

1Q 2013 Operating Results

Investor presentation

April 2013

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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

1Q 2013 Operating Results

1

1Q 2013 Operating
Results

2

2013 Deliveries -
Visual Update

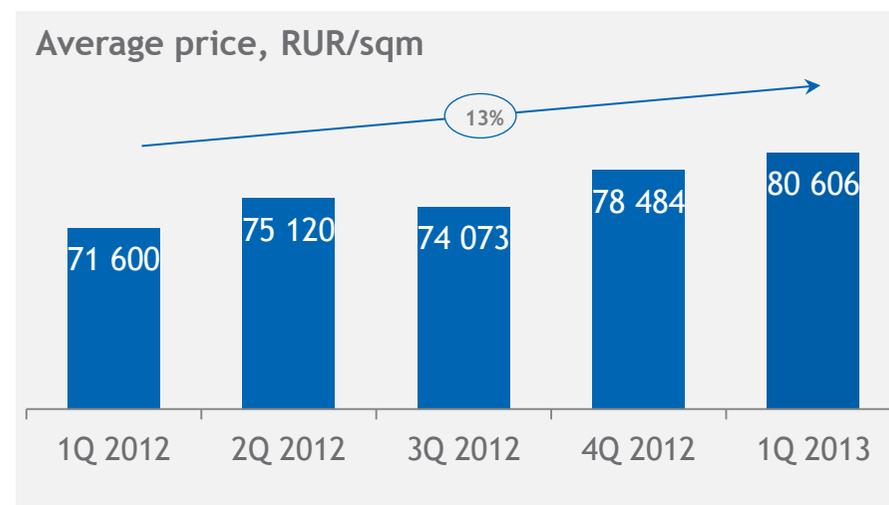
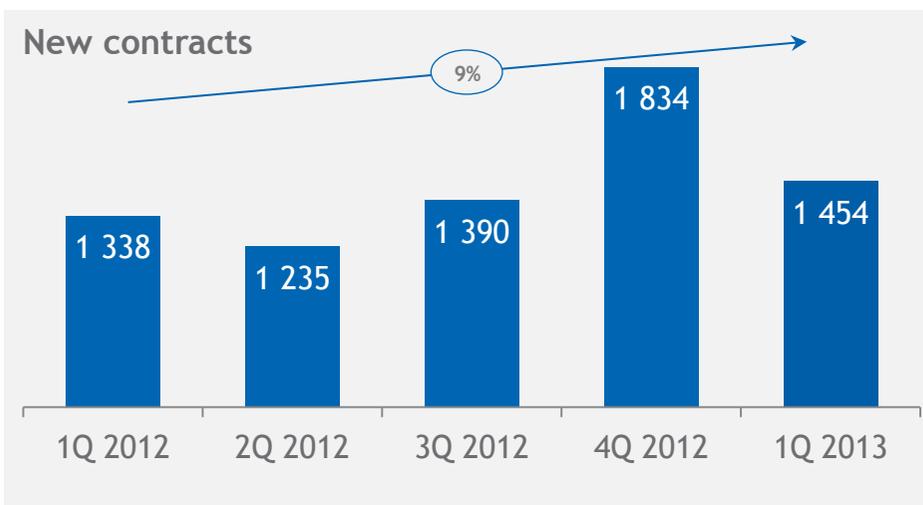
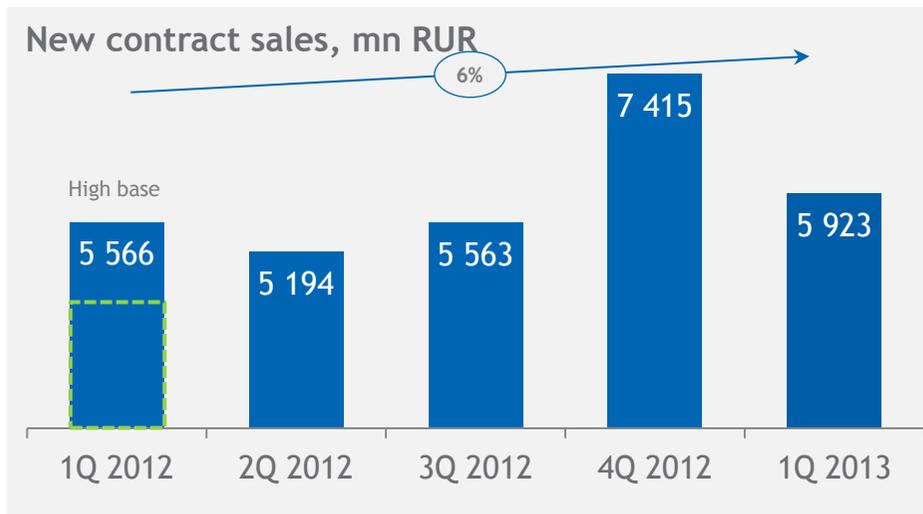
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Appendix

1Q 2013 Operating Results



New contract sales dynamics in 1Q 2013



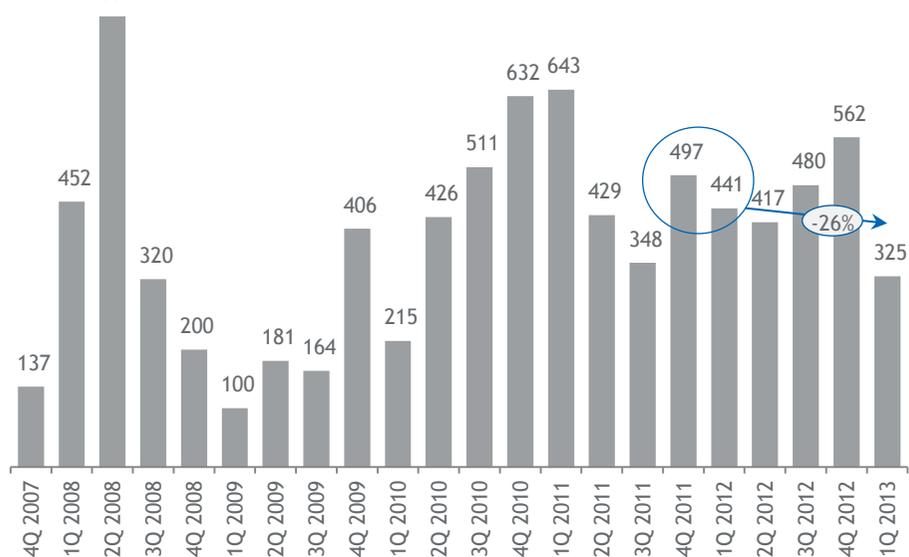
- Average down payment was 68%, down from 72% in 1Q 2012 (significantly above the average of 50% envisaged by the business model)

- Share of mortgage contracts reached 18% in 1Q 2013, up from 10% in 1Q 2012

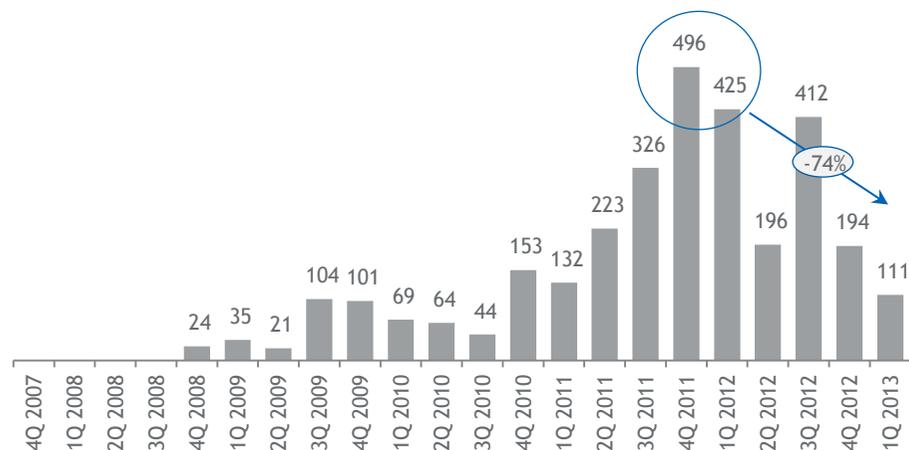
- Share of MMA contracts reached 22% in 1Q 2013 up from 14% in 1Q 2012

