



4Q 2011 operating results Investor presentation

January 2012



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Today's presenting team



Viacheslav Zarenkov

- President
- Founding shareholder
- Founded in 1987



Anton Evdokimov

- CFO
- With Etalon Group since 1998



Dmitri Boulkhoukov

- Head of investments
- With Etalon Group since 2007



Alexander Shkuratov

- Head of strategy and business development
- With Etalon Group since 2007



1.

Deliveries in 2011

2.

Launch of sales on new projects

3.

New sales contracts and transfers to customers

4.

Other: ExpoForum

5.

Key takeaways



1.

Deliveries in 2011

Description: Twenty 16- to 25-storey buildings using poured concrete technology with brick elements and ventilated facades

NSA: 868,034 sqm

Location: Krasnogorsk, Moscow Metropolitan Area

Status: Phase I complete, Phase II at 10th floor

Construction period: 2008-2016

Emerald Hills (MMA)



The Emerald Hills complex includes a wide range of infrastructure, including a school and pre-school, recreation zones and squares. A shopping and entertainment centre is also planned, in addition to individual stores and even a medical clinic.

Emerald Hills (MMA)





Emerald Hills (MMA)



Description: Four 2- to 11-storey buildings using poured concrete technology
NSA: 14,599 sqm
Location: Historic Vasileostrovsky district of St. Petersburg
Status: Complete
Construction period: 2008-2011

Talisman (SPMA)



The Talisman project is a middle class residential complex located in a prestigious region of St. Petersburg featuring a late 19th century architectural style.

Talisman (SPMA)



Description: Four 17- to 24-storey buildings using poured concrete technology with brick elements and ventilated facades.

NSA: 207,405 sqm

Location: Kalininsky district of St. Petersburg

Status: Building 1 of 4 complete (Current completed NSA: 71,671 sqm)

Planned construction period: 2008-2012

Orbit (SPMA)



The Orbit project, due for completion in 2012, is located in close proximity to several parks, public transportation and social infrastructure like schools and clinics. The new complex features underground parking and two kindergartens, as well as consumer-oriented commercial premises on the ground floors of the residential buildings.

Orbit (SPMA)



Description: Thirteen buildings up to 25 floors using poured concrete technology with brick elements and ventilated facades.

NSA: 601,758 sqm.

Location: Primorsky district of St. Petersburg

Status: 11 of 13 buildings complete

Planned construction period: 2007-2012

Jubilee Estate (SPMA)



A large-scale project that is the center of an entire new residential neighborhood, the first building was completed in 2008. Currently 11 buildings are completed.

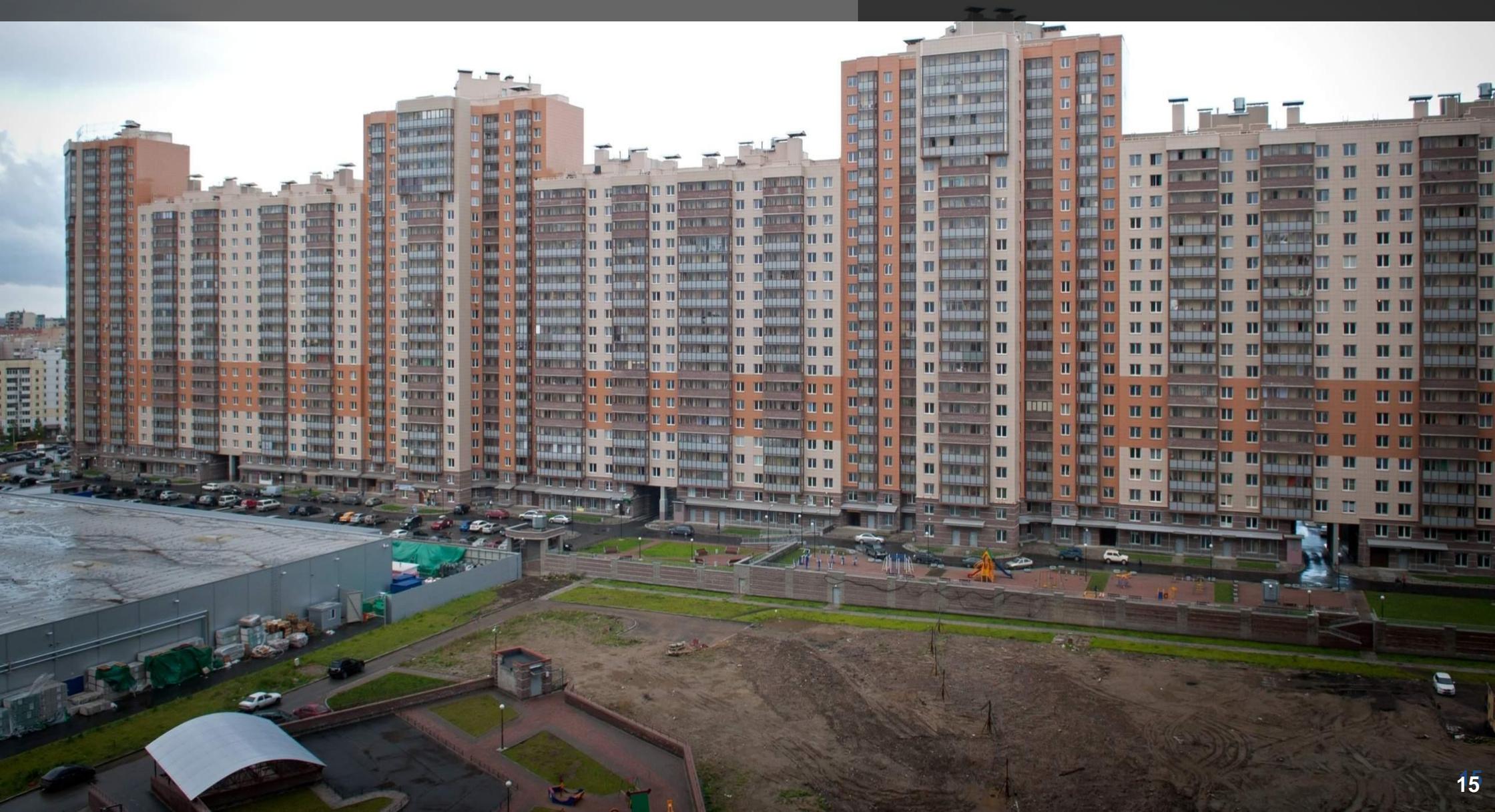
The Jubilee Estate project features multi-level underground parking, commercial premises, playgrounds, recreational areas and guest parking. The development is located in close proximity to the Komendantsky Prospekt metro station and major roadways.

