

4Q 2012 Operating Results

21 January 2013



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Today's presenting team



Viacheslav Zarenkov

**Chairman of the
Board of Directors**

**Founding shareholder and
President of Etalon Group**

Founded Etalon in 1987



Anton Evdokimov

CFO of Etalon Group

**Member of the Board of
Directors**

With Etalon Group since 1998



Dmitri Boulkhovkov

**Head of Investments
of Etalon Group**

**Member of the Board of
Directors**

With Etalon Group since 2007



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Deliveries in
2012

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2012

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Key Takeaways

Deliveries in 2012

Overview of deliveries

	Project	Region	NSA delivered, '000 sqm
1	Jubilee Estate	SPMA	98
2	Emerald Hills	MMA	83
3	Prestige	SPMA	21
4	Etude	SPMA	23
5	Orbit	SPMA	139
	Total		363

Jubilee Estate



- Largest completed integrated development project in St. Petersburg
- 13 residential buildings, 602 ths sqm of NSA
- 98 ths sqm delivered in 2012

Emerald Hills



* Photograph taken in August 2012

Prestige



- Business-class residential project in St. Petersburg
- 21 ths sqm of NSA delivered in 2012





Acquisitions in 2012



Overview of projects acquired

Projects acquired in 2012

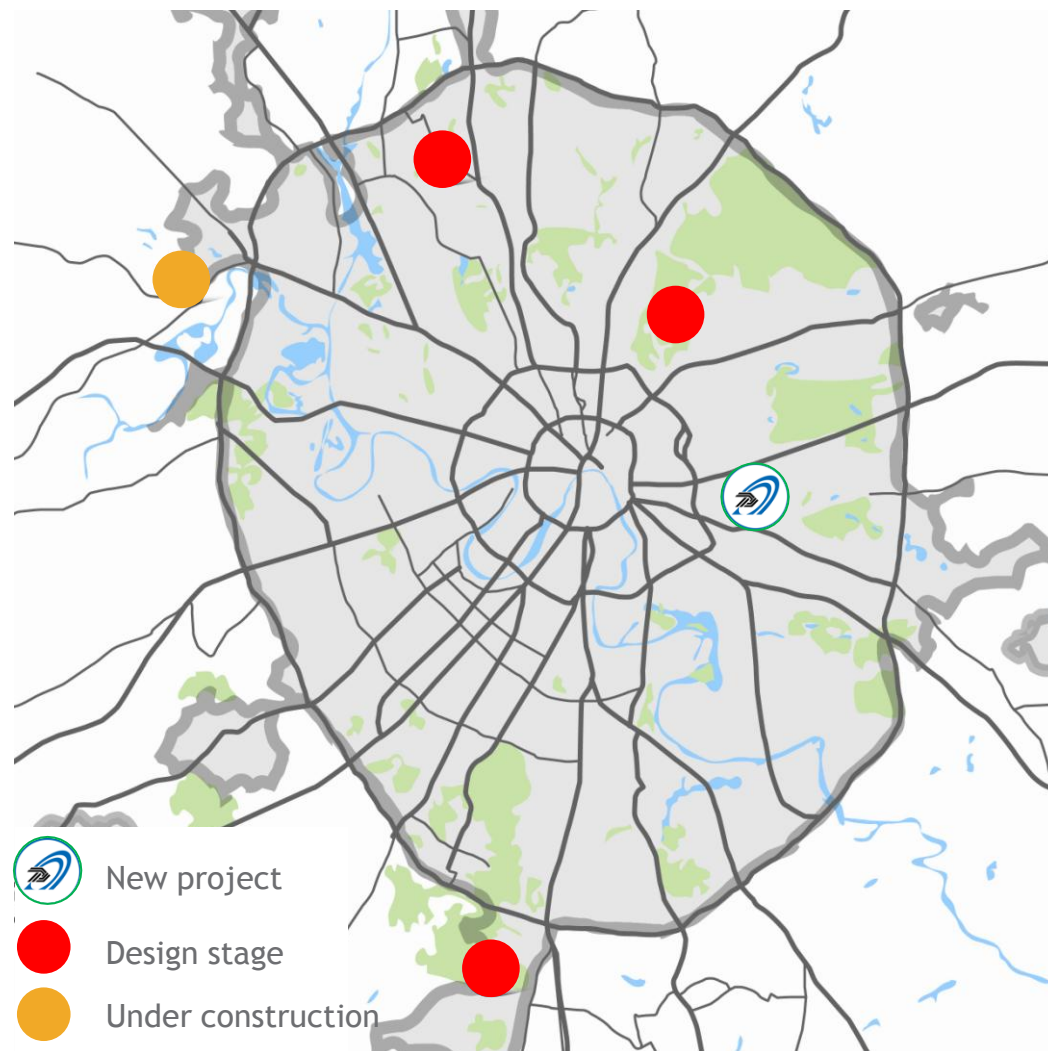
Project		Region	NSA, '000 sqm	1 st building expected delivery
1	Tukhachevskogo street	SPMA	24	2013
2	Galactica	SPMA	680	2016 836 810
3	Prospekt Budennogo	MMA	40	2016
4	Alekseevskiy district	MMA	139	2018
Total			883	

40 ths sqm acquisition in Moscow: Prospekt Budennogo



- 3.5 ha land plot located in Sokolinaya gora district (Eastern administrative division of Moscow)
- Near Shosse Entuziastov, Izmailovskoe Shosse and Prospekt Budennogo, 40 minutes by car to Moscow centre. Shosse Entuziastov metro station and several bus stops within 10 minutes' walk
- Expected NSA of 40 ths sqm
- Etalon Group acquired the project by purchasing the legal entity that holds land rights
- Plan to begin construction in 2H 2013 and deliver in 2016

Location

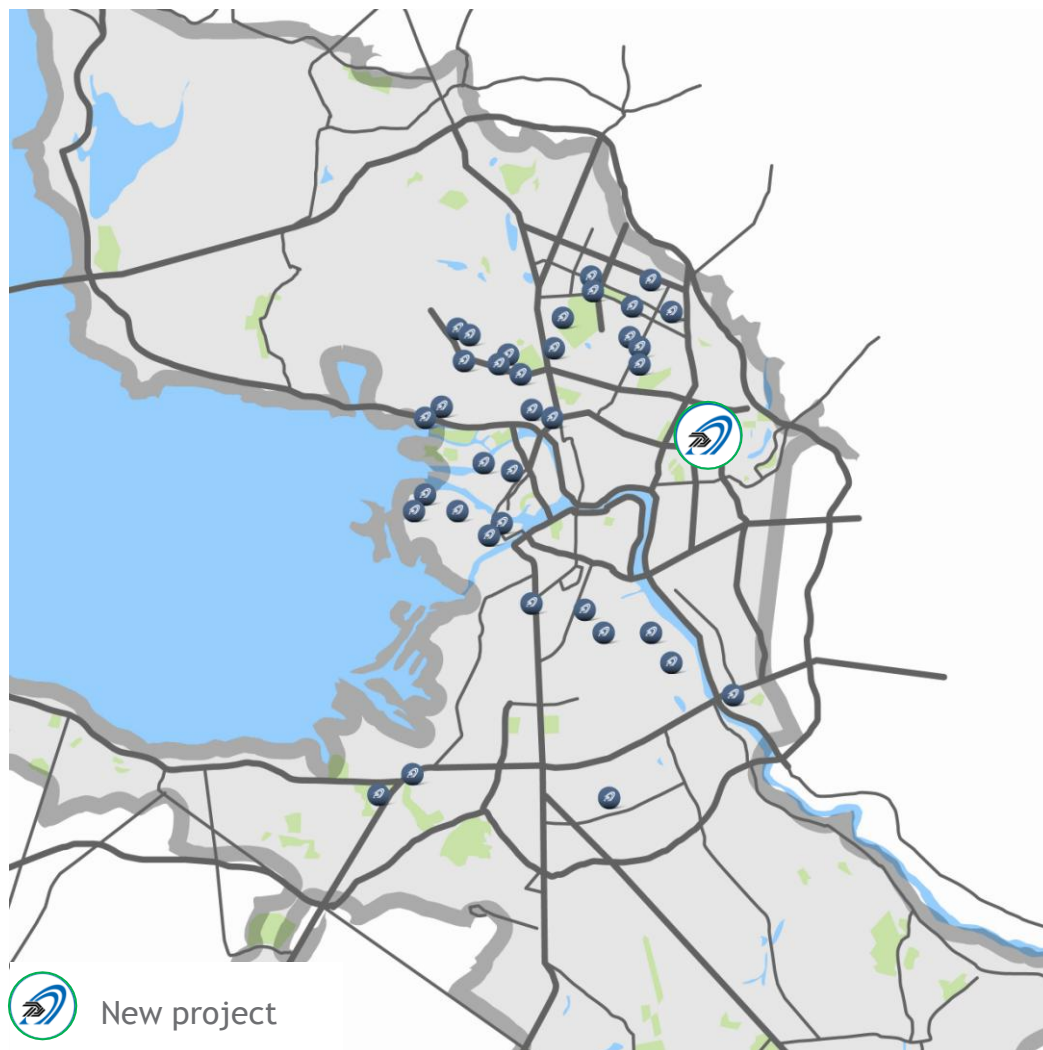


24 ths sqm acquisition in St. Petersburg: Tukhachevskogo Street



- 1.1 ha land plot located in Krasnogvardeiskiy district of St. Petersburg
- Site is close to the 50th Anniversary of October Park and just fifteen minutes by car from central St. Petersburg
- NSA of 24 ths sqm
- Etalon Group acquired the project by purchasing the legal entity that holds land rights
- Construction is in progress, project is scheduled to be delivered in 2013