High sqm base in 1Q 2012, change in product mix in 1Q 2013

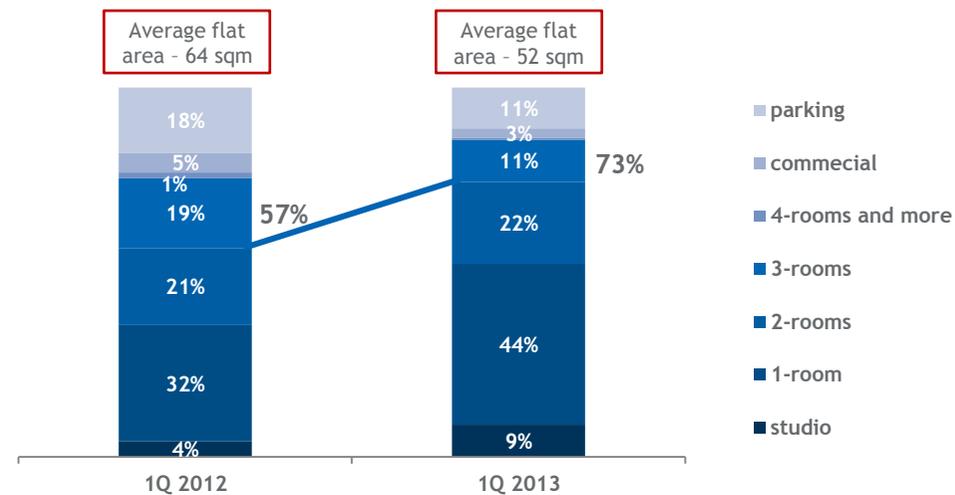
Jubilee Estate sales, # of contracts were at high level in 1Q 2012



1Q 2012 marked peak in Orbit sales, # of contracts



New contract sales breakdown by type of product

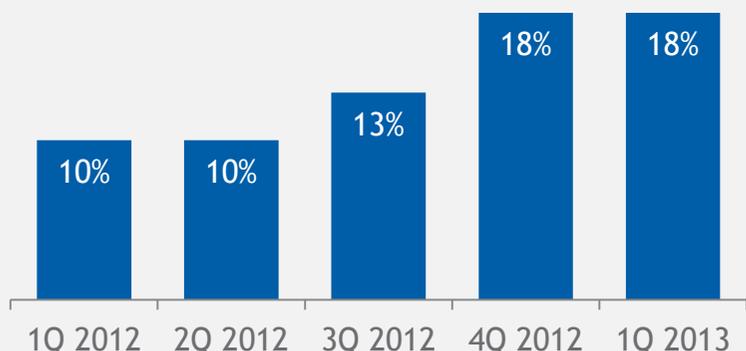


Changes in product mix

- 1Q 2012 set a high base for comparison due to uptick in Jubilee Estate sales and peak in Orbit sales;
- As new projects were launched, the share of smaller-size flats in new contract sales significantly increased from 57% to 73%.

Joint programs established with major banks, yet modest dependency on mortgages due to flexible pre-sales installment plans

Share of mortgage sales, %



Highlights

- Etalon Group offers mortgage programs with major domestic and international banks, including Sberbank, VTB Group, Societe Generale (Rosbank), Raiffeisen Group and KBC Group (Absolut Bank)
- Joint programs established with 22 banks and special mortgages agencies to offer flexible financing options:
 - minimum down payment: 10 - 30%
 - maturity: 1 - 30 years
 - interest:
 - from 7.9% in RUR
 - from 10% in EUR
 - from 10.5% in USD