Jubilee Estate (SPMA)



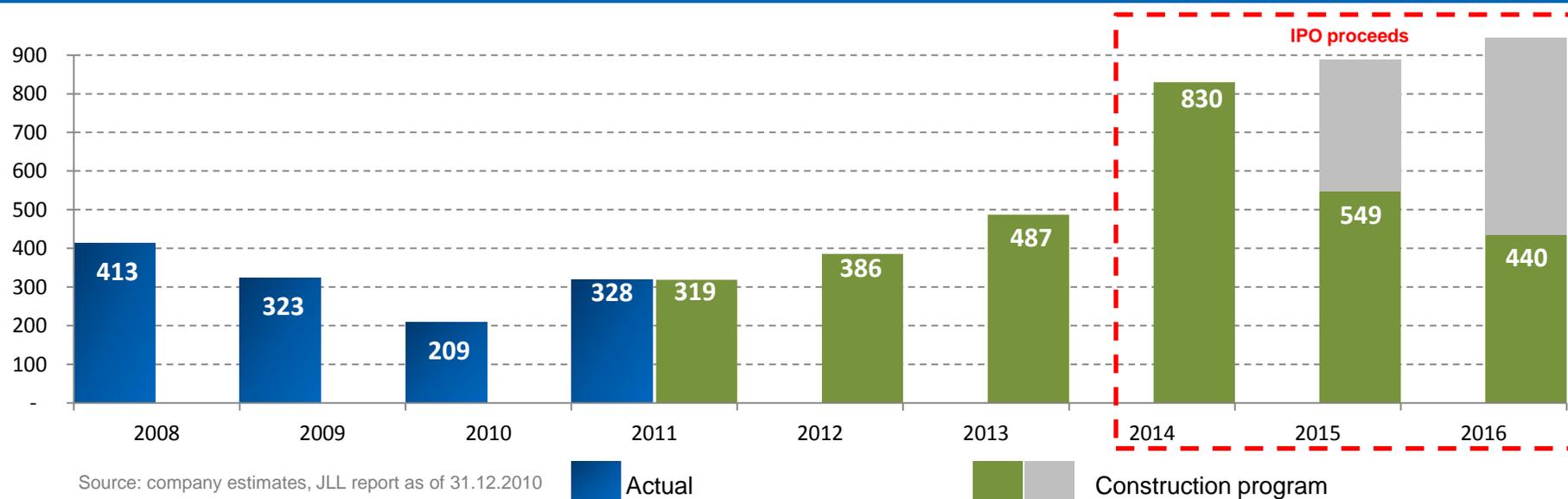
The Jubilee Estate project was a significant source of cash collections over the past 4 years for Etalon Group. As we sell the remaining apartments of this completed project, Etalon has completed phase I of Jubilee's "twin" project in Moscow – Emerald Hills.

Jubilee Estate (SPMA)



Expanding Portfolio Providing for Robust Growth

Sufficient land bank to increase deliveries 2x by 2012 and 4x by 2014



Projects delivered in 2011

	Project	NSA, sqm
1	Talisman	14,867
2	Jubilee Estate 78A building 6	69,866
3	Jubilee Estate 78A building 7	34,165
4	Jubilee Estate 78A building 4	32,737
5	Orbit building 1	71,671
6	Emerald Hills stage 1	97,594
	Other	7,535
	Total	328,435



2.

Launch of sales on
new projects

Launch of sales on new projects

Overview of new buildings launched in 4Q 2011

	NSA*, sqm	Delivery	Expected cash collections, US\$ mn
1. Jubilee Estate 78A, building 2	64,126	2012	120.1
2. Jubilee Estate 78A, building 5	32,109	2012	60.3
3. Emerald Hills, building 10	52,903	2012	129.1
4. Emerald Hills, building 11	69,583	2012	181.4
5. Emerald Hills, building 13	32,511	2012	75.5
Total	251,232		566.4

**Including parking lots*

Description: 13 buildings in “comfort” segment

Planned NSA: 602 ths sqm

Expected cash collections: US\$ 1,137 mn

Construction Period: 2007 – 2012

Jubilee Estate (SPMA)



Description: 32 buildings in “comfort” segment

Planned NSA: 868 ths sqm

Expected cash collections: US\$ 2,140 mn

Construction Period: 2008 – 2016

Emerald Hills (MMA)

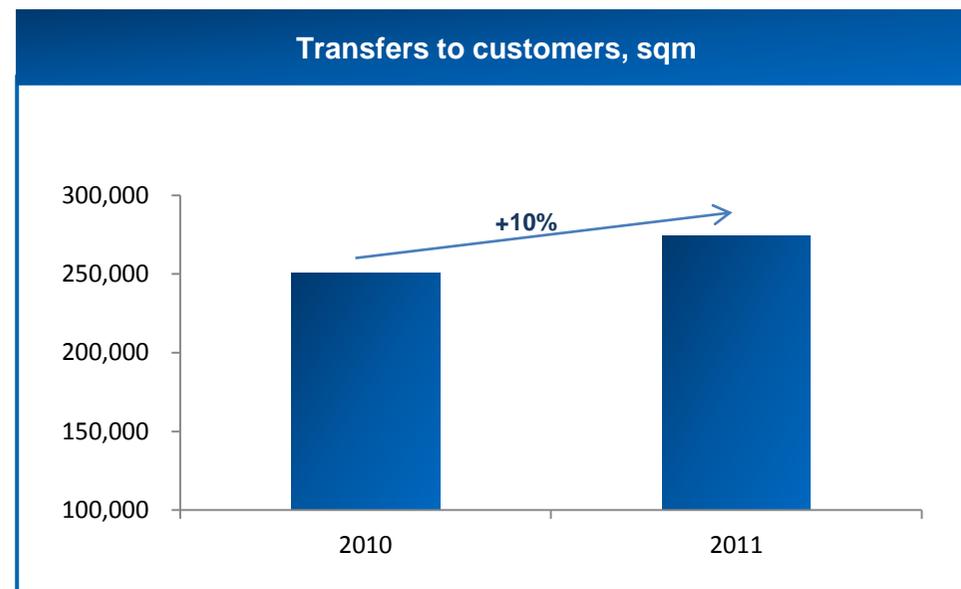
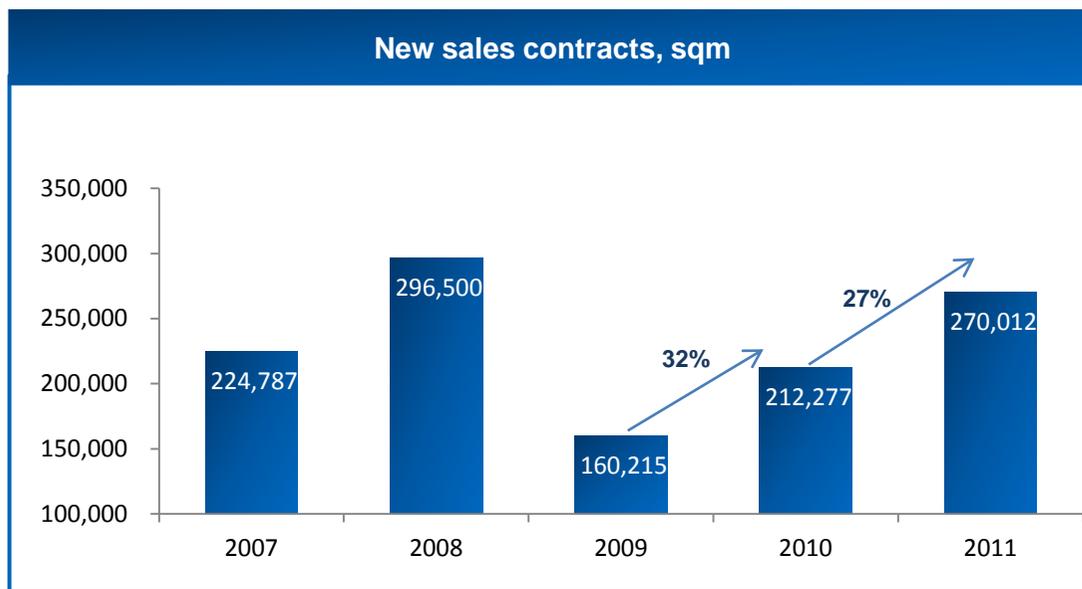




3.

