

# 1H 2014 Operating Results

Investor presentation

15 July 2014



**Etalon Group**



# Disclaimer

**IMPORTANT: You must read the following before continuing.**

The following applies to the presentation (the “Presentation”) following this important notice, and you are, therefore, advised to read this important notice carefully before reading, assessing or making any other use of the Presentation. In accessing the Presentation, you unconditionally agree to be bound by the following terms, conditions and restrictions.

This Presentation has been prepared by Etalon Group Limited (“Etalon Group” or the “Company”) for informational purposes only and does not constitute or form part of, and should not be construed as, an offer or invitation to sell or issue, or any solicitation of any offer to subscribe for or purchase any securities of the Company in any jurisdiction or an inducement to enter into investment activity. This Presentation is strictly confidential and may not be copied, distributed, published or reproduced in whole or in part, or disclosed or distributed by recipients to any other person in any form.

This Presentation (i) is not intended to form the basis for any investment decision and (ii) does not purport to contain all the information that may be necessary or desirable to evaluate the Company fully and accurately or otherwise in all material respects, and (iii) is not to be considered as recommendation by the Company or any of its affiliates that any person (including a recipient of this Presentation) participate in any transaction involving the Company or its securities. The information contained in this Presentation has not been independently verified and the Company does not undertake any obligation to do so. No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or the opinions contained in the Presentation or any other material discussed in connection with the Presentation. Neither the Company nor any of its directors, officers, employees, shareholders, affiliates, advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this Presentation or its contents or otherwise arising in connection with the Presentation.

Any ‘forward-looking statements’, which include all statements other than statements of historical facts, including, without limitation, forecasts, projections and any statements preceded by, followed by or that include the words ‘targets’, ‘believes’, ‘expects’, ‘aims’, ‘intends’, ‘will’, ‘may’, ‘anticipates’, ‘would’, ‘could’ or similar expressions or the negative thereof, involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements include statements regarding: our construction programme and future construction and development projects (information concerning which is being provided solely on an indicative basis for information purposes only and is subject to change without notice); strategies, outlook and growth prospects; future plans and potential for future growth; liquidity, capital resources and capital expenditures; growth in demand; economic outlook and industry trends; developments of markets; the impact of regulatory initiatives; and the strength of competitors. Such forward-looking statements are based on numerous assumptions by management regarding present and future business strategies and the environment operating in the future. Although the Company believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond its control. The information contained in this document is provided as at the date of this Presentation and is subject to change without notice. The Company does not intend or have any duty or obligation to supplement, amend, update or revise any of the forward-looking or other statements contained in this Presentation.

Construction programme area figures set out in this presentation, including the “Total area of construction programme” figures, may not reflect the final construction programme area figures. Whether such figures do or do not reflect the final construction programme area figures, they may not reflect the revenues ultimately recognized by Etalon. Calculating construction programme area figures is an inherently subjective process, and is subject to uncertainty. In addition, the construction programme area figures may not be directly comparable to figures given in respect of similar portfolios held by other real estate development businesses in the Russian market as a result of different assumptions and methodologies. In particular, the “Total area of construction programme” figures include area in which governmental authorities, and other third parties, have an interest.

The term “NSA” as used in this Presentation refers to Net Sellable/Leasable Area. NSA figures include parking lots (calculated assuming an average parking lot area of 30 sqm) in the case of Projects under development, and exclude parking lots in the case of completed Projects. NSA figures also exclude communal areas and other areas not for sale.

This Presentation contains certain unaudited half- and full- year financial information which has been prepared based on the Company’s reviewed management accounts.

Neither the Presentation nor any copy of it may be taken or transmitted into the United States of America, its territories or possessions, or distributed, directly or indirectly, in the United States of America, its territories or possessions. This Presentation does not contain or constitute and should not be construed as an offer to sell or the solicitation of an offer to buy securities in the United States. No securities of the Company have been registered or are intended to be registered under the Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any state of the United States, and unless so registered may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Any failure to comply with these restrictions may be a violation of U.S. federal or applicable state securities laws.