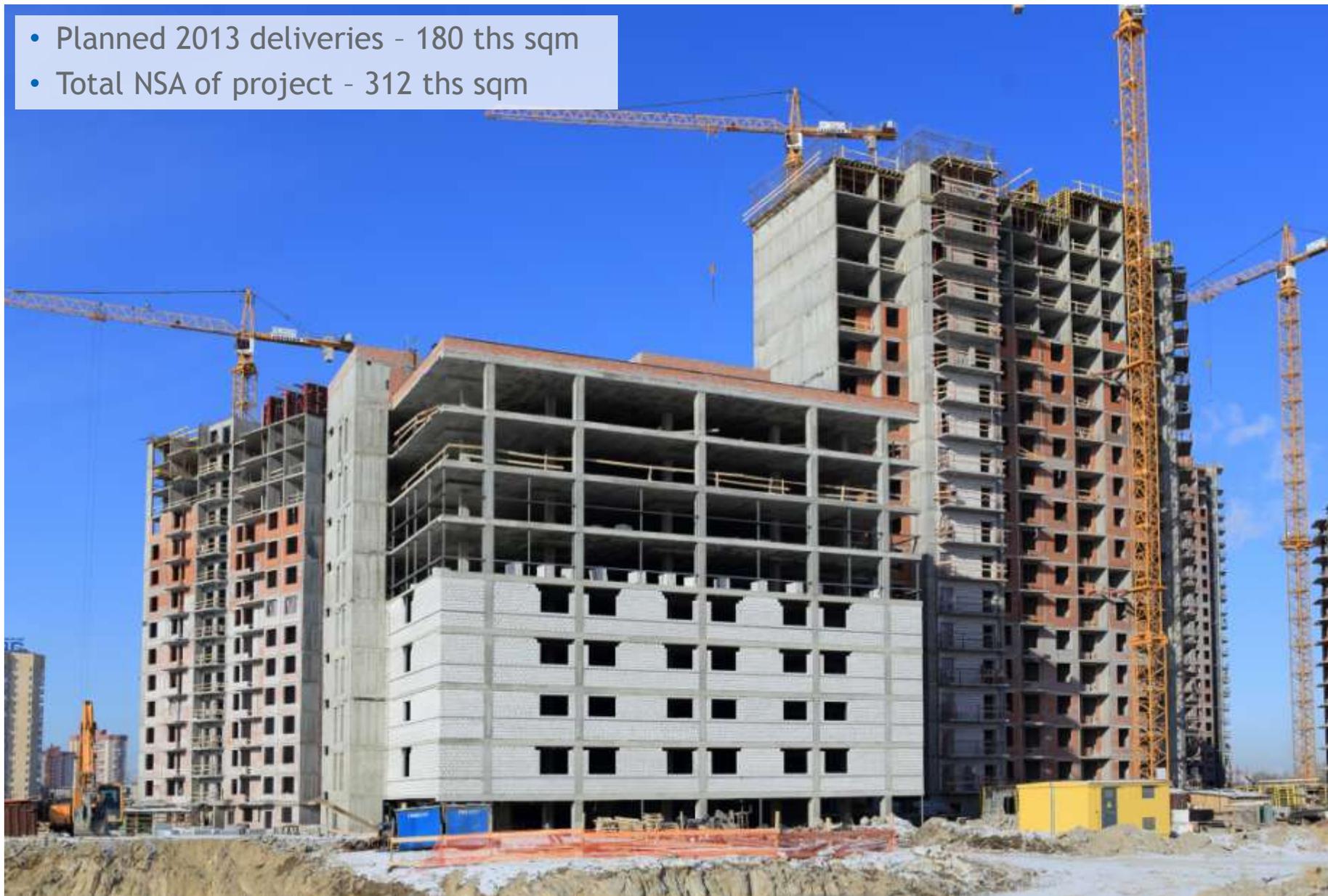


2013 Deliveries - Visual Update



Swallow's nest

- Planned 2013 deliveries - 180 ths sqm
- Total NSA of project - 312 ths sqm



Tukhachevskogo Street



Galant



- Planned 2013 deliveries - 12 ths sqm
- Total NSA of project - 49 ths sqm

Letniy

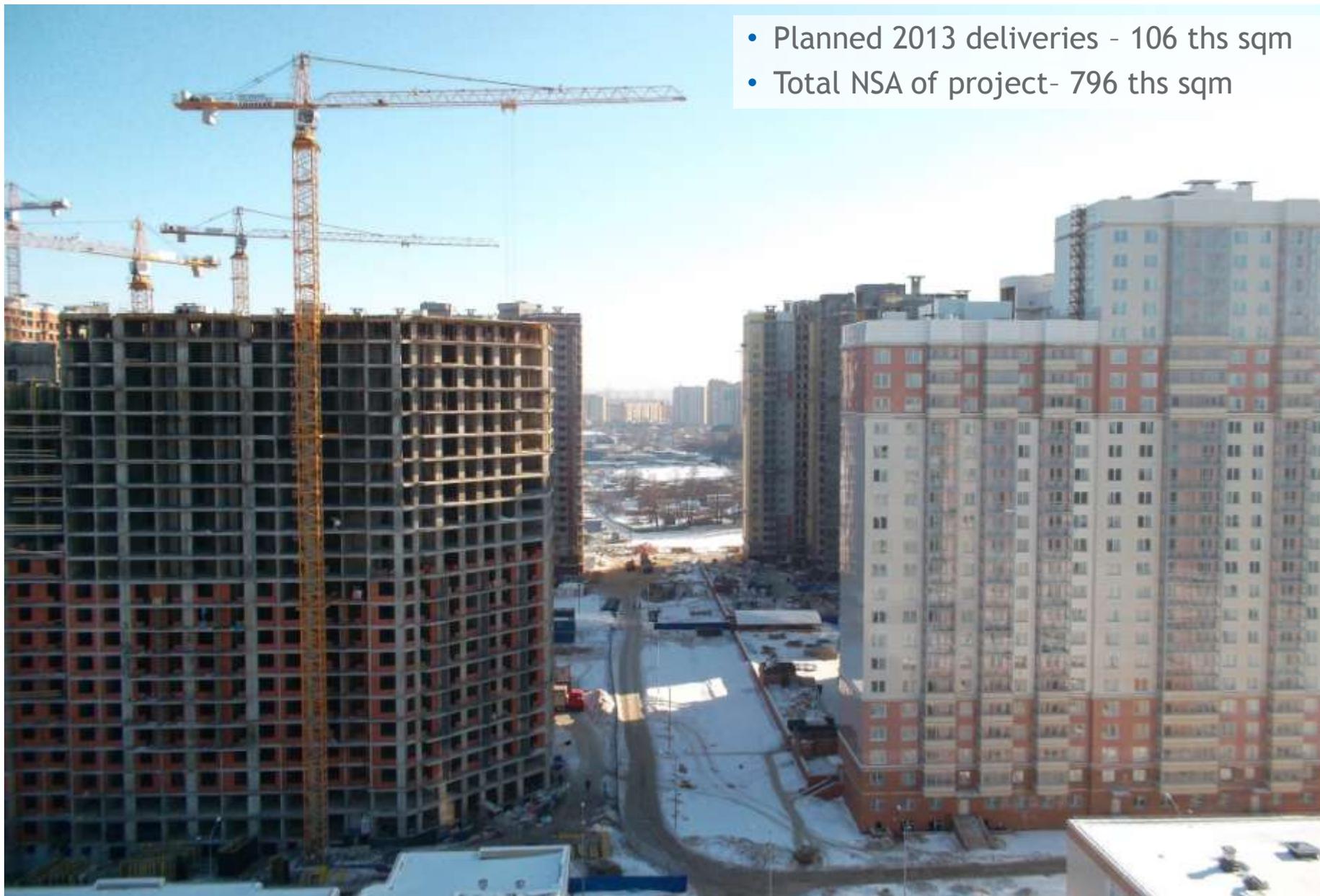


Tsar's Capital



- Planned 2013 deliveries - 72 ths sqm: 3 buildings to be delivered with 7 floors in each building
- Total NSA of project - 390 ths sqm

Emerald Hills



- Planned 2013 deliveries - 106 ths sqm
- Total NSA of project- 796 ths sqm

Key takeaways

- **High base effect vs 1Q 2012**
 - Sales of flats in Orbit project peaked, while Jubilee Estate sales were at high level in 1Q 2012
- **New contract sales**
 - New contract sales in 1Q 2013 increased 6% y-o-y to RUR 5.9 bln and decreased 5% to 74 ths sqm, driven by high base in 1Q 2012 and increased share of smaller apartments in product mix
 - Total number of contracts in 1Q 2013 increased 9% y-o-y to 1,454
 - Share of mortgages steady q-o-q at 18% in 1Q 2013, highest level in Etalon Group's history
 - In 1Q 2013 average down payment was 68%, significantly above the target of 50% envisaged by the business model
- **Share of MMA continues to increase**
 - Share of contracts in the Moscow Metropolitan Area reached its highest ever level of 22%
- **Share of studio/one-room/two-room apartments increased 73% from 57% with average apartment**
- **Average price increased 13% in 1Q 2013 y-o-y to 80,606 RUR per sqm**
- **2013 deliveries on track**