New sales contracts and transfers to customers

New sales contracts and transfers to customers



4Q Operating Results

	4Q 2011	4Q 2010	Change, %	2011	2010	Change, %
New Sales, sqm	84,093	73,522	14%	270,012	212,277	27%
New sales, mn RUR	6,031	4,852	24%	18,306	14,106	30%

2H Deliveries

	2H 2011	2H 2010	Change, %	2011	2010	Change, %
NSA Delivered, sqm	204,040	150,454	36%	328,435	208,998	57%
Transferred to customers, sqm	160,875	147,119	9%	274,558	250,711	10%

Quarterly Summary

	4Q 2010	1Q 2011	2Q 2011	3Q 2011	4Q 2011
New sales, sqm	73,522	59,638	62,544	63,737	84,093
New sales, mn RUR	4,852	4,158	3,781	4,336	6,031
Average price, RUR/sqm	65,994	69,721	60,453	68,030	71,718



4.

Other: ExpoForum

Description: St. Petersburg's largest exposition center, consisting of a congress centre, exhibition halls, two hotels (4-star and 3-star), two business centres, an administrative office, warehouse and open parking.

Location: South of St. Petersburg

Status: Groundbreaking took place on 23 November 2011

Planned construction period: 2011-2013

ExpoForum



- 1 Бизнес-центр
- 2 Отель
- 3 Цех
- 4



The groundbreaking ceremony took place on 23 November 2011 and was attended by St. Petersburg Governor Georgy Poltavchenko and Gazprom CEO Alexey Miller

ExpoForum



The project is expected to be completed in 2013, and the estimated value of the contract for the first stage of construction is RUR 14 billion, with the final amount to be determined based on the actual work carried out.

ExpoForum

Etalon CEO Viacheslav Zarenkov attended the process of piling the first pylon.

ExpoForum





5.

Key takeaways

Key takeaways

Deliveries outpace approved construction programme

- Deliveries increased by 57% y-o-y, including successful expansion into Moscow with the milestone first stage of Emerald Hills delivered on schedule
- Total deliveries for the year ended 31 December 2011 equalled 328 thousand sqm

Solid progress on sales

- For the year ended 31 December 2011, new contract sales increased 27% year-on-year (y-o-y) to 270,012 sqm and 30% y-o-y to RUR 18,306 mn
- Sales growth supported by continued recovery in consumer activity

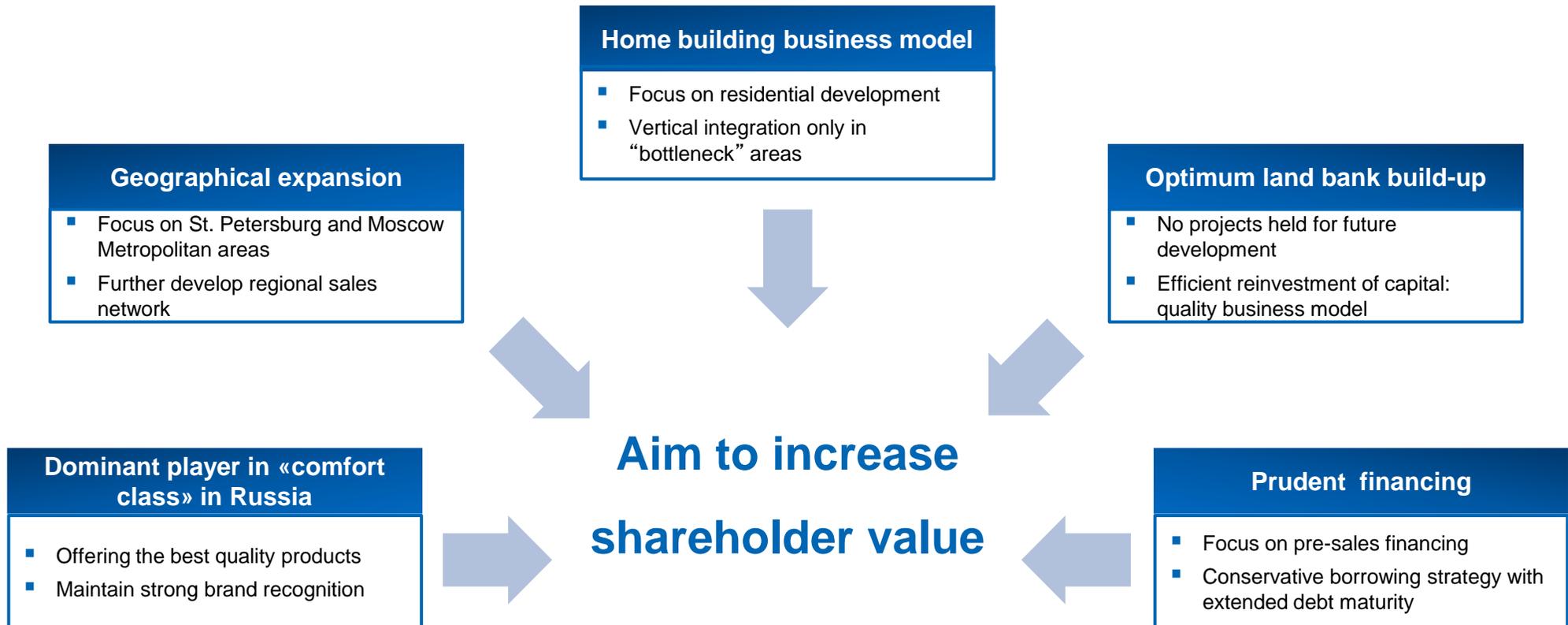
Significant launches of sales on new projects

- Pre-sales launched for five new buildings in 4Q 2011, representing 251,232 sqm of NSA
- Expected cash collections from newly-launched sales equivalent of up to c. US\$ 566 mn

Strong balance sheet position to benefit from higher quality deal flow

- US\$ 446 mn in cash and cash equivalents and c. US\$ 326 mn of mid- to long-term debt
- We believe Etalon is well positioned to acquire more high-quality projects in order to create additional value for our shareholders.

Clear Strategy Intended to Crystallize Value for Shareholders





At a glance

Presence in rapidly growing markets

- **Dominant player in “comfort class” in Russia**
- **Leader in St Petersburg*** real estate market with ca. **11% market share** ⁽¹⁾
- **Strong presence in Moscow*** real estate market

Liquidity and credit ratings

- Secure liquidity position supported by pre-sales cash collections
- **Low leverage:** 0.6x Net debt / EBITDA as of 31.12.2010⁽³⁾, Net cash = US\$120 mln as of 31.12.2011
- Credit rating by S&P's: **B/Stable/B** ⁽³⁾

Strong delivery track record

- **3 mln sqm** delivered since inception in 1987
- **24 years** of construction & development experience

Rapidly expanding projects portfolio

- Projects portfolio focused on **cash-flow generation**
- **Sufficient land bank** to support future recurring income. Land bank secured to 2x delivery volume by 2012 and 4x by 2014

True vertical integration

- **All stages** of development cycle
- Large-scale multi-phase projects
- **Country-wide sales network**

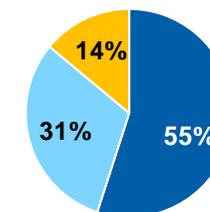
Corporate governance

- Fully accomplished Board of Directors with appropriate representation of interests of all investor groups
- Quarterly trading updates and semi-annual financial reporting