In any EEA Member State that has implemented the Prospectus Directive, this Presentation is only addressed to and is only directed at qualified investors in any relevant Member State within the meaning of the Prospectus Directive. The expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including Directive

2010/73/EU, to the extent implemented in any relevant Member State) and includes any relevant implementing measure in any relevant Member State.

This Presentation is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals within the meaning set out in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”) or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons in (i), (ii) and (iii) above together being referred to as “Relevant Persons”).

Neither this Presentation nor any copy of it may be taken or transmitted into Canada and South Africa or to any securities analyst or other person in any of those jurisdictions. Any failure to comply with this restriction may constitute a violation of applicable securities law. The distribution of this presentation in other jurisdictions may be restricted by law and persons into whose possession this presentation comes should inform themselves about, and observe, any such restrictions. The Company has not registered and does not intend to register any of its securities under the applicable securities laws of Canada and South Africa, and, subject to certain exceptions, its securities may not be offered or sold within Canada and South Africa or to any national, resident or citizen of Canada and South Africa.

The Company (a) has not offered or sold and will not offer or sell in Hong Kong any securities by means of any document other than (i) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (“SFO”) and any rules made thereunder, or (ii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (b) has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purpose of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to any securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the SFO and any rules made thereunder.

This document does not constitute an offering of any securities of the Company in Japan, Taiwan, Australia or Singapore. Any such offers would be subject to stringent regulation in these jurisdictions.

The Company’s securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “FIEA”) and, accordingly, securities may not directly or indirectly be offered in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, “resident of Japan” means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

The Company’s securities have not been and will not be registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan and/or other regulatory authority pursuant to relevant securities laws and regulations and may not be offered or sold in Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan or relevant laws and regulations that requires a registration, filing or approval of the Financial Supervisory Commission and/or other regulatory authority of Taiwan.

No offering circular, prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia (Cth) in relation to any securities of the Company has been or will be lodged with the Australian Securities and Investments Commission. Accordingly, any offers of securities of the Company in Australia must fall within an available exemption from the registration requirements there.

No document has been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, any offers of securities of the Company in Singapore must fall within an available exemption from the registration requirements there.

Information contained in this Presentation is not an offer, or an invitation to make offers, sell, purchase, exchange or transfer any securities in Russia or to or for the benefit of any Russian person, and does not constitute an advertisement of any securities in Russia. This information must not be passed on to third parties or otherwise be made publicly available in Russia. The Company’s securities have not been and will not be registered in the Russian Federation or admitted to public placement and/or public circulation in the Russian Federation except as permitted by Russian law.

This Presentation does not constitute or form a part of, and should not be construed as, (i) an advertisement of any securities of the Company, or an offer, or an invitation (including an invitation to make an offer) by or on behalf of the Company in the Russian Federation or in any other jurisdiction or (ii) any promise or representation that any such offer or invitation will be made and shall not form the basis of, nor may it accompany, nor form part of, any contract to acquire any securities of the Company in the Russian Federation or in any other jurisdiction.

This Presentation is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require registration of licensing within such jurisdiction.

By receiving and reading this Presentation, you agree to be bound by the restrictions in this disclaimer, and acknowledge that that you will be solely responsible for your own assessment of the market, the market position of the Company and any securities of the Company and that you will conduct your own analysis and be solely responsible for forming your own view of the potential future performance of the Company’s business.

# 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**

**Chief Executive Officer  
Member of the Board of  
Directors**

With Etalon Group since 1998



**Boris Svetlichny**

**Chief Financial Officer  
Member of the Board of  
Directors**

With Etalon Group since 2013



**Kirill Bagachenko**

**Head of Corporate Investments  
and IR**

**Member of the Board of  
Directors**

With Etalon Group since 2013

## Summary

- 1 New contract sales in 1H 2014 increased 36% year-on-year to over RUB 17 billion
- 2 Cash collections from the residential real estate development segment increased 36% year-on-year to RUB 15 billion
- 3 Balance sheet remains exceptionally strong with net cash of USD 7 million as of 30 June 2014
- 4 76 ths sqm of NSA delivered in 1H 2014, precisely in line with 2014 construction plan, which envisions a 24% y-o-y increase over 2013 deliveries
- 5 Initial dividend approved by the AGM and will be paid in July 2014