Appendix



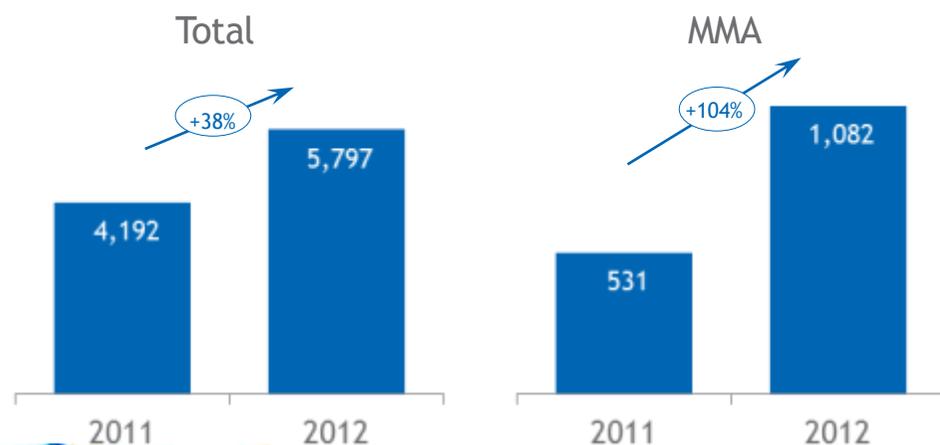
Deliveries in 2012

Updated construction programme, ths sqm of NSA



Source: company estimates

Number of new contracts

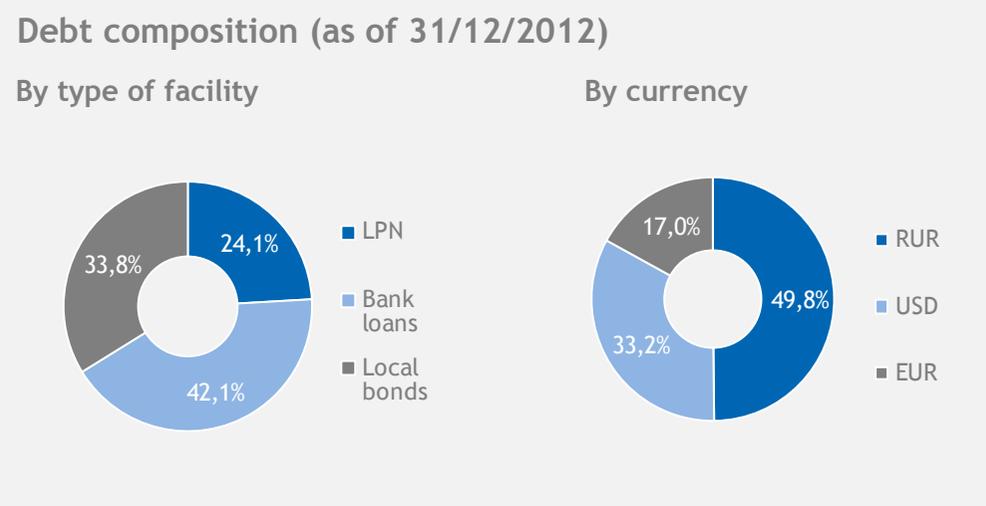
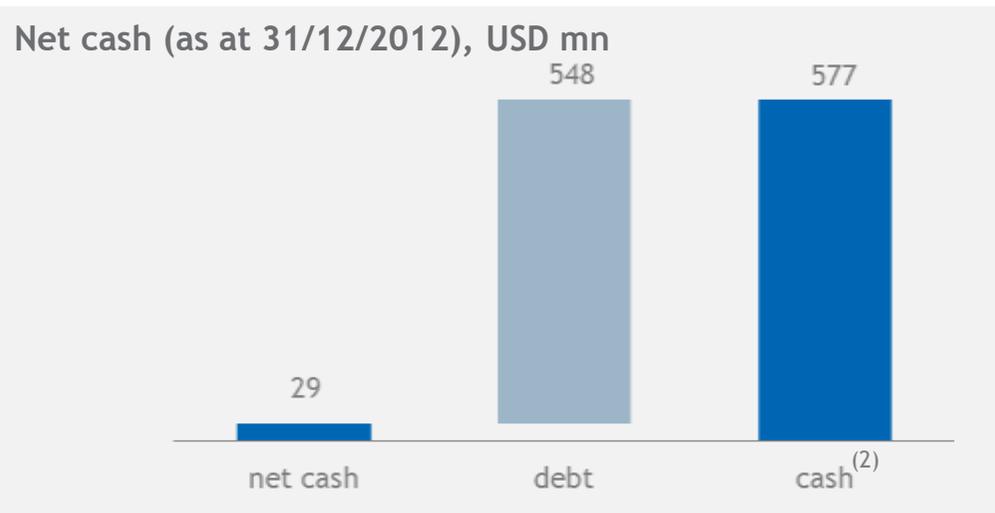
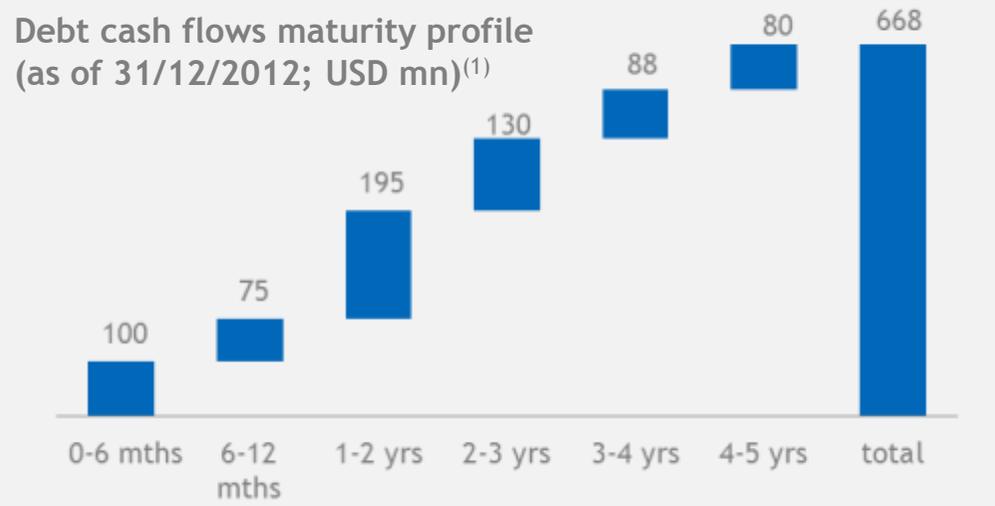


2012 Deliveries and transfer to customers

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

- Deliveries increased by 11% y-o-y to 363 ths sqm - fully in line with revised construction programme, including further successful expansion in MMA, with 83 ths sqm delivered at Emerald Hills project in FY 2012;
- 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.

Robust balance sheet



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 USD/RUR fx rate as at 31 December 2012	30.37
End of period EUR/RUR fx rate as at 31 December 2012	40.23

⁽¹⁾ Includes estimated interest payments and excluding the impact of netting agreements (Note 26 of Financial Statements)

⁽²⁾ Including bank deposits from ST Investments (Note 19 of Financial Statements)

Income statement

Mn USD	2009	2010	2011	2012
Revenue	635.6	668.7	773.8	865.6
Cost of sales	(347.0)	(364.6)	(404.5)	(563.1)
Gross profit	288.6	304.1	369.3	302.5
General and administrative expenses	(45.3)	(67.4)	(79.2)	(74.8)
Selling expenses	(4.1)	(19.4)	(29.1)	(30.8)
Other expenses, net	(6.2)	(5.8)	(0.9)	(6.7)
Results from operating activities	233.0	211.5	260.1	190.2
Finance income	7.1	9.3	49.0	24.1
Finance costs	(33.0)	(22.0)	(2.0)	(4.2)
Net finance income (costs)	(25.9)	(12.6)	47.0	19.9
Share of profit of equity accounted investees (net of income tax)	0.1	0.0	0.0	0.0
Profit before income tax	207.1	198.9	307.1	210
Income tax expense	(45.1)	(44.6)	(53.9)	(49.1)
Profit for the period	162.0	154.3	253.1	160.9
<i>Profit attributable to:</i>				
Owners of the Company	155.4	152.3	249.5	160.2
Non controlling interest	6.6	1.9	3.7	0.7
Profit for the period	162.0	154.3	253.1	160.9

Source: audited consolidated IFRS accounts for 2009, 2010, 2011, 2012

Balance sheet

Mn USD	2009	2010	2011	2012
Assets				
Non-current assets				
PP&E	55.0	54.5	62.4	78.4
Other long-term investments	1.1	1.3	2.7	2.0
Trade and other receivables	26.7	26.7	17.1	14.3
Deferred tax assets	36.9	8.6	21.1	14.3
Other non-current assets	0.1	1.1	2.9	0.3
Total non-current assets	119.7	95.1	106.2	109.3
Current assets				
Inventories	883.5	841.6	995.2	1,367.2
Trade and other receivables	128.2	130.1	232.1	364.1
Short-term investments	0.9	11.2	41.2	226.2
Cash and cash equivalents	113.0	119.3	449.8	352.8
Other current assets	0.8	1.9	1.1	1.1
Total current assets	1,126.4	1,104.0	1,719.4	2,311.4
Total assets	1,246.1	1,199.1	1,825.6	2,420.7