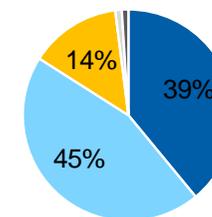
Ticker	ETLN:LI
Market capitalization	US\$ 1,380 mln (23.01.2012)
Share price	US\$ 4.68 (23.01.2012)

Portfolio composition

Total unsold NSA breakdown



■ SPMA as of 31.12.2010 ■ MMA as of 31.12.2010
■ Acquired in 2011



■ Residential under construction ■ Residential design stage
■ Acquired in 2011 ■ Completed residential
■ Standing commercial

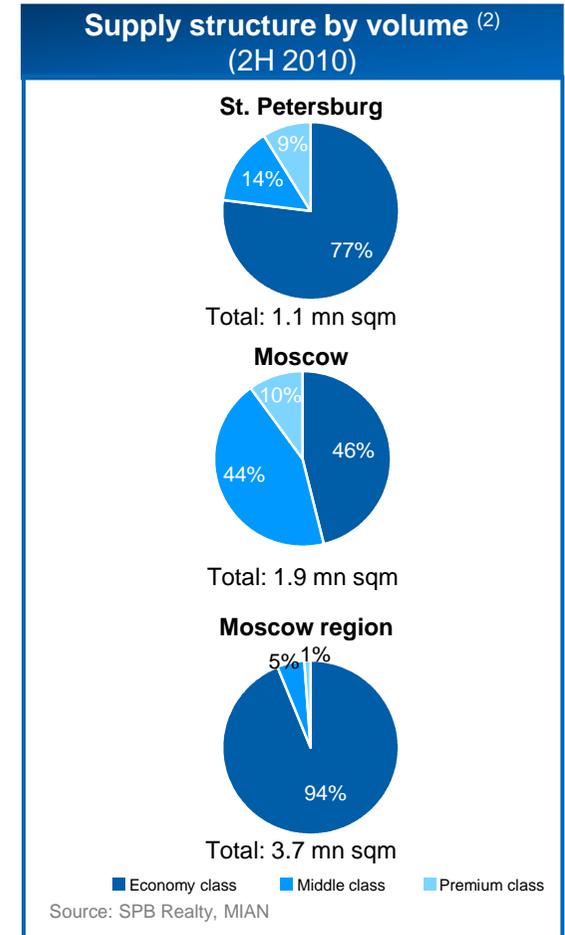
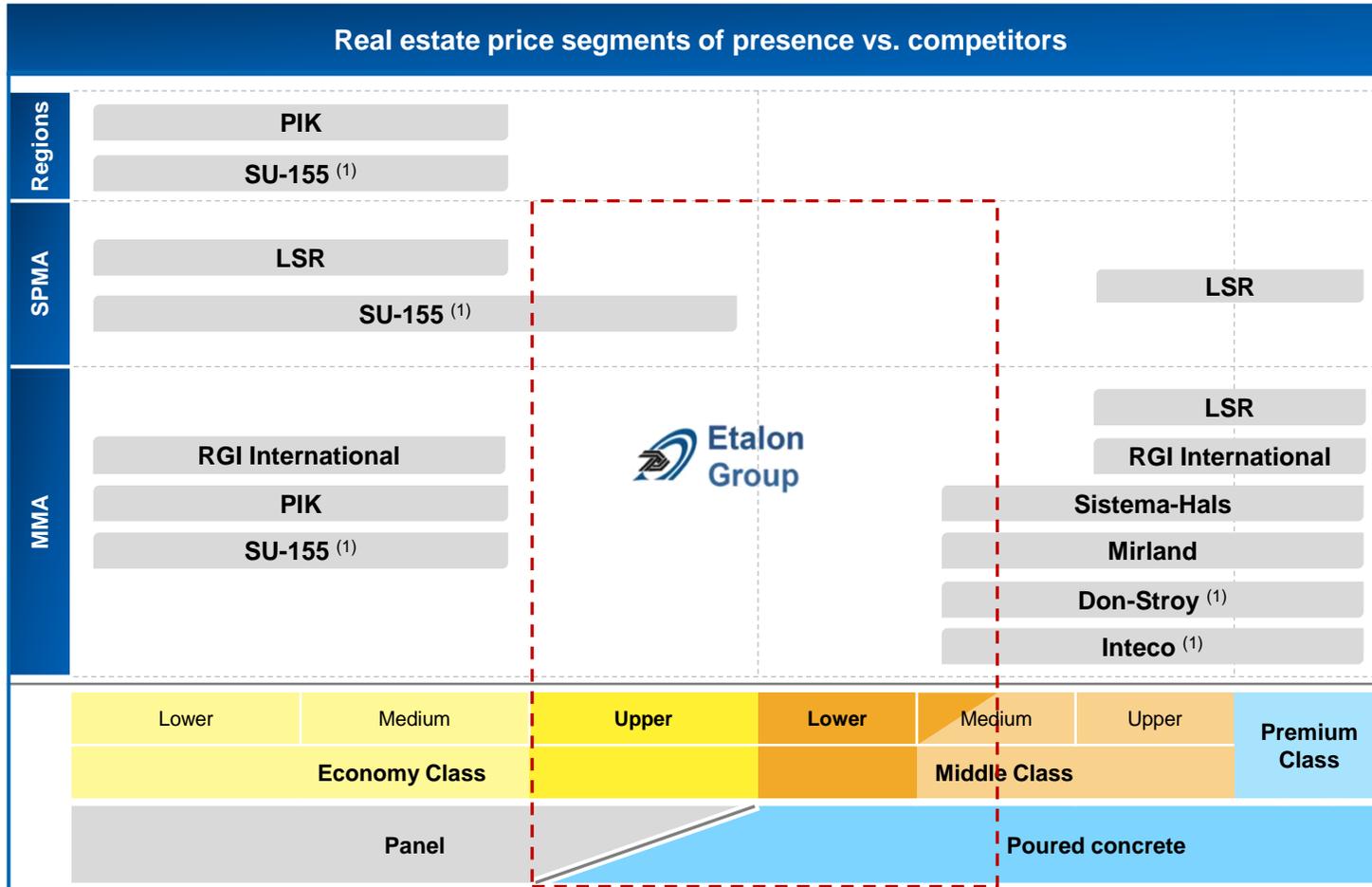
Source: JLL report as of 31.12.2010, Company press releases

* St Petersburg metropolitan and Moscow metropolitan areas respectively

(1) Average annual market share of total residential completions in the private sector (excluding individual construction) between 2000 and 2010 in St. Petersburg; (2) Net debt as of 31.12.2010, EBITDA for 2010; based on audited consolidated IFRS accounts of Etalon Group; (3) 'B' long-term & 'B' short-term corporate credit ratings of SSMO LenSpetsSMU with 'Stable' outlook (last reconfirmed on 10.01.2012);

Unique Price, Product and Market Combination

Etalon Group is attractively positioned in high quality, yet affordable real estate segment



- Etalon Group is positioned in Upper Economy Class and Lower Middle Class – market segment with fewer number of competitors
- Economy Class and Middle Class price segments dominate both SPMA and MMA real estate markets, with marginal share of premium class
- Competitive pricing combined with upscale poured concrete technology is able to target a very wide universe of customers

(1) Non-public peers

(2) Based on the total area of residential apartments available for sale on primary market at the end of 2H 2010