Location

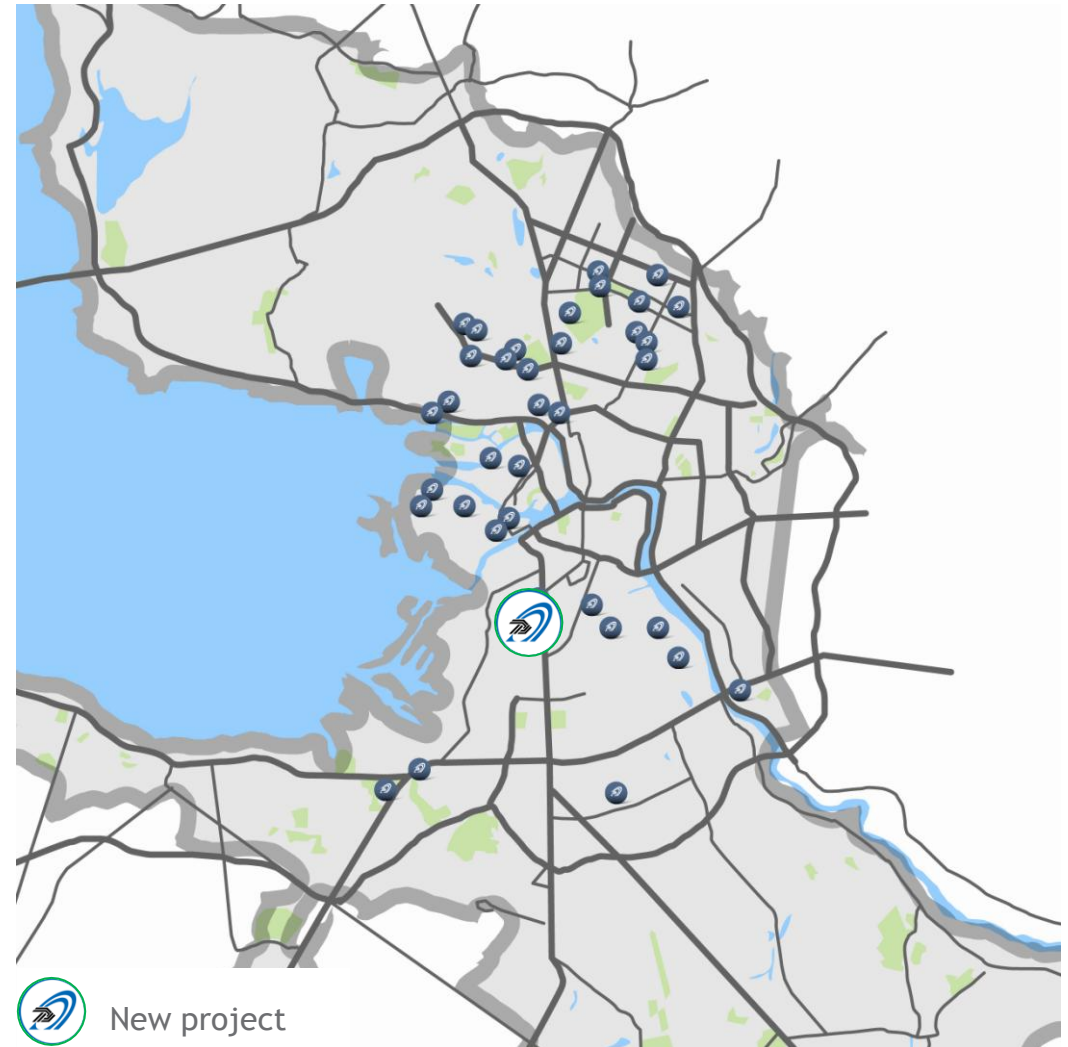


680 ths sqm acquisition in St. Petersburg: Galactica

- Unique project combines large scale with close-to-centre location
- NSA of 680 ths sqm
- Project consists of 6 phases - Etalon Group plans to begin construction in 2014 and complete in 2020
- Cash collections expected at USD 2.2 billion
- Project Galactica will create an entirely new comfort-class residential district



Location

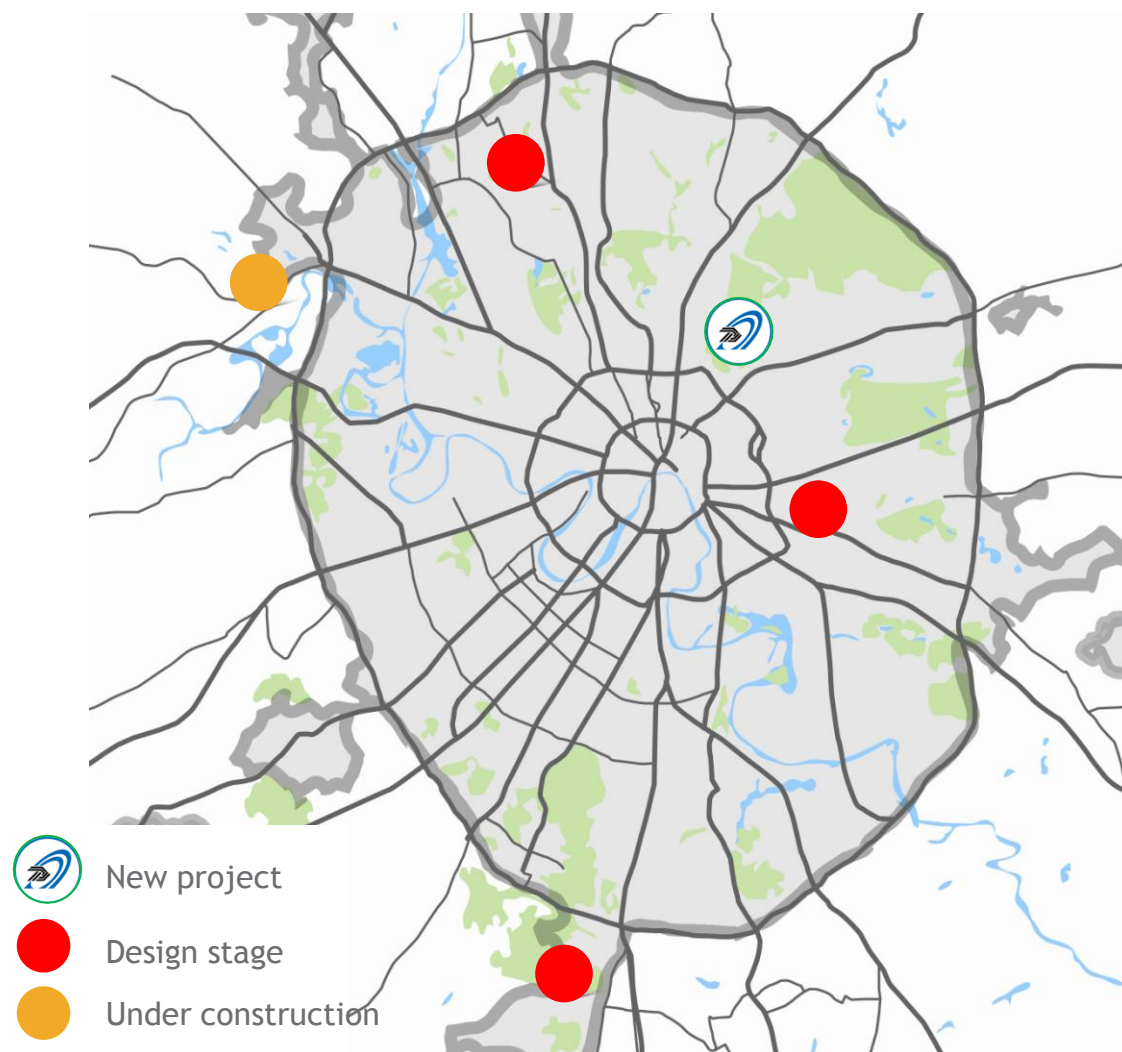


139 ths sqm acquisition in Moscow: Alekseevskiy district

Overview

- 7.9 ha land plot located in Alekseevskiy district (North Eastern administrative division of Moscow)
- The site is close to Prospekt Mira. Alekseevskaya metro station and railway station Moskva-3 are within 10 minutes' walk
- The site is close to Sokolniki Park and just 7 km from the centre of Moscow
- Expected NSA of 139 ths sqm
- Etalon Group acquired the project by purchasing the legal entity which holds the land rights
- Etalon's 5th acquisition in MMA, bringing total unsold NSA in the region to c. 1.53 mn sqm
- Further proof of Etalon's commitment to MMA
- Etalon Group plans to begin construction in 2015 and deliver in 2018