Mn USD	2009	2010	2011	2012
Equity and Liabilities				
Equity				
Share capital	64.6	64.0	465.2	492.8
Retained earnings	176.1	333.2	549.8	747.1
Total equity attributable to equity holders of the Company	240.6	397.3	1,015.0	1,239.9
Non-controlling interest	25.6	15.1	11.6	13.4
Total equity	266.2	412.3	1,026.6	1,253.3
Non-current liabilities				
Long-term debt	85.1	219.9	262.6	421.8
Long-term trade and other payables	12.6	8.6	1.5	32.3
Provision	2.7	2.7	2.4	2.2
Deferred tax liabilities	27.8	1.3	3.0	7.4
Total non-current liabilities	128.2	232.4	269.5	463.7
Current liabilities				
Loans and borrowings	108.2	46.7	60.6	126.0
Trade and other payables	679.8	468.6	420.5	558.6
Provisions	63.6	39.0	48.4	19.1
Total current liabilities	851.6	554.4	529.5	703.7
Total equity and liabilities	1,246.1	1,199.1	1,825.6	2,420.7

Source: audited consolidated IFRS accounts for 2009, 2010, 2011, 2012

Cashflow statement

Mn USD	2009	2010	2011	2012
Operating Activities				
Profit for the period	162.0	154.3	253.1	160.9
<i>Adjustments for</i>				
Depreciation and amortisation	6.5	9.4	9.0	13.4
(Gain/loss on disposal of PP&E)	(2.0)	(0.0)	(3.1)	(1.6)
Loss on disposal of subsidiaries	0	0.2	0.0	0.9
Share of profit on equity accounted investees	(0.1)	0.0	0.0	0.0
Gain/(loss) on disposal of other investments	0.0	0.0	(0.8)	0.0
Finance income (cost), net	24.3	16.1	(48.5)	(17.5)
Impairment losses on loans given	2.4	0.0	0.0	0.0
Income tax expense	45.1	44.6	53.9	49.1
Cash from operating activities before changes in working capital	238.2	224.6	263.7	205.3
Change in inventories	81.6	50.0	(180.6)	(245.7)
Change in accounts receivable	(26.0)	(6.6)	(98.4)	(97.3)
Change in accounts payable	(196.2)	(219.2)	(27.8)	131.1
Change in provisions	13.2	(24.2)	12.5	(31.9)
Change in other current assets	(0.5)	(1.1)	0.8	0.1
Income tax paid	(15.9)	(35.6)	(64.5)	(59.0)
Interest paid	(26.0)	(26.8)	(37.4)	(35.3)
Net cash provided by operating activities	68.6	(39.0)	(131.8)	(132.7)

Mn USD	2009	2010	2011	2012
Investing Activities				
Proceeds from disposal of non-current assets	3.4	1.0	4.0	2.3
Interest received	6.3	3.1	4.8	17.8
Acquisition of PP&E	(7.0)	(10.8)	(24.7)	(27.2)
Loans given	(8.4)	(3.5)	(8.6)	(11.9)
Loans repaid	0.2	2.0	8.0	11.7
Acquisition of subsidiaries, net of cash acquired	0.5	0.3	0.0	0.0
Disposal of subsidiaries, net of cash disposed of	0.0	(1.2)	(0.6)	(0.3)
Acquisition of other investments	0.0	(9.1)	(34.9)	(177.2)
Net cash used in investing activities	(4.9)	(18.3)	(52.1)	(184.8)
Financing activities:				
Proceeds from IPO	0.0	0.0	458.9	0.0
Proceeds from issue of share capital	0.0	0.0	0.0	0.0
Acquisition of non-controlling interest	0.0	(3.2)	(0.1)	(0.1)
Proceeds from disposal of non-controlling interest	0.0	0.0	0.8	0.0
Proceeds from borrowings	272.2	355.3	216.2	390.7
Repayments from borrowings	(303.4)	(283.7)	(164.0)	(178.7)
Acquisition of own shares	0.0	0.0	(15.6)	(0.4)
Dividends paid	(1.0)	(1.3)	0.0	0.0
Net cash (used in) from financing activities	(32.1)	67.1	496.1	211.5
Net increase (decrease) in cash and cash equivalents	31.6	9.9	312.2	106.1
Cash & cash equivalents at the end of the period	107.5	119.7	492.8	344.9

Source: audited consolidated IFRS accounts for 2009, 2010, 2011, 2012

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

- 3.4 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 2012 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 'Positive' outlook (last reconfirmed on 24.07.2012);

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\$29 mln as of 31.12.2012
- Credit rating by S&P's: B/Positive/B ⁽³⁾

Rapidly expanding projects portfolio

- Land bank of 3.58 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

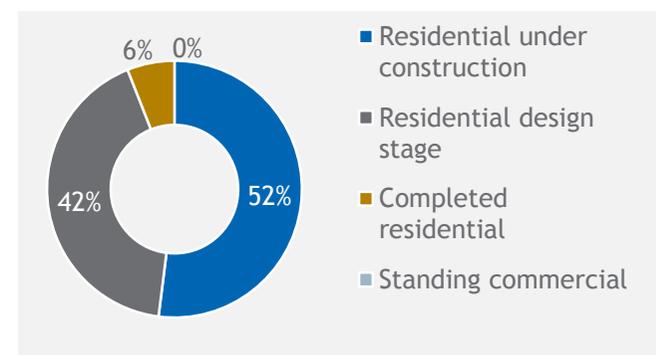
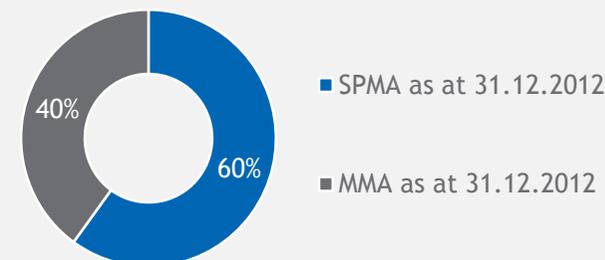
Corporate governance

- 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 1,357 mln (12.04.2013)
Share price	USD 4.602 (12.04.2013)

