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**PIK GROUP (“PIK or “the Company”)**

**Strategy Update**

PIK Group is pleased to provide an update on its debt restructuring progress and business strategy.

Management's priority since the onset of the global financial crisis last year has been to restructure the Group's loan portfolio, at the same time maintaining the integrity of the business. As of 31 December 2008, PIK Group's total debt was equal to RUB40.1bn (approximately US\$1.37bn). Throughout 2009 management has been engaged in constructive negotiations with its lenders with the aim to extend loan maturities and secure additional working capital.

Management is reporting significant progress made in restructuring negotiations. Sberbank, the Group's largest lender, has agreed to restructure its existing debt of over RUB14bn (equivalent to approximately US\$470mm), extending the loan maturities up to five years with a 2,5 years grace period and equal quarterly amortization thereafter.

Sberbank has also committed to provide up to RUB12.75bn (approximately US\$430mm) in additional project financing subject to receipt of government guarantee and bilateral restructuring of 80% of PIK's creditors (excluding debt from VEB). On 17 September government guarantee of RUB14.375bn (equivalent to approximately US\$480mm) was approved by the Russian Government Commission in favour of PIK Group and the Company is finalizing negotiations with remaining creditors. Our priority is to complete loan portfolio restructuring by Q4 2009.

Looking forward, we will base our strategy around four main areas:

**Increase business efficiency**

Throughout the year we have worked hard to align the Group's operations with the changed economic environment in Russia and restore Group efficiency. Overheads and administrative expenses have been reduced substantially, the size of our workforce was cut by 2,500. We have postponed capital expenditure for the regional facilities previously acquired and closed all CIS offices. All commercial real estate projects have been suspended. Management will continue to maintain tight control over all type of costs.

**Maintain the integrity of the business**

We will continue to run the business with integrity. PIK has presold apartments to 18,000 customers and our key priority is to complete these flats. We will continue to work closely with our business partners, who collectively employ over 40,000 people in related industries, such as raw materials, metals, cement production and others.

### **Extend sales to government bodies**

PIK will look to secure stable revenues from the public sector, cooperating with federal and local authorities on social housing programs. A number of contracts have been signed with the local administration of N. Novgorod, Obninsk, Moscow City in the first half of the year. The Company is in negotiations with the Ministry of Defence with regard to building housing for military personnel. At the same time the Company is looking to extend its subcontracting activity with local authorities.

### **Focus on mass market housing in Moscow Metropolitan Area**

The Company is planning to maximise usage of its existing production facilities constructing prefab buildings in the strongest demand areas, namely in Moscow and Moscow region. The Company will implement a more flexible and aggressive sales and marketing policy to achieve sales growth.

The Company is planning to publish its results for the half year, ended 30 June 2009, in the second half of October.

### **Commenting Pavel A. Poselonov, CEO of PIK Group said:**

*“The first nine months of 2009 have been very difficult for the Company as it felt the full effect of the financial crisis. We have kept talking to our creditors and are pleased to reach an agreement with Sberbank on restructuring of our debt. Sberbank has also agreed conditionally to provide the business with a significant injection of project financing.*

*We believe the worst is now over and we have the right strategy in place for today’s economic environment. By keeping costs tightly managed, focusing on Moscow Metropolitan Area in the near term and engaging in public sector contracts the Group can generate adequate cash flows to meet the capital requirements of the business and its lenders.”*

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*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.*

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## **NOTES TO EDITORS**

### **PIK Group Overview**

Founded in 1994, PIK is one of the leading Russian residential developers. Its business activities are concentrated in Moscow and the Moscow region and PIK's rapidly develops projects in other 10 Russia's regions. Its principal activity is the development, construction and sale of residential properties in large scale developments targeted primarily at the middle income housing market in Russia.

Since 2004 PIK has built more than 4 million and 800 thousand square metres of residential properties (more than 58 000 apartments) in Russia, including more that 1,5 million square metres (more than 23 000 apartments) in 2007 and more that 800 thousand square metres (more than 12 000 apartments) in 2008.

June 1, 2007, the Group completed successful listings on the London Stock Exchange, the RTS and MICEX exchanges in Russia.

PIK Group's website address is: [www.pik.ru](http://www.pik.ru)