Location



Launch of sales on new projects



House on Tukhachevskogo Street



Molodejny



- Comfort-class residential project in St. Petersburg
- 111 ths sqm of NSA
- Scheduled delivery in 2014



- Comfort-class residential project in St. Petersburg
- 64 ths sqm of NSA
- Scheduled delivery in 2013

Swallow's Nest



- Medium-scale comfort-class project in St. Petersburg
- 9 residential buildings, 311 ths sqm of NSA
- Scheduled delivery in 2013 - 2015



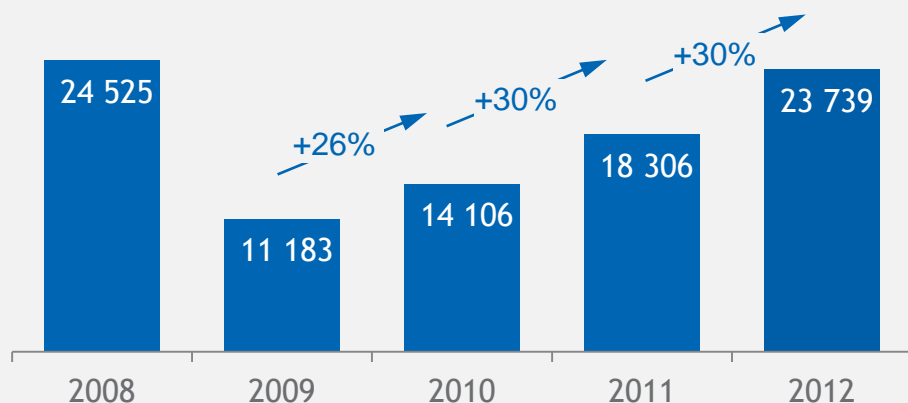
- Comfort-class residential project in St. Petersburg
- 109 ths sqm of NSA
- Scheduled delivery in 2014

4Q 2012 Operating Results

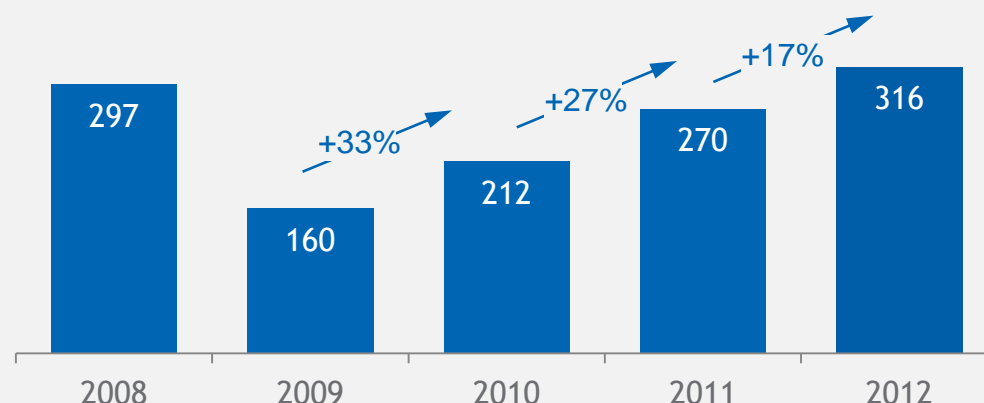


Growth in new contract sales in 2012

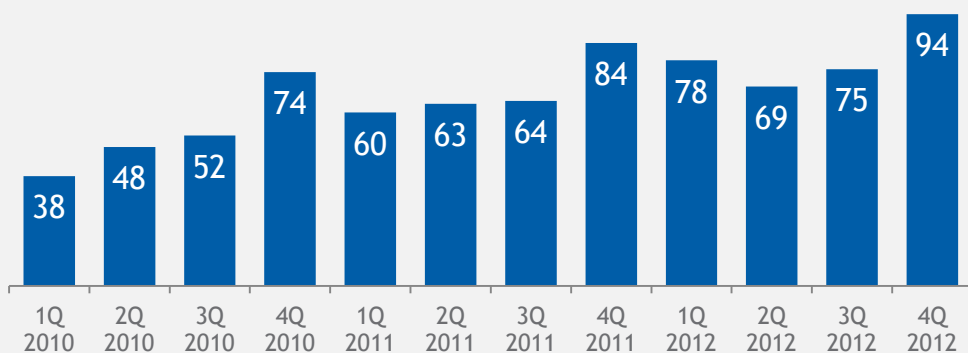
New contract sales, mn RUR



New contract sales, ths sqm



Quarterly new contract sales, ths sqm



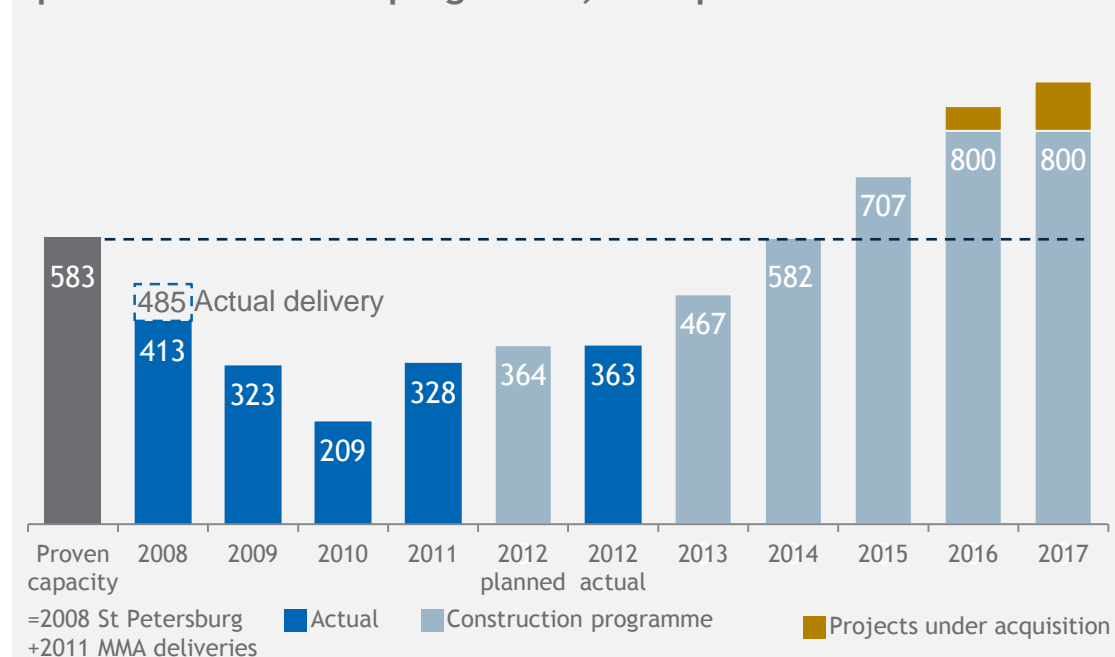
Significant growth of key sales metrics

- Share of mortgage contracts reached 18% in 4Q 2012
- Average down payment was 72% (significantly above the average of 50% envisaged by business model)
- Share of MMA* contracts NSA in 4Q 2012 new sales was 21%