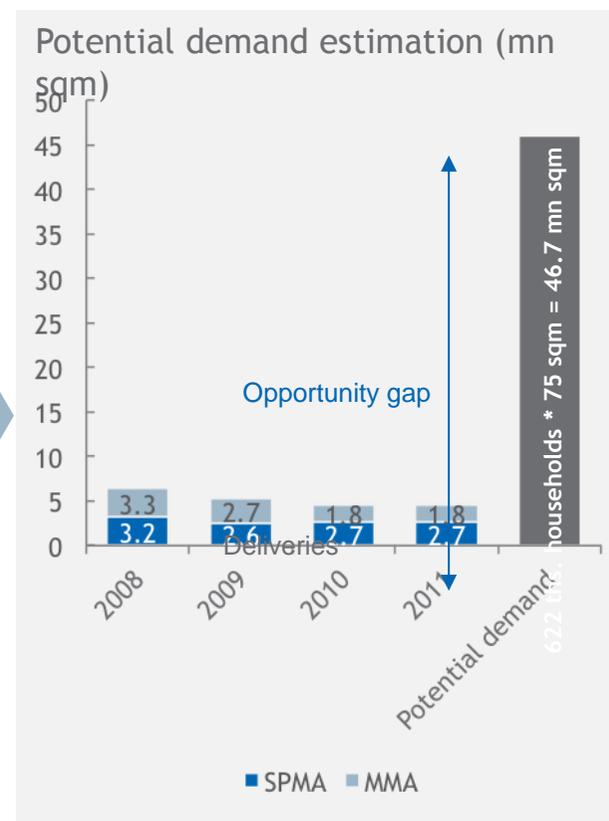
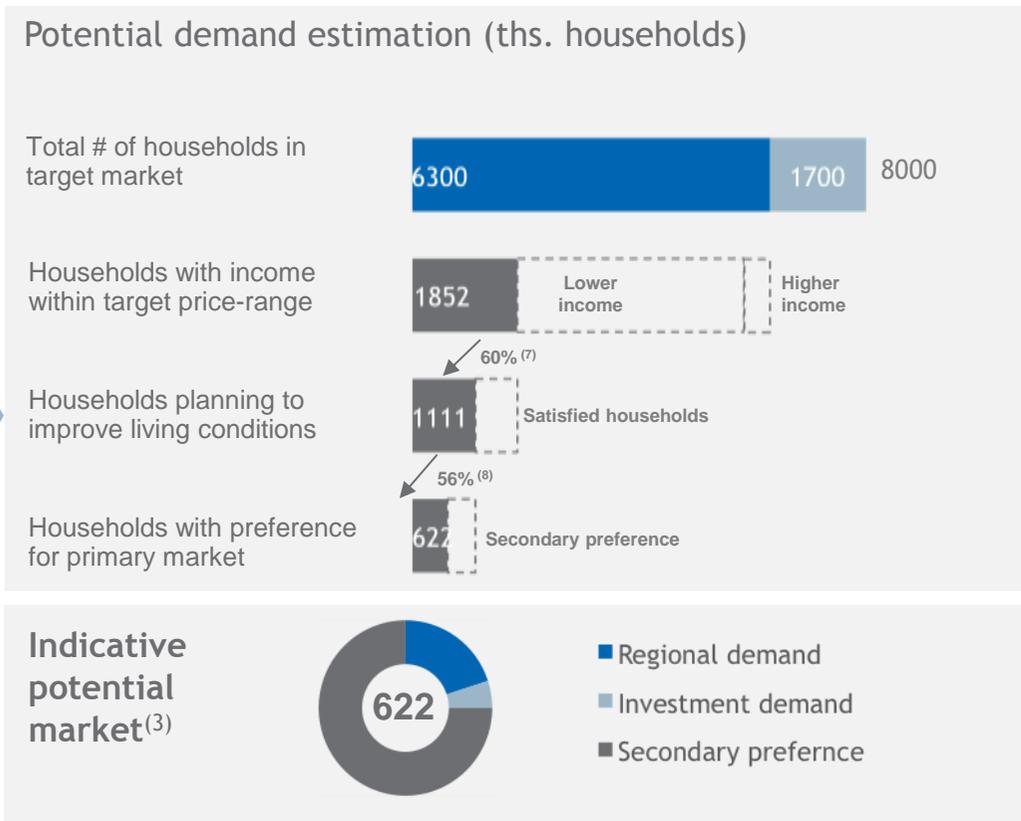
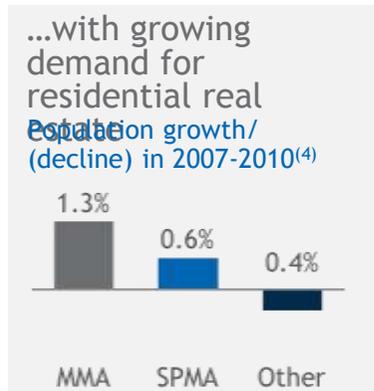
Portfolio composition

Total unsold NSA breakdown



Multiple generations of growth opportunity

MMA and SPMA are the most attractive residential markets in Russia



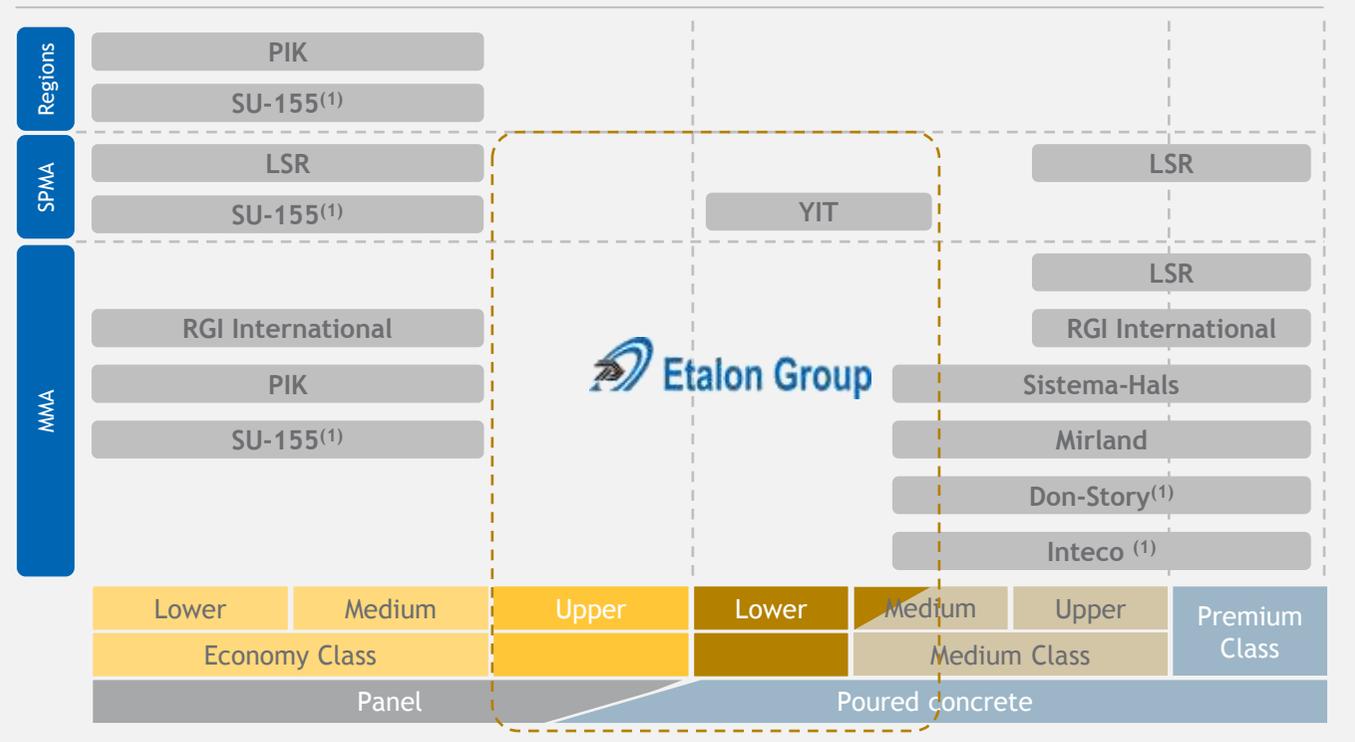
The above set of simple assumptions further supports the existence of significant unsatisfied demand for value-added housing in MMA and SPMA

⁽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)