Nationwide Sales & Marketing Network Supports Sustainable Contracting

Powerful sales network across the country

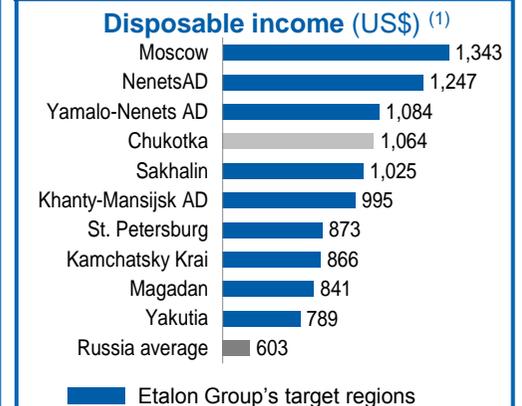
Regional population actively buys apartments in Moscow and St. Petersburg



Etalon Group's regional sales geography (2010) (2)

Region	Share in sales
Leningrad region	3.9%
Khanty-Mansijsk AD	3.2%
Yamalo-Nenets AD	2.0%
Kamchatsky Krai	1.9%
Sakhalin region	1.2%
Magadan region	0.9%
Yakutia	0.6%
Nenets AD	0.2%
Other Russian regions	9.9%
Foreigners	0.6%
Total:	28.5%

The Group's flats are sold in 9 out of 10 richest Russian regions

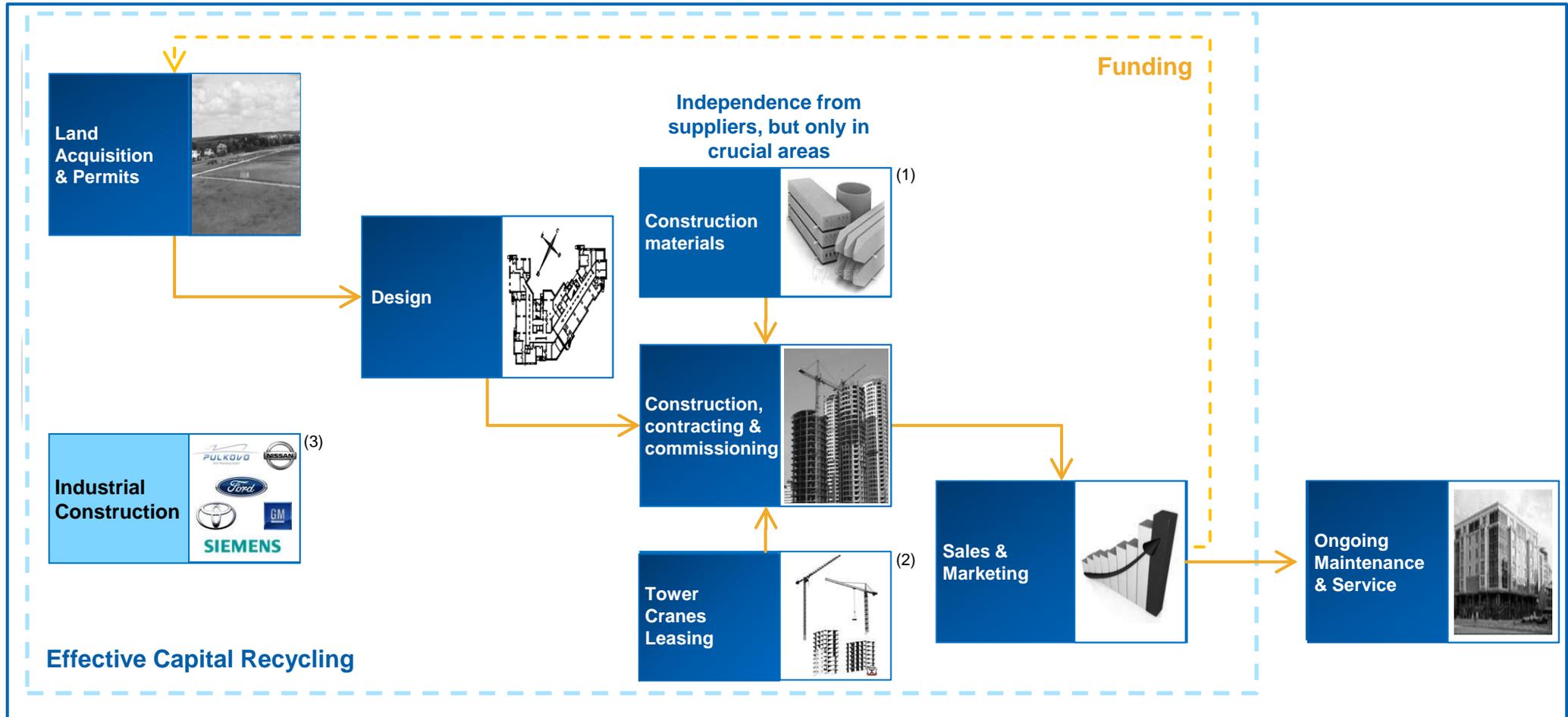


- Etalon Group sales force is focused on the regions with the **largest disposable income**
- Key markets: **SPMA and MMA**
- 30 cities covered** with 10 sales offices in St. Petersburg and **10 sales offices nationwide**
- External professional marketing and sales service agents engaged nationwide

(1) Average monthly disposable income, Rosstat data as of 3Q 2010; RUR values were converted into US\$ at official CBR average exchange rate in 3Q 2010 (30.62 RUR/US\$); (2) Source: management accounts

Strategic Vertical Integration: Control Over Costs, Quality and Timing

Etalon Group operates in every part of property development process



- Control over costs, quality & timely delivery of the projects

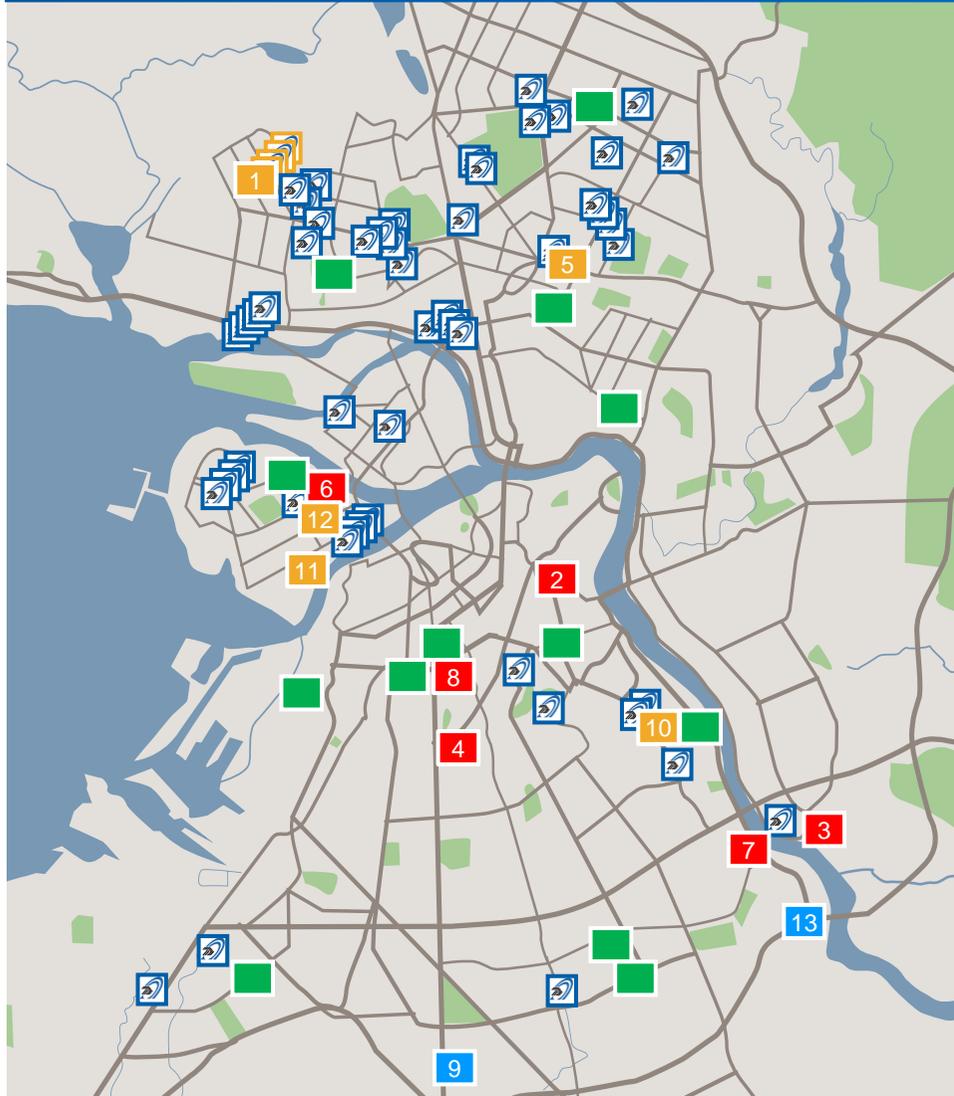
- Business stability and lower risk of counterparties' dependence