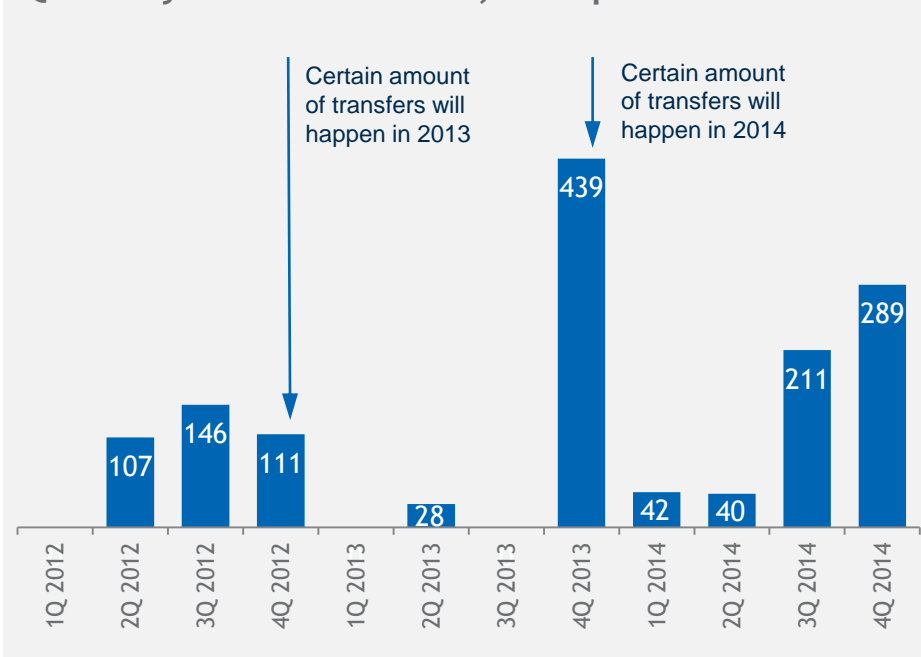
* Moscow metropolitan area

Deliveries in 2012

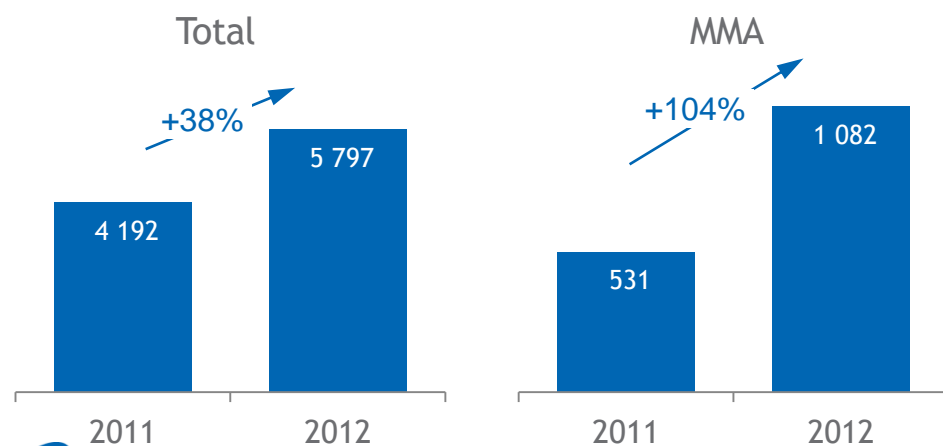
Updated construction programme, ths sqm of NSA



Quarterly deliveries of NSA, ths sqm



Number of new contracts



2012 Deliveries and transfer to customers

	2012	2011	Change, %
NSA delivered, sqm	363,120	328,435	11%
Transferred to customers, sqm	240,912	274,558	-12%

Key takeaways



Key takeaways

- **New acquisitions**
 - Post-IPO programme completed with acquisition of 883 ths sqm of NSA in Moscow Metropolitan Area and St. Petersburg in FY 2012
- **Deliveries**
 - Deliveries increased by 11% y-o-y to 363 ths sqm - fully inline with revised construction programme, including further successful expansion in MMA with 83 ths sqm delivered at Emerald Hills project in FY 2012
- **New contract sales**
 - New contract sales in FY 2012 increased 30% y-o-y to RUR 24 bln and 17% to 316 ths sqm, driven by higher share of smaller apartments, generally inline with guidance
 - Total number of contracts in FY 2012 increased 38% y-o-y to 5,797; number of MMA contracts up 104% y-o-y to 1,082
 - Share of mortgages increased to 18% in 4Q 2012, highest level in Etalon Group's history
 - In 4Q 2012 average down payment was 72%, significantly above the target of 50% envisaged by the business model
- **Transfers to customers**
 - Transfers to customers decreased by 12% y-o-y to 241 ths sqm of NSA, primarily because 31% of 2012 deliveries were scheduled for 4Q 2012 and significant amount of these deliveries are expected be transferred in 1Q 2013
- **Cash collections**
 - Cash collections from residential operations for the year increased to USD 648 mn (per management accounts)

Appendix



At a glance

Presence in rapidly growing markets

- Dominant player in “comfort class” (sweet spot between economy and business class) in Russia
- Focus on “Golden Triangle” of Moscow, Greater Moscow Area and St. Petersburg
- Leader in St. Petersburg* real estate market with c. 11% market share⁽¹⁾

Strong delivery track record

- 3.0 mln sqm commissioned since inception in 1987
- 25 years of construction & development experience

True vertical integration

- All stages of development cycle
- Large-scale multi-phase projects
- Country-wide sales network
- 40 business units with c. 4,000 people

* 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 2011 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);

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 ⁽²⁾, Net cash = US\$167 mln as of 31.12.2011
- Credit rating by S&P's: B/Stable/B ⁽³⁾

Rapidly expanding projects portfolio

- Land bank of 3.78 mln sqm (equivalent of c. 16 Empire State Buildings)
- Land bank sufficient until 2017
- Projects portfolio focused on cash-flow generation
- Focus on comfort class segment
- Land bank secured to 2x delivery volume by 2012 and 4x by 2014

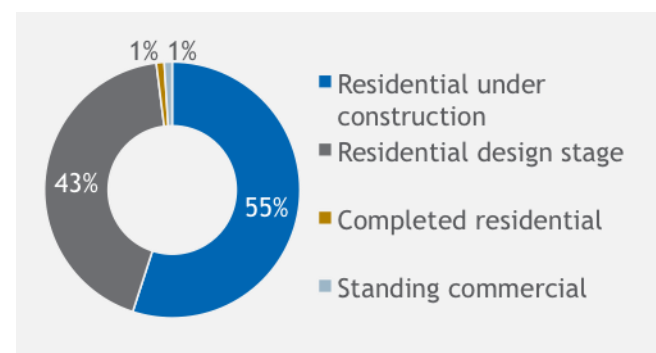
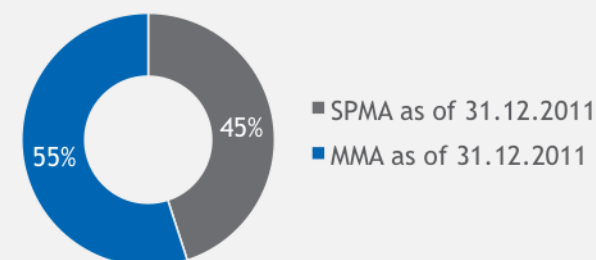
Corporate governance

- 10 BoD members, five NEDs
- Fully accomplished Board of Directors with appropriate representation of interests of all investor groups
- Quarterly trading updates and semi-annual financial reporting
- Official guidance on deliveries and new contract sales

Ticker	ETLN:LI
Market capitalization	USD 1,510 mln (18.01.2013)
Share price	USD 5.10 (18.01.2013)

