | |

A reported decrease in key income statement figures is largely attributable to the following factors:

- Inflated 2018 revenue amid recognition of pre 2017 sales upon completion, as per IAS-18;
- A decrease of RUB 5,885 million of the Significant Financing Component (a non-cash item) due to now fully completed transition to IFRS-15;
- A planned reduction in sales volumes on the back of regulatory uncertainties that persisted during the first half of 2019.

4 Adjusted cash flow from operations before income taxes and interest paid, including cash in escrow accounts received during the reporting period

5 Including cash in escrow accounts

## FINANCIAL RESULTS BY SEGMENT

## REAL ESTATE DEVELOPMENT AND CONSTRUCTION

St. Petersburg

| | 2019 | 2018 | *Change, %* |
|---|---|---|---|
| **Completed** *(‘000 sqm)* | **416** | **715** | ***(42%)*** |
| **New contract sales** *(‘000 sqm)* | **461** | **599** | ***(23%)*** |
| **Revenue** *(RUB m)* | **41,786** | **69,206** | ***(40%)*** |
| **Adjusted EBITDA** *(RUB m)* | **12,077** | **21,301** | ***(43%)*** |
| *Adjusted EBITDA margin %* | **29%** | *31%* | - |
| **Operating profit** *(RUB m)* | **11,449** | **18,256** | ***(37%)*** |
| *Operating profit margin %* | **27%** | *26%* | - |

Moscow

| | 2019 | 2018 | *Change, %* |
|---|---|---|---|
| **Completed** *(‘000 sqm)* | **286** | **153** | ***87%*** |
| **New contract sales** *(‘000 sqm)* | **241** | **236** | ***2%*** |
| **Revenue** *(RUB m)* | **31,927** | **39,393** | ***(19%)*** |
| **Adjusted EBITDA** *(RUB m)* | **5,128** | **12,835** | ***(60%)*** |
| *Adjusted EBITDA margin %* | **16%** | *33%* | - |
| **Operating profit** *(RUB m)* | **2,800** | **6,270** | ***(55%)*** |
| *Operating profit margin %* | **9%** | *16%* | - |

Yekaterinburg

| | 2019 | 2018 | *Change, %* |
|---|---|---|---|
| **Completed** *(‘000 sqm)* | **132** | **140** | ***(6%)*** |
| **New contract sales** *(‘000 sqm)* | **116** | **167** | ***(30%)*** |
| **Revenue** *(RUB m)* | **7,714** | **9,356** | ***(18%)*** |
| **Adjusted EBITDA** *(RUB m)* | **1,843** | **2,335** | ***(21%)*** |
| *Adjusted EBITDA margin %* | **24%** | *25%* | - |
| **Operating profit** *(RUB m)* | **1,660** | **2,068** | ***(20%)*** |
| *Operating profit margin %* | **22%** | *22%* | - |

**BUILDING MATERIALS**

| | 2019 | 2018 | *Change, %* |
|---|---|---|---|
| **Sales volume** | | | |
| Crushed granite, *'000 $m^3$* | 7,416 | 7,540 | (2%) |
| Sand, *'000 $m^3$* | 8,240 | 10,699 | (23%) |
| Ready-mix concrete, *'000 $m^3$* | 1,143 | 1,135 | 1% |
| Bricks, *million units* | 305 | 300 | 2% |
| Aerated concrete, *'000 $m^3$* | 1,413 | 1,418 | - |
| **Revenue** *(RUB m)* | **17,593** | **20,147** | **(13%)** |
| Crushed granite | 3,830 | 3,723 | 3% |
| Sand | 1,767 | 2,533 | (30%) |
| Ready-mix concrete | 4,367 | 4,119 | 6% |
| Bricks | 2,986 | 2,861 | 4% |
| Aerated concrete | 3,942 | 3,539 | 11% |
| **Adjusted EBITDA** *(RUB m)* | **3,056** | **3,848** | **(21%)** |
| Crushed granite | 427 | 514 | (17%) |
| Sand | 373 | 1,271 | (71%) |
| Ready-mix concrete | 504 | 490 | 3% |
| Bricks | 549 | 305 | 80% |
| Aerated concrete | 962 | 727 | 32% |
| *Adjusted EBITDA margin %* | *17%* | *19%* | - |
| *Crushed granite* | *11%* | *14%* | - |
| *Sand* | *21%* | *50%* | - |
| *Ready-mix concrete* | *12%* | *12%* | - |
| *Bricks* | *18%* | *11%* | - |
| *Aerated concrete* | *24%* | *21%* | - |
| **Operating profit** *(RUB m)* | **1,960** | **2,457** | **(20%)** |
| Crushed granite | 286 | 349 | (18%) |
| Sand | 332 | 1,195 | (72%) |
| Ready-mix concrete | 493 | 439 | 12% |
| Bricks | (5) | (382) | 99% |

| | | | |
|---|---|---|---|
| Aerated concrete | 746 | 541 | 38% |
| *Operating profit margin %* | *11%* | *12%* | - |
| *Crushed granite* | *7%* | *9%* | - |
| *Sand* | *19%* | *47%* | - |
| *Ready-mix concrete* | *11%* | *11%* | - |
| *Bricks* | - | - | - |
| *Aerated concrete* | *19%* | *15%* | - |

Negative dynamics in the sand and crush granite segments is largely attributable to the high base in 2018 due to completion of the construction works on the M-11 highway and the completion of the land reclamation works for the Morskaya Naberezhnaya project.

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**Definitions:**

**Adjusted EBITDA** is equal to Results from operating activities + Depreciation/amortization - (Increase in fair value of Investment property - Decrease in fair value of Investment property) - (Increase in results from operating activities due to write off of change in fair value of the disposed asset - Decrease in results from operating activities due to write off of change in fair value of the disposed asset) + Impairment losses recognized during the reporting period + Capitalized interest recognized in cost of sales.

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

**Significant Financing Component (SFC)** represents the interest that, in accordance with the IFRS 15, needs to be accrued with respect to long-term interest-free advances received from the customers under the shared participation agreements, respectively increasing revenues and interest expense over the course of the project. Ultimately, there is no impact on the final financial result, although Adjusted EBITDA is affected as it only accounts for the SFC recognized in revenue, and does not account for the SFC recognized in finance costs.

**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) less cash in escrow accounts.

**Net debt/adjusted EBITDA** ratio is calculated on annualized basis.

Adjusted 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.

**The complete consolidated financial statements of LSR Group for 2019 are available at** https://www.lsrgroup.ru/assets/files/lsr-cfs-12m2019-eng-sign.pdf.

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**For further information, please visit www.lsrgroup.ru or contact:**

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**About LSR Group:**

**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 production of building materials and real estate development and construction. LSR Group's main operations are located in St. Petersburg and Leningrad Region, Moscow and Moscow region and Yekaterinburg. As of 31 December 2019 (according to Knight Frank), the net sellable area of projects in LSR Group’s real estate portfolio amounts to 7.6 million $m^2$ with the market value of RUB 207 billion.

In accordance with its audited IFRS consolidated financial statements for 2019, LSR Group reported revenue of RUB110.4 billion, Adjusted EBITDA of RUB21.0 billion and Net Profit of RUB7.5 billion.

Ordinary shares of the Company are traded on the Moscow Exchange (MOEX: LSRG) and GDRs representing its ordinary shares are traded on the London Stock Exchange (LSE: LSRG).

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