- 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

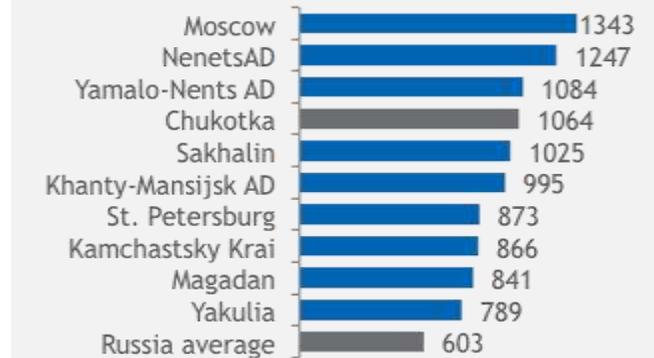
⁽¹⁾Average monthly disposable income, Rosstat data as of 3Q 2010; RUR values were converted into US\$ at official CBR average exchange rate in 3Q 2010 (30.62 RUR/US\$);
⁽²⁾Source: management accounts

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⁾



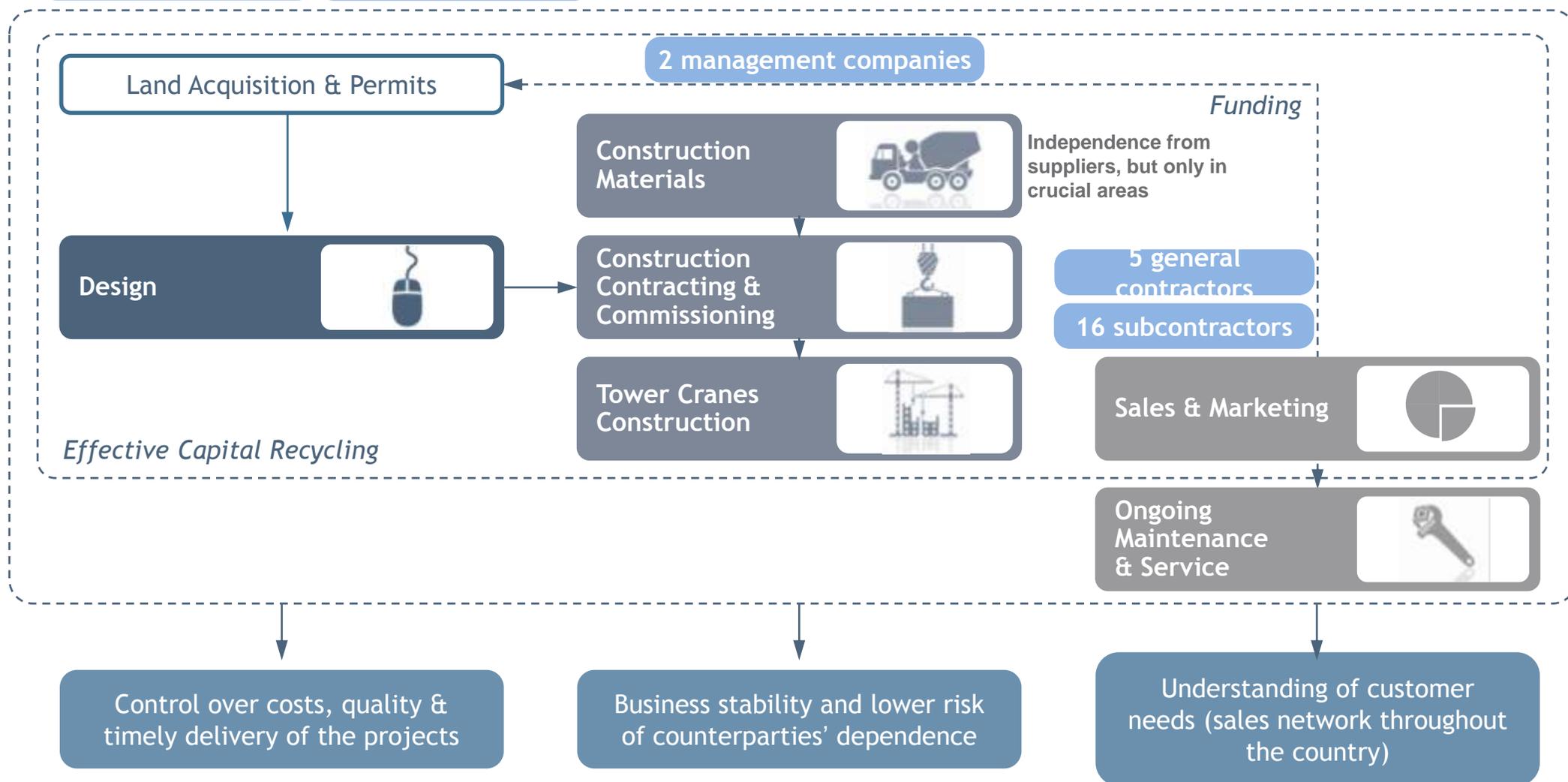
■ Etalon Group's target regions

Strategic vertical integration: control over costs, quality and timing

Etalon Group operates in every part of property development process

> 40 business units

> 4,000 people



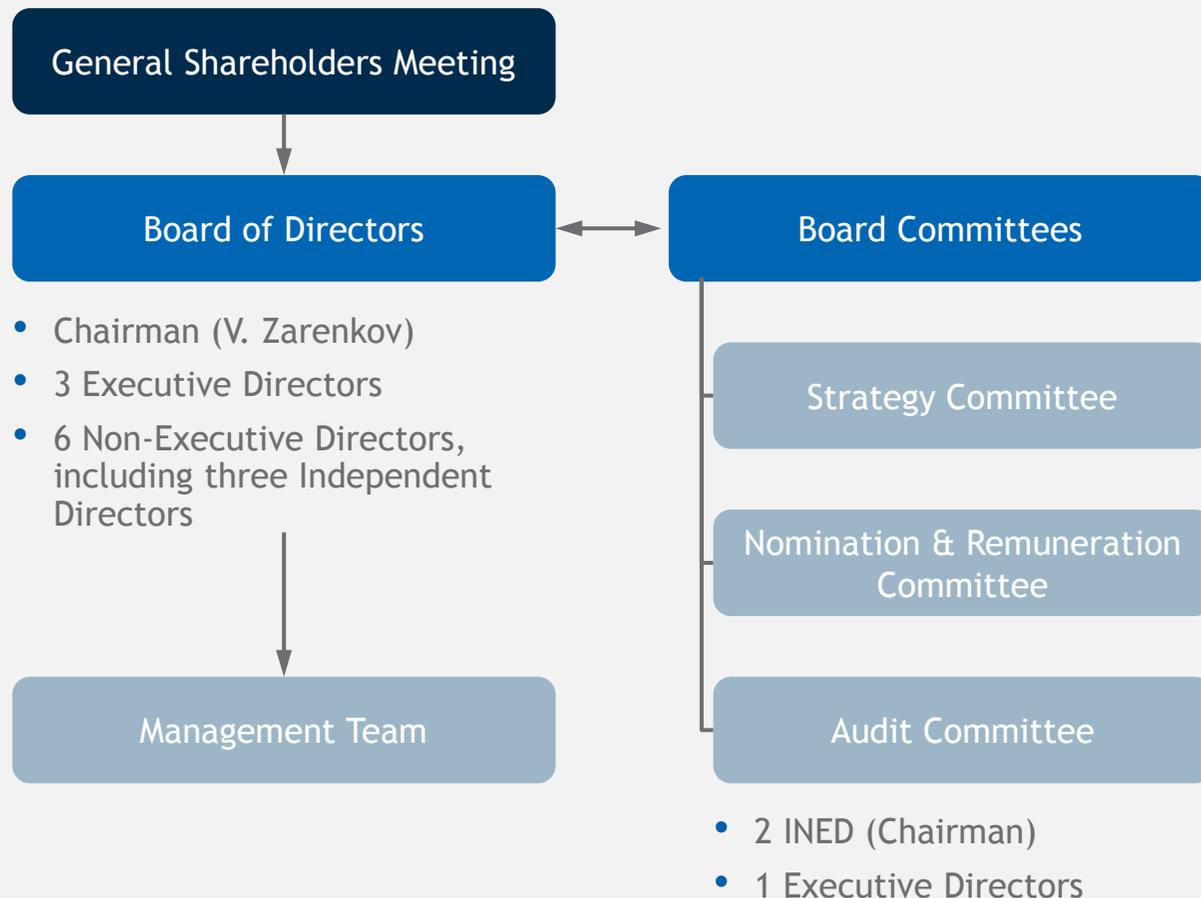
⁽¹⁾Brick plant and concrete products plant. Own production only for "bottleneck" construction materials