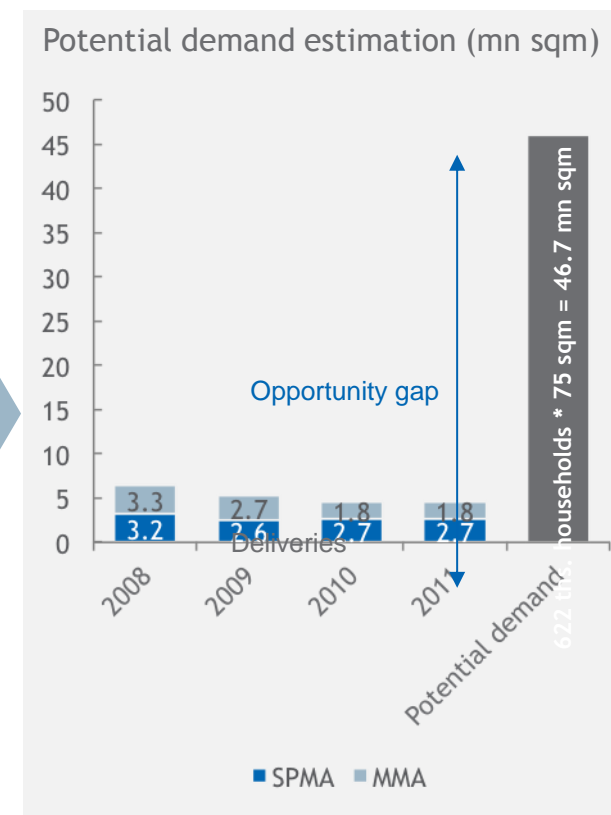
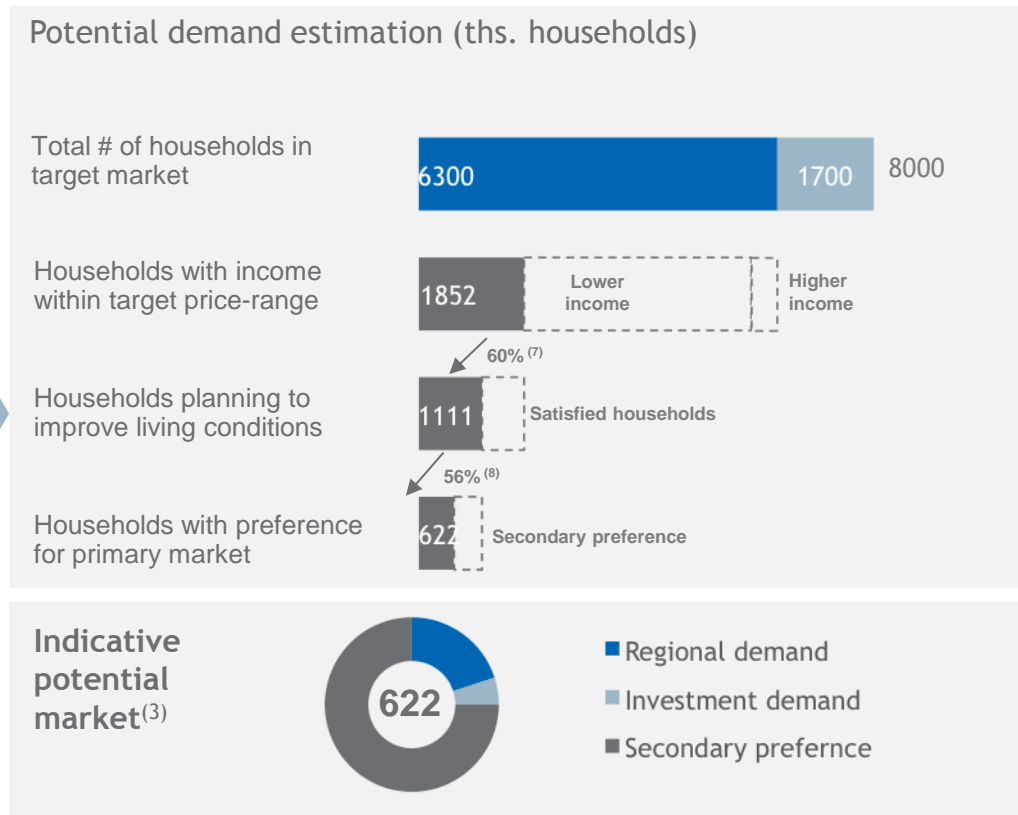
Portfolio composition

Total unsold NSA breakdown



Multiple generations of growth opportunity

MMA and SPMA are the most attractive residential markets in Russia



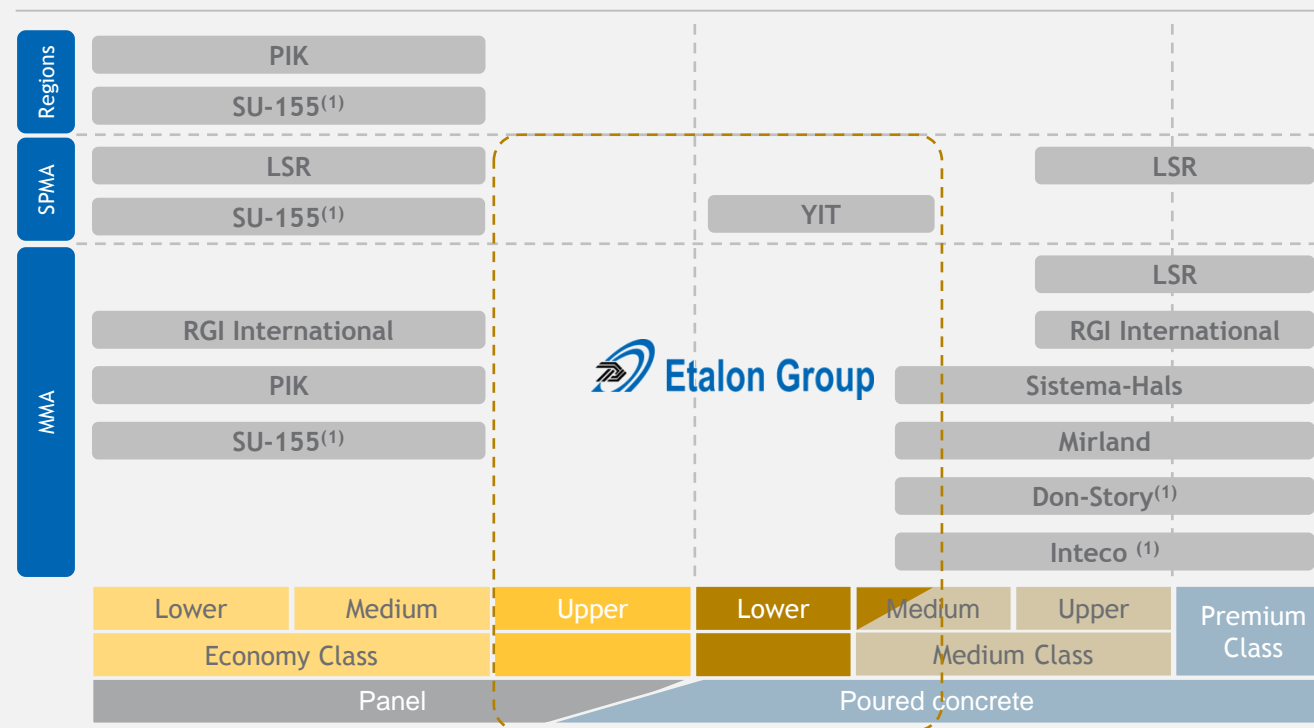
The above set of simple assumptions further supports the existence of significant unsatisfied demand for value-added housing in MMA and SPMA

⁽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 -Metinfo survey in Moscow, 1H 2010)

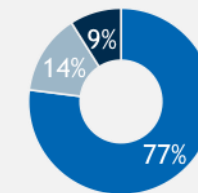
Unique price, product and market combination

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

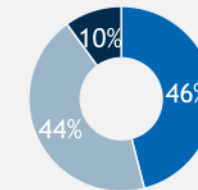
Real estate price segments of presence vs. competitors



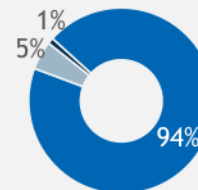
Supply structure by volume⁽²⁾
(2H 2010)



St. Petersburg
Total: 1.1mn sqm



Moscow
Total: 1.9mn sqm



Moscow Region
Total: 13.7mn sqm

■ Economy class ■ Middle class ■ Premium class

- 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 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\$);