- Understanding of customer needs (sales network throughout the country)

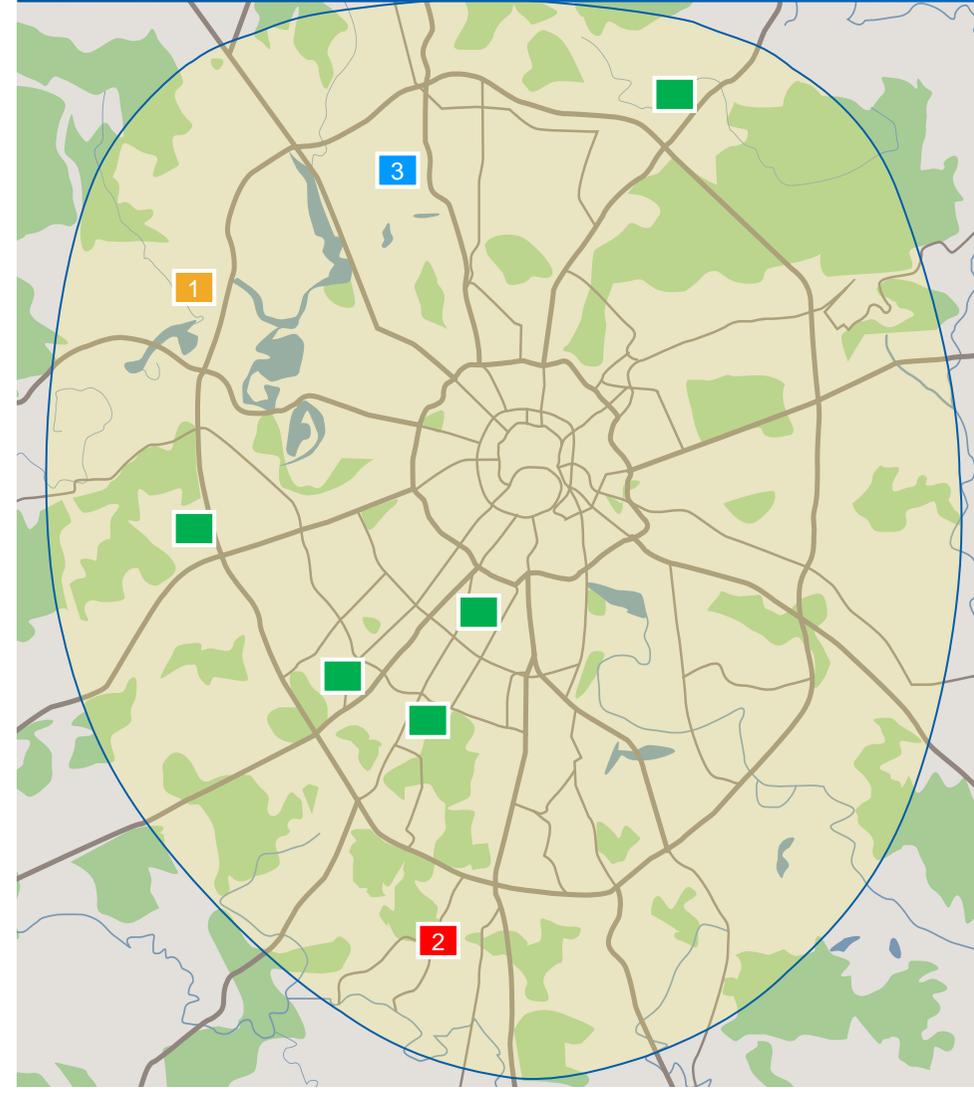
(1) Brick plant and concrete products plant. Own production only for "bottleneck" construction materials
 (2) 38 Liebherr tower cranes (of which 37 were manufactured in 2006-2008). Data as of 31.12.2010
 (3) Construction to third parties

Operations in Moscow* Set to Repeat the Success of St Petersburg's Business*

Projects in St. Petersburg Metropolitan Area



Projects in Moscow Metropolitan Area



 Completed
  Under construction (1)
  Design stage (1)
  Newly acquired projects
  In the course of DD and negotiations

* Moscow metropolitan and St Petersburg metropolitan areas respectively
 (1) Project numbers in square correspond to the projects in the table on next page