⁽²⁾38 Liebherr tower cranes (of which 37 were manufactured in 2006-2008). Data as of 31.12.2010

⁽³⁾Construction to third parties

Strong corporate governance and cornerstone international investor

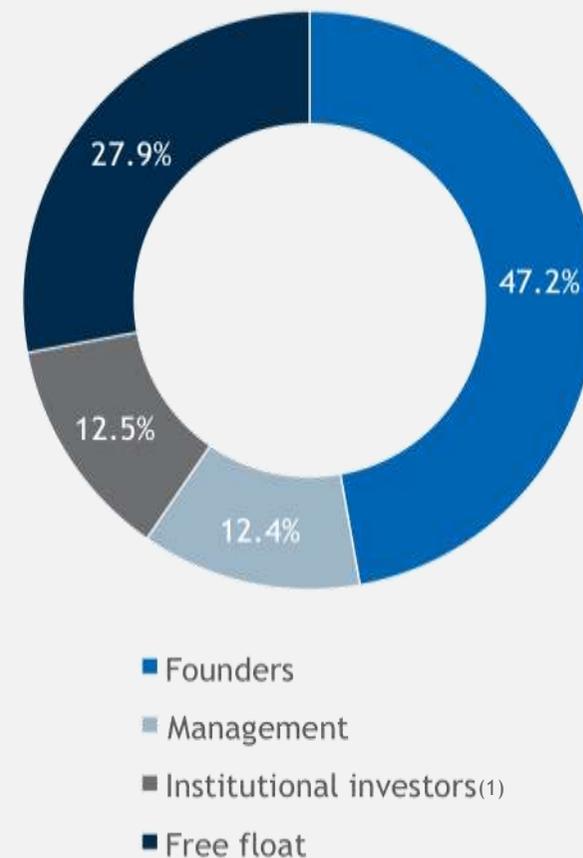
Corporate governance structure



Source: Company data

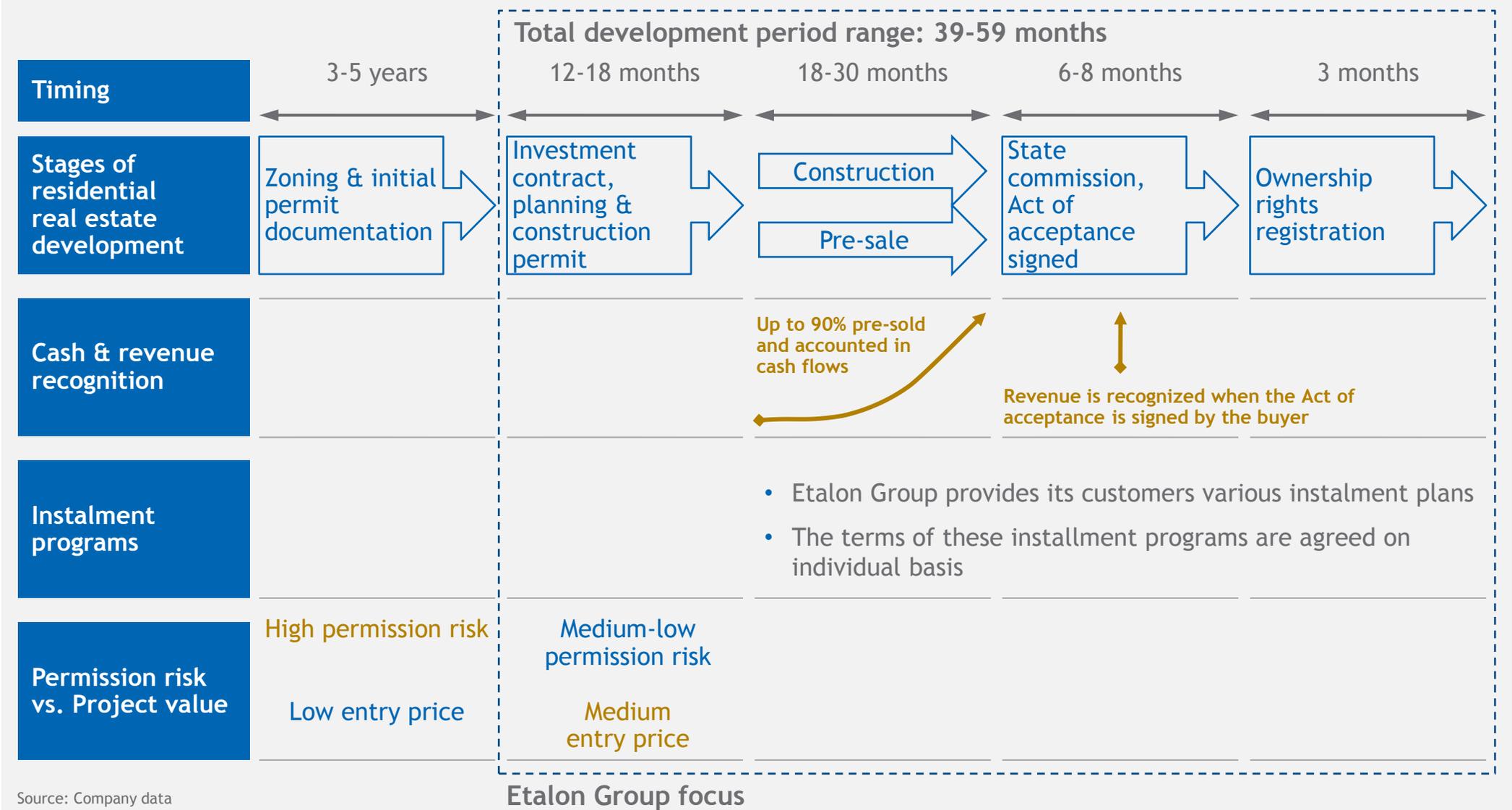
⁽¹⁾ including Baring Vostok

Current shareholding structure



As of 15 April 2011

Revenue recognition scheme



Source: Company data

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

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
- Honoured 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
- Honoured 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

EXECUTIVE DIRECTORS



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



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



Boris Svetlichniy

INED at Etalon Group

Experience and awards

- Over 25 years experience in finance and senior management with international and Russian companies
- Recent experience included CFO position at Orange, VP for Finance at Vimpelcom and CFO at Golden Telecom

Education

- University of Massachusetts (BBA in Accounting)
- Carnegie-Mellon University (MBA)



Dmitri Boulkhoukov

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

Upcoming/perspective projects

1/5 Tsars Capital



Upcoming/perspective projects 2/5 Samotsvety



Upcoming/perspective projects

3/5 Galactica



Upcoming/perspective projects

3/5 Galactica - Master Plan



Upcoming/perspective projects

4/5 Etalon City



Upcoming/perspective projects

5/5 Moscow Gates



Etalon Group Limited
Ogier House
St Julian's Avenue
St Peter Port
Guernsey
GY1 1WA

Tel: +44 (0)20 8123 1328
Fax: +44 (0)20 8123 1328
Email: info@etalongroup.com