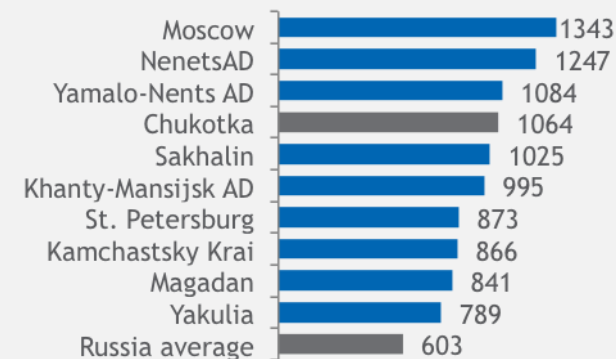
⁽²⁾Source: management accounts

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

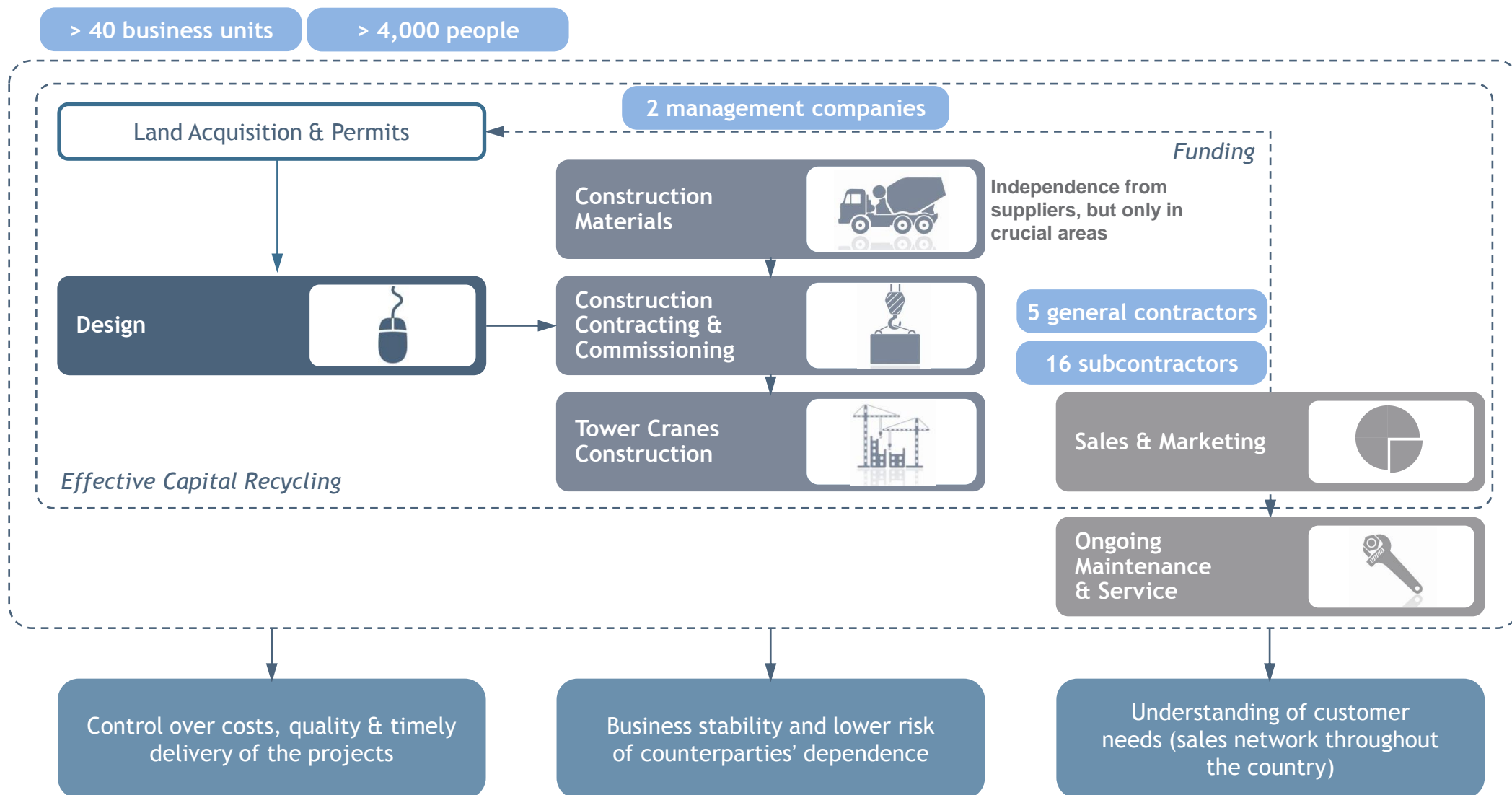
Disposable income (US\$)⁽¹⁾



■ Etalon Group's target regions

Strategic vertical integration: control over costs, quality and timing

Etalon Group operates in every part of property development process



⁽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

Board of Directors represents interests of all investor groups

FOUNDERS



Viacheslav Zarenkov

Chairman of the Board of Directors, Founding shareholder and President of Etalon Group

Experience and awards

- 43 years of experience in construction industry
- Honored builder of Russia⁽¹⁾

Education

- Institute of Civil Engineering and SPb University of the Internal Affairs
- PhD in Economics, PhD in Technical Sciences, PHD in Architecture, Professor



Dmitri Zarenkov

First Vice-President of Etalon Group

Experience and awards

- 16 years of experience in construction industry
- Honored builder of Russia⁽¹⁾; Certificate of Honour of the Ministry of Regional Development

Education

- Institute of Aeronautical Instrumentation, SPb University of Architecture & Civil Engineering and SPb University of Internal Affairs
- PhD in Engineering

NON-EXECUTIVE DIRECTORS



Michael John Calvey

Senior partner at Baring Vostok since 1999

Experience and awards

- Member of the board of Europlan, Volga Gas, Gallery Media Group, etc.
- Worked at EBRD, Salomon Brothers, Sovlink Corporation
- Ex-Member of the board of CTC Media, Golden Telecom, Burren Energy

Education

- University of Oklahoma and London School of Economics



Alexey Kalinin

Senior partner at Baring Vostok

Experience and awards

- With Baring Vostok since 1999
- Worked at Alfabank and Alfa Capital
- Chairman of the Board of Directors at Volga Gas, member of the board of directors at Samarenergo and two Russian glass companies

Education

- Moscow Power Engineering University
- PhD in Engineering



Martin Cocker

INED at Etalon Group

Experience and awards

- 16 years of experience in audit, 3 years - in construction industry
- Runs his own development business in Portugal
- Worked at Deloitte & Touche, KPMG and Ernst & Young in Russia, Kazakhstan and UK

Education

- University of Keele



Peter Touzeau

Client Director at International Private Equity Services (Guernsey) Limited

Experience and awards

- Director of the General Partners Boards of a number of Guernsey private equity funds
- Director of the Board of the Investment Advisor to the funds investing in Russia, board member of a number of their portfolio companies
- Worked at Sedgwick Management Services (Guernsey) Limited, Marsh Management Services (Guernsey) Ltd

Education

- Oatlands College



Anton Poriadine

INED at Etalon Group

Experience and awards

- 10 years of experience in strategy consulting at A.T. Kearney. Partner and Vice President at A.T. Kearney
- Previously project manager at Barents International Markets B.V., Corporate Development and Project Finance Director at Torno Internazionale S.p.A., deputy General Manager of St. Petersburg Foundation for Enterprise Development

Education

- St. Petersburg Technical University and Business School at the University Of Rochester

EXECUTIVE DIRECTORS



Alexander Shkuratov

Advisor to the President of Etalon Group

Experience and awards

- 6 years of experience in construction industry
- Worked at Baring Vostok, Carlyle Group, E&Y, Deloitte

Education

- Finance Academy under the Government of Russia



Anton Evdokimov

CFO of Etalon Group

Experience and awards

- 26 years of experience in construction industry
- Certificate of Honour of the Ministry of Regional Development of Russia

Education

- Leningrad Engineering Construction Institute, SPb State University and International Banking Institute, MBA



Dmitri Boulkhovkov

Head of investments of Etalon Group

Experience and awards

- 6 years of experience in construction industry
- Worked at Renaissance Partners, Carlyle Group, Deloitte, E&Y