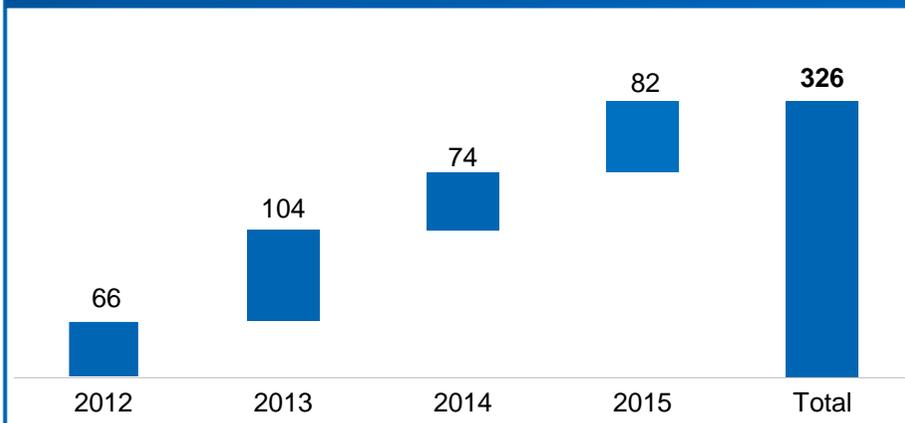
On Track with Plans Announced at IPO

Construction period

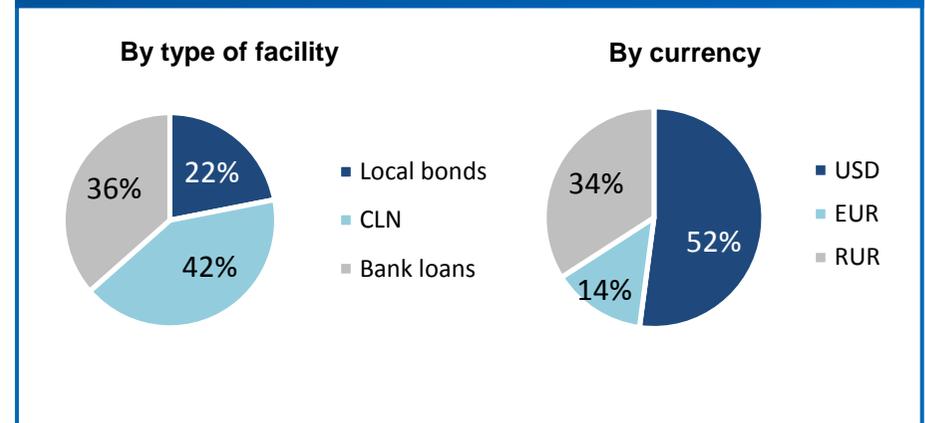
	2011	2012	2013	2014	2015	2016	Status	Total NSA (‘000 sqm)	Unsold NSA (‘000 sqm)	OMV ⁽¹⁾ (US\$mn)	Unsold parking (lots)	Construction budget ⁽¹⁾ (US\$mn)	Outstanding budget ⁽¹⁾ (US\$mn)	
St. Petersburg														
1 Jubilee Estate	←→						Construction	602	377	416	2,201	738	208	
2 Tsar's Capital (Kremenchugskaya str. 11)	←→						Planning permit	459	459	126	1,638	789	789	
3 Swallow's Nest (Oktyabrskaya embankment 118)	←→						Construction permit	319	319	42	2,182	376	376	
4 Moskovskiy (Moskovsky prospect 115)	←→						Planning permit	259	259	111	1,286	431	431	
5 Orbit	←→						Construction	207	169	107	926	244	191	
6 Uralskaya str. 2	←→						Planning permit	165	165	48	600	307	307	
7 Obukhovskoy oborony prospect 110	←→						Planning permit	101	101	28	746	134	134	
8 Smolenskaya str. 9	←→						Planning permit	70	70	26	257	107	107	
9 Pulkovskoe shosse	←→						Planning permit	63	63	n/a	n/a	TBD	TBD	
10 Etude	←→						Construction	23	15	11	138	28	22	
11 Prestige	←→						Construction	21	20	26	96	36	29	
12 Talisman	←→						Delivered	15	8	19	110	20	5	
13 Rechnoy	←→						Planning permit	105	105	n/a	n/a	TBD	TBD	
Completed and unsold residential developments									1,122	34	54	795	-	8
Completed stand-alone commercial properties									39	20	52	61	-	-
Moscow														
1 Emerald Hills	←→						Construction	868	847	258	4,773	1,072	1,019	
2 Etalon-City	←→						Planning permit	270	270	92	2,022	372	372	
3 Dmitrovskoe shosse	←→						Planning permit	350	350	n/a	n/a	TBD	TBD	

Robust Balance Sheet

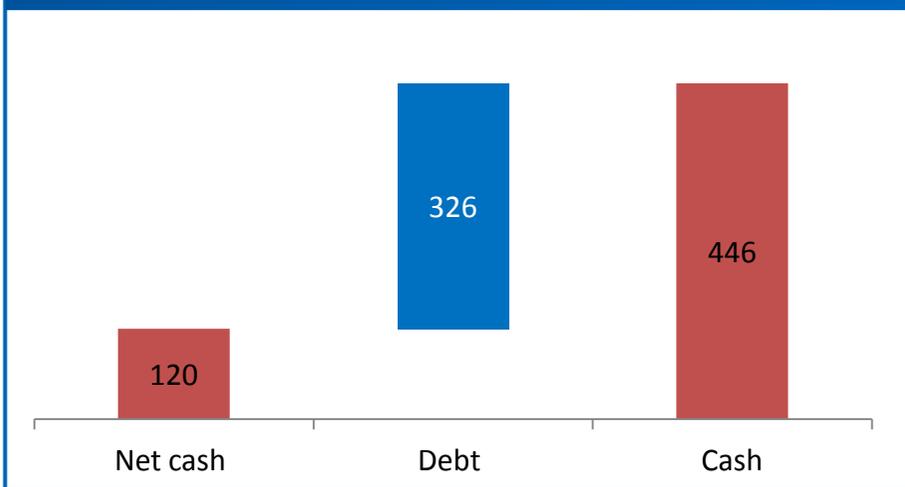
Debt cash flows maturity profile (as of 31/12/2011; US\$ mln)



Debt composition (as of 31/12/2011)



Net cash (at 31/12/2011), US\$ mln



Financing strategy

- Longer debt maturities (3-5 years)
- Decrease the cost of funding
- Conservative approach to leverage, less than 2.0 net debt/EBITDA

End of period US\$/RUR rate at 31 December 2011 32.20

End of period EUR/RUR rate at 31 December 2011 41.67

On Track with Plans Announced at IPO

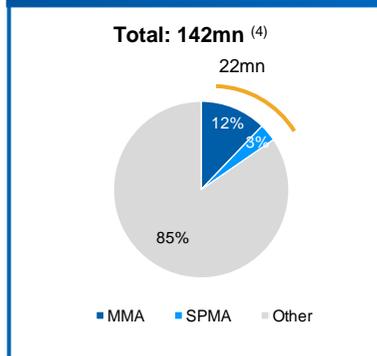
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12 Talisman	←	→					Delivered	15	8	19	110	20	5
13 Rechnoy	←	→					Planning permit	105	105	n/a	n/a	TBD	TBD
Completed and unsold residential developments								1,122	34	54	795	-	8
Completed stand-alone commercial properties								39	20	52	61	-	-
Moscow													
1 Emerald Hills	←	→	→	→	→	→	Construction	868	847	258	4,773	1,072	1,019
2 Etalon-City	←	→	→	→			Planning permit	270	270	92	2,022	372	372
3 Dmitrovskoe shosse	←	→	→	→	→	→	Planning permit	350	350	n/a	n/a	TBD	TBD

(1) Source: company data, JLL valuation report dated 31.12.2010

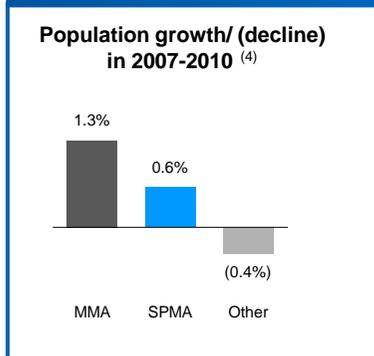
Focus on Key Markets – Moscow and St. Petersburg Metropolitan Areas

MMA and SPMA are the most attractive residential markets in Russia

MMA & SPMA – most populated Russian regions...