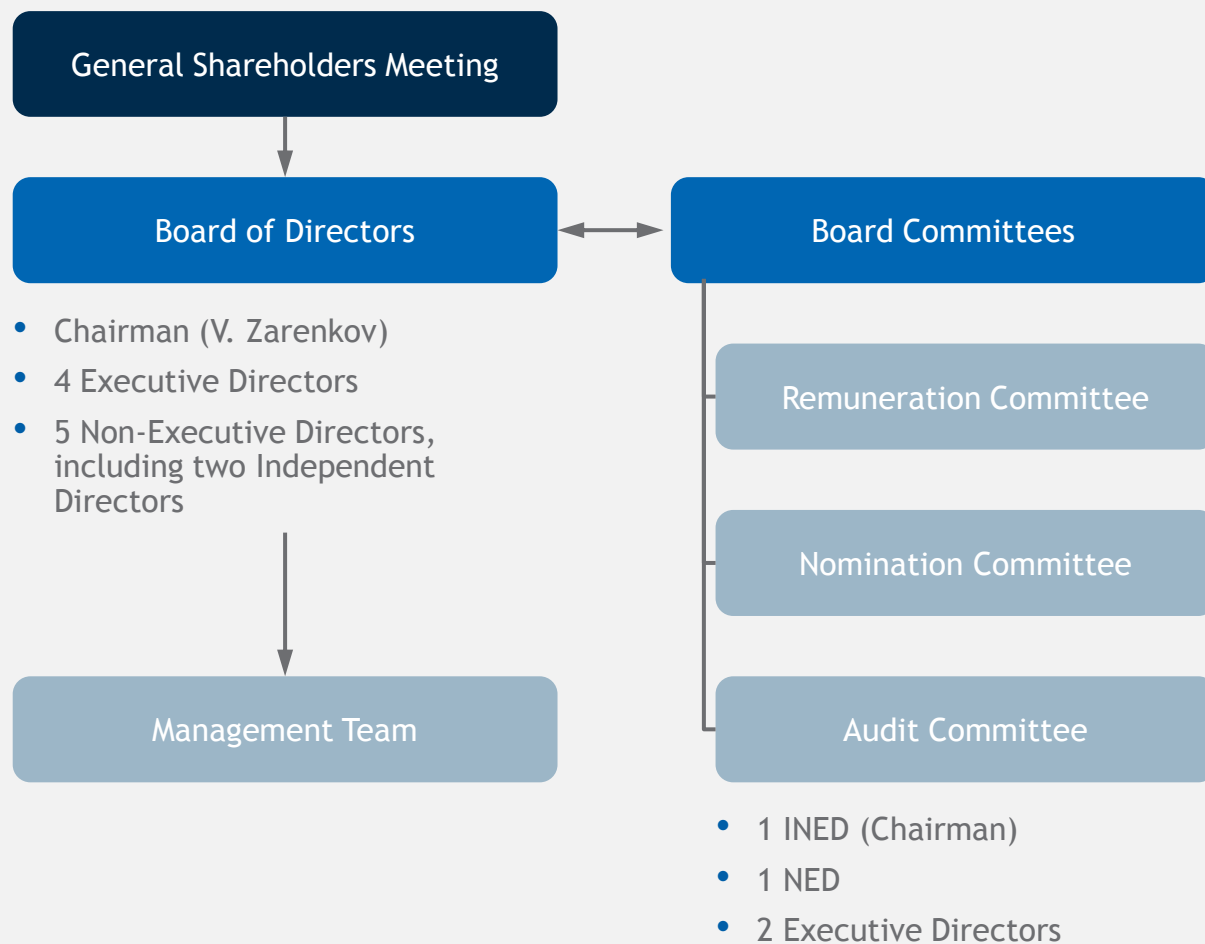
Education

- Moscow State University named after Lomonosov

⁽¹⁾ Title granted by President of Russia

Strong corporate governance and cornerstone international investor

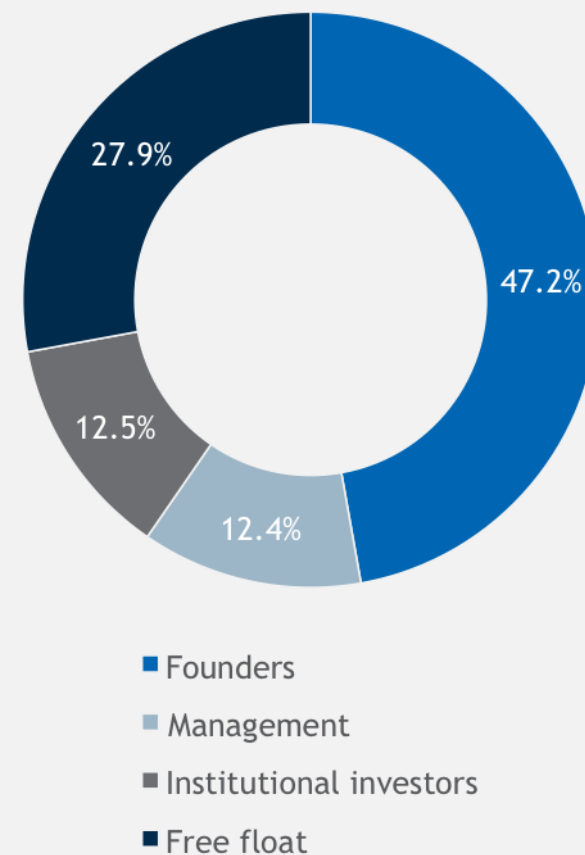
Corporate governance structure



Source: Company data

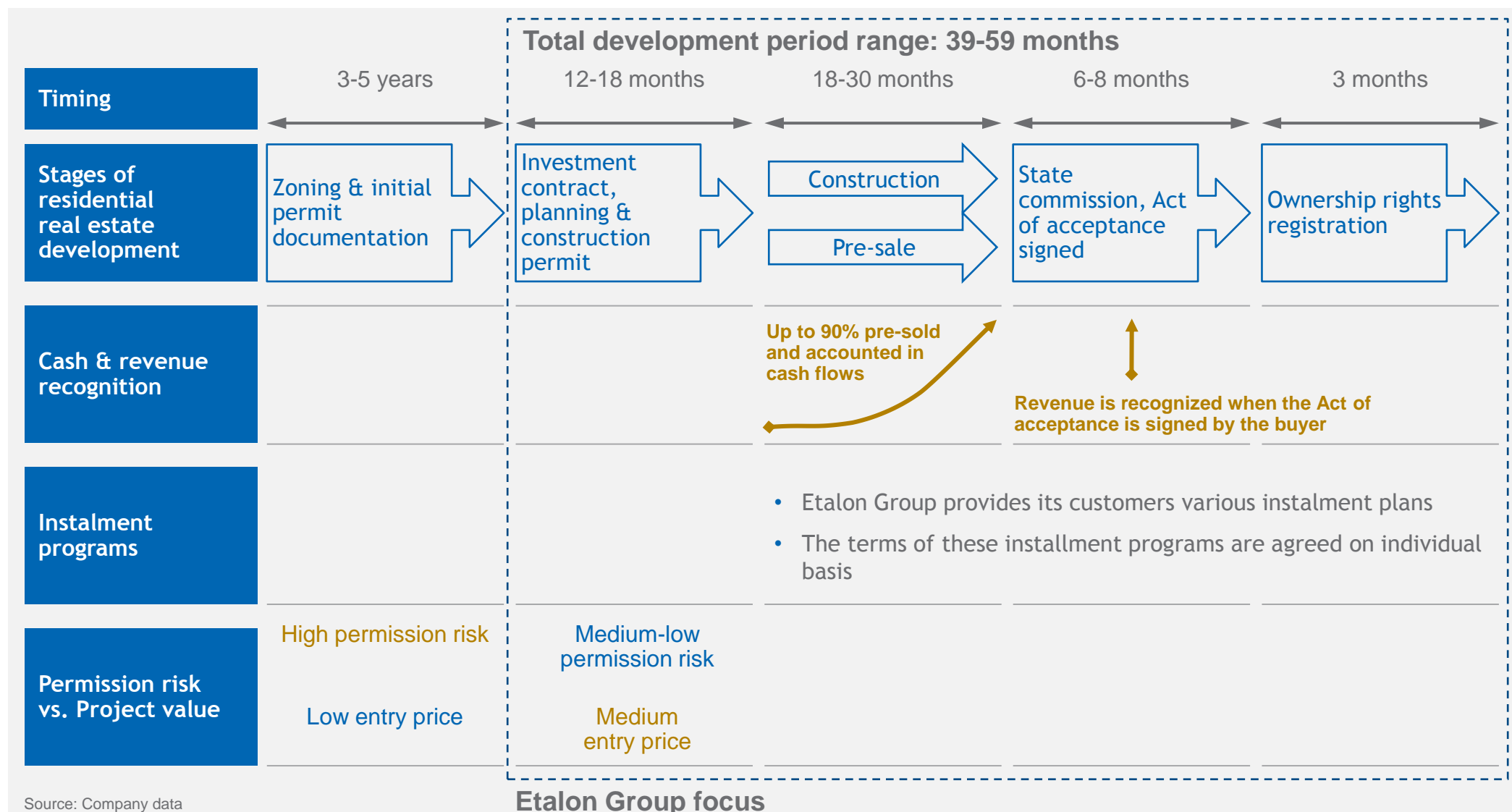
⁽¹⁾includes Baring Vostok

Current shareholding structure



As of 15 April 2011

Revenue recognition scheme



Industrial construction

Description

- Etalon Group is a leader in industrial construction in the North-West region of Russia with superb track record throughout its history

Track-record

- We have contributed to 15 milestone projects
- Heat & power station, two hotels, four car assembly plants, shipyards, machinery plant, fitness and sports center etc.

Strategy

- 12 projects under way
- Etalon Group plans to continue developing its industrial construction operations and maintain its share in total business

Diversification benefits

- Ability and expertise to provide quality construction services to well-known international and local companies facilitates Group's brand development
- Allows to maintain skilled work force during market downturn

Selected industrial projects completed by Etalon Group

Toyota



Poling and gridding

Ford



Design & construction (increase of production capacities)

GM



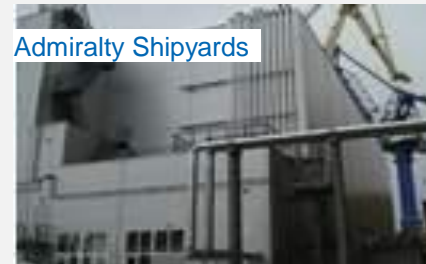
Poling & road infrastructure construction

Nissan



Infrastructure & site for the finished good

Admiralty Shipyards



Construction of workshop & transportation utilities

Pulkovo customs



Full construction cycle

Satellite Antennas Production Plant



Turn-key project, which involved design and construction of an industrial building

North-West Heat & Power Station



Foundation construction for a cooling tower and main building

Almazov Medical Complex



Renovation of the existing building and building up two additional floors

Income statement

Mn USD	2009	2010	2011	1H 2011	1H 2012
Revenue	635.6	668.7	773.8	329.6	397.7
Cost of sales	(347.0)	(364.6)	(404.5)	(166.4)	(255.1)
Gross profit	288.6	304.1	369.3	163.1	142.6
General and administrative expenses	(45.3)	(67.4)	(79.2)	(35.7)	(39.1)
Selling expenses	(4.1)	(19.4)	(29.1)	(11.8)	(12.7)
Other expenses, net	(6.2)	(5.8)	(0.9)	1.3	(0.9)
Results from operating activities	233.0	211.5	260.1	116.9	89.9
Finance income	7.1	9.3	49.0	8.2	12.0
Finance costs	(33.0)	(22.0)	(2.0)	(0.7)	(3.1)
Net finance costs	(25.9)	(12.6)	47.0	7.5	8.9
Share of profit of equity accounted investees (net of income tax)	0.1	0.0	0.0	0.0	0.0
Profit before income tax	207.1	198.9	307.1	124.5	98.8
Income tax expense	(45.1)	(44.6)	(53.9)	(28.2)	(21.3)
Profit for the period	162.0	154.3	253.1	96.3	77.5
<i>Profit attributable to:</i>					
Owners of the Company	155.4	152.3	249.5	95.3	76.6
Non controlling interest	6.6	1.9	3.7	1.0	0.9
Profit for the period	162.0	154.3	253.1	96.3	77.5

Source: audited consolidated IFRS accounts for 2009, 2010, 2011 and condensed consolidated IFRS accounts for 6M 2012

Balance sheet

Mn USD	2009	2010	2011	30/06/2012
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Assets

Non-current assets

PP&E	55.0	54.5	62.4	65.6
Other long-term investments	1.1	1.3	2.7	1.5
Trade and other receivables	26.7	26.7	17.1	14.4
Deferred tax assets	36.9	8.6	21.1	16.3
Other non-current assets	0.1	1.1	2.9	0.3
Total non-current assets	119.7	95.1	106.2	98.0

Current assets

Inventories	883.5	841.6	995.2	1,054.6
Trade and other receivables	128.2	130.1	232.1	249.8
Short-term investments	0.9	11.2	41.2	92.4
Cash and cash equivalents	113.0	119.3	449.8	404.5
Other current assets	0.8	1.9	1.1	0.4
Total current assets	1,126.4	1,104.0	1,719.4	1,801.8
Total assets	1,246.1	1,199.1	1,825.6	1,899.8

Mn USD	2009	2010	2011	30/06/2012
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Equity and Liabilities

Equity

Share capital	64.6	64.0	465.2	456.0
Retained earnings	176.1	333.2	549.8	609.7
Total equity attributable to equity holders of the Company	240.6	397.3	1,015.0	1,065.7
Non-controlling interest	25.6	15.1	11.6	13.3
Total equity	266.2	412.3	1,026.6	1,079.0

Non-current liabilities

Long-term debt	85.1	219.9	262.6	227.5
Long-term trade and other payables	12.6	8.6	1.5	0.9
Provision	2.7	2.7	2.4	1.9
Deferred tax liabilities	27.8	1.3	3.0	8.3
Total non-current liabilities	128.2	232.4	269.5	238.5

Current liabilities

Loans and borrowings	108.2	46.7	60.6	102.8
Trade and other payables	679.8	468.6	420.5	443.9
Provisions	63.6	39.0	48.4	35.5
Total current liabilities	851.6	554.4	529.5	582.3
Total equity and liabilities	1,246.1	1,199.1	1,825.6	1,899.8

Source: audited consolidated IFRS accounts for 2009, 2010, 2011 and condensed consolidated IFRS accounts for 6M 2012

Cashflow statement

Mn USD	2009	2010	2011	1H 2011	1H 2012
Operating Activities					
Profit for the period	162.0	154.3	253.1	96.3	77.5
<i>Adjustments for</i>					
Depreciation and amortisation	6.5	9.4	9.0	4.4	6.8
(Gain)/loss on disposal of PP&E	(2.0)	(0.0)	(3.1)	(2.1)	(0.9)
Loss on disposal of subsidiaries	0	0.2	0.0	0.0	0.0
Share of profit on equity accounted investees	(0.1)	0.0	0.0	0.0	0.0
Gain/(loss) on disposal of other investments	0.0	0.0	(0.8)	(0.8)	0.0
Finance cost, net	24.3	16.1	(48.5)	(7.4)	(7.8)
Impairment losses on loans given	2.4	0.0	0.0	0.0	0.0
Income tax expense	45.1	44.6	53.9	28.2	21.3
Cash from operating activities before changes in working capital	238.2	224.6	263.7	118.6	96.9
Change in inventories	81.6	50.0	(180.6)	(62.0)	(68.1)
Change in accounts receivable	(26.0)	(6.6)	(98.4)	(32.0)	(13.1)
Change in accounts payable	(196.2)	(219.2)	(27.8)	(15.3)	46.9
Change in provisions	13.2	(24.2)	12.5	(5.3)	(13.4)
Change in other current assets	(0.5)	(1.1)	0.8	1.0	0.7
Income tax paid	(15.9)	(35.6)	(64.5)	(48.0)	(30.6)
Interest paid	(26.0)	(26.8)	(37.4)	(19.2)	(15.6)
Net cash provided by operating activities	68.6	(39.0)	(131.8)	(62.2)	3.7

Mn USD	2009	2010	2011	1H 2011	1H 2012
Investing Activities					
Proceeds from disposal of non-current assets	3.4	1.0	4.0	3.4	1.3
Interest received	6.3	3.1	4.8	2.4	8.2
Acquisition of PP&E	(7.0)	(10.8)	(24.7)	(6.7)	(9.7)
Loans given	(8.4)	(3.5)	(8.6)	(2.1)	(0.4)
Loans repaid	0.2	2.0	8.0	1.9	0.8
Acquisition of subsidiaries, net of cash acquired	0.5	0.3	0.0	0.0	0.0
Disposal of subsidiaries, net of cash disposed of	0.0	(1.2)	(0.6)	0.0	0.0
Acquisition of other investments	0.0	(9.1)	(34.9)	(17.3)	(54.9)
Net cash used in investing activities	(4.9)	(18.3)	(52.1)	(18.4)	(54.7)
Financing activities:					
Proceeds from IPO	0.0	0.0	458.9	472.2	0.0
Proceeds from issue of share capital	0.0	0.0	0.0	0.0	0.0
Acquisition of non-controlling interest	0.0	(3.2)	(0.1)	0.0	0.0
Proceeds from disposal of non-controlling interest	0.0	0.0	0.8	0.8	0.0
Proceeds from borrowings	272.2	355.3	216.2	79.8	90.6
Repayments from borrowings	(303.4)	(283.7)	(164.0)	(27.2)	(80.1)
Acquisition of own shares	0.0	0.0	(15.6)	0.0	(0.4)
Dividends paid	(1.0)	(1.3)	0.0	0.0	0.0
Net cash (used in) from financing activities	(32.1)	67.1	496.1	525.6	10.1
Net increase in cash and cash equivalents	31.6	9.9	312.2	445.0	(40.9)
Cash & cash equivalents at the end of the period	107.5	119.7	492.8	565.2	434.2

Source: audited consolidated IFRS accounts for 2009, 2010, 2011 and condensed consolidated IFRS accounts for 6M 2012

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