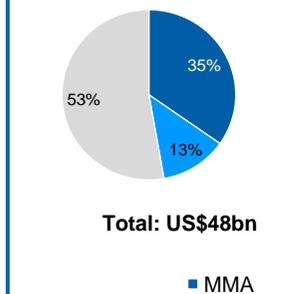


... with growing demand for residential real estate

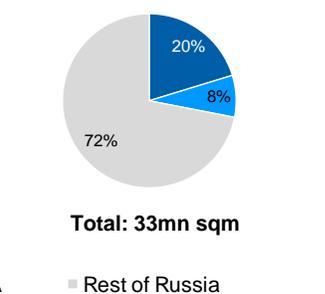


Residential real estate commissioning in Russia

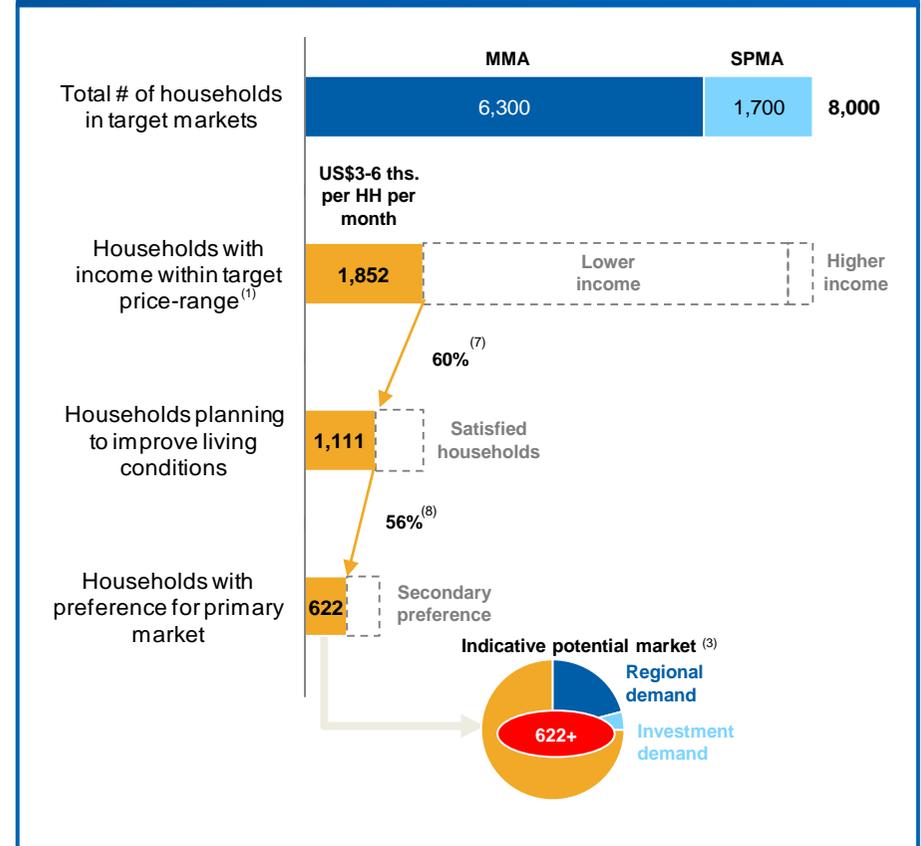
By value in US\$ (2010) ^{(5), (6)}



By volume in ths.sqm (2010) ⁽⁵⁾



Potential demand estimation (ths. households)

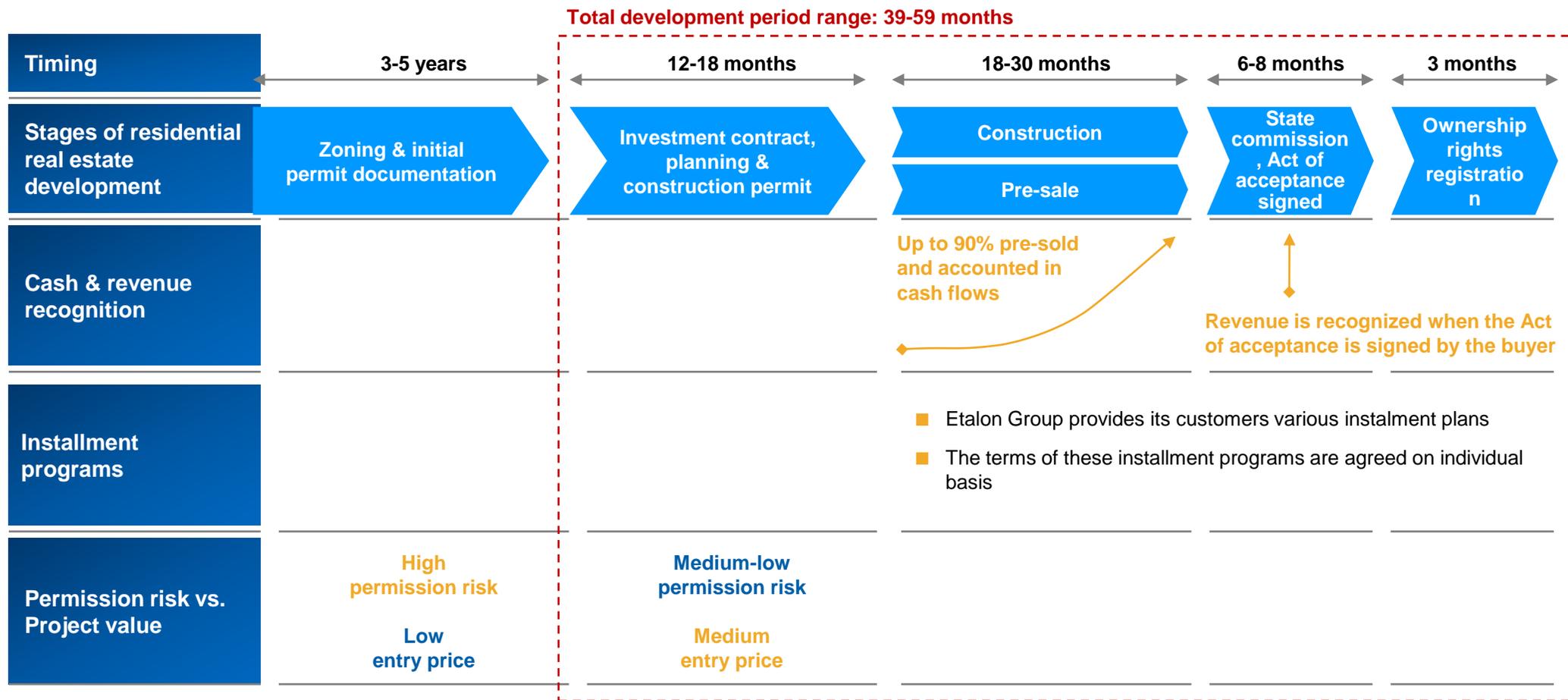


Source: Rosstat

The above set of simple assumptions further supports the existence of significant unsatisfied demand for value-added housing in MMA and SPMA

(1) Company estimates based on Rosstat's methodology and data; includes additional demand from mortgage users - share of sales with mortgage in total sales is 12%, according to MER (assuming no overlap between mortgage and instalments customers); (2) 1H2010 new supply volume of Middle Class residential properties on the primary market, according to MIAN and SPb Realty, converted from sqm into housing units, assuming that 1 flat = 85.3 sqm (average flat size in Russia in 2009, Rosstat); (3) The demand structure shown on the pie chart is for indicative purposes; (4) Rosstat data as of January 2010; (5) Residential real estate commissioning, excluding individual construction; (6) Calculated as residential real estate commissioning volume in 2009 (excluding individual construction) multiplied by average real estate RUR prices on the primary market in 2009 and divided by end of period official CBR RUR/US\$ exchange rate in 2010 (RUR/US\$ 30.5); (7) 60% of households plan to improve living conditions (source - Rosstat, Comcon, 2010); (8) 56% of consumers prefer primary vs. secondary residential real estate market (Source - Metrinfo survey in Moscow, 1H 2010)

Revenue recognition scheme



Etalon Group focus

Source: Company data