The image is a composite of three panels, each showing a different view of a modern, multi-story apartment building with a yellow and grey facade. The building is situated on a waterfront, with a body of water in the foreground. The sky is blue with scattered white clouds. The panels are separated by thin white vertical lines. The numbers 1, 2, and 3 are overlaid on each panel respectively. The building has a distinctive design with a central vertical glass section and a dark grey top section with a grid-like pattern. The water in the foreground is dark and slightly rippled. The overall scene is a cityscape with other buildings visible in the background.

1

Operating Results

2

2014 planned deliveries

3

Appendix

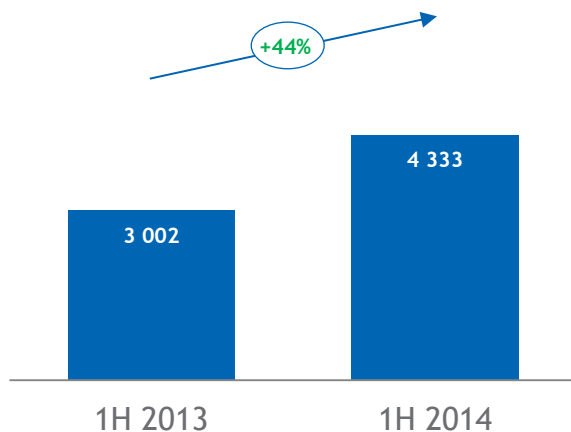


# Operating Results

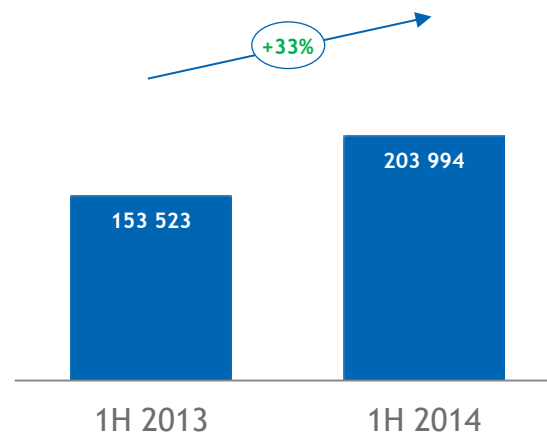


# Robust operating results in 1H 2014 - a solid foundation for FY 2014

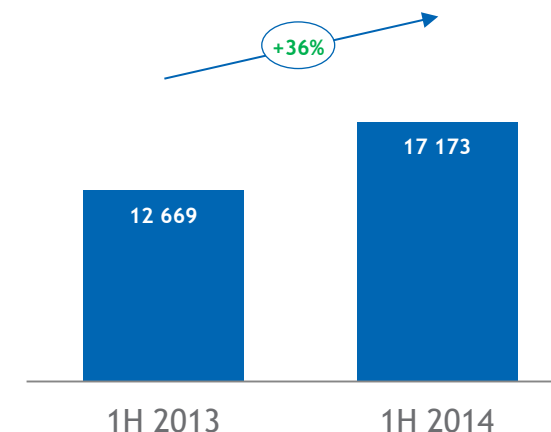
Number of contracts



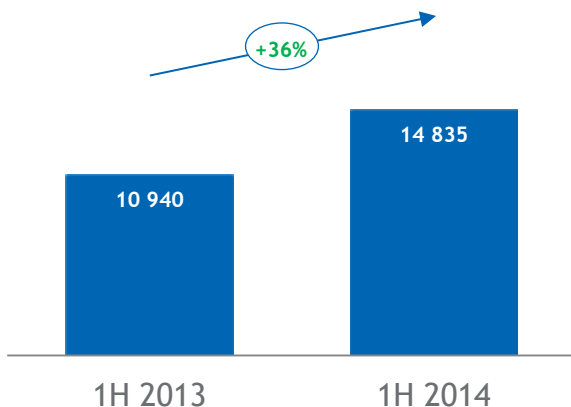
New contract sales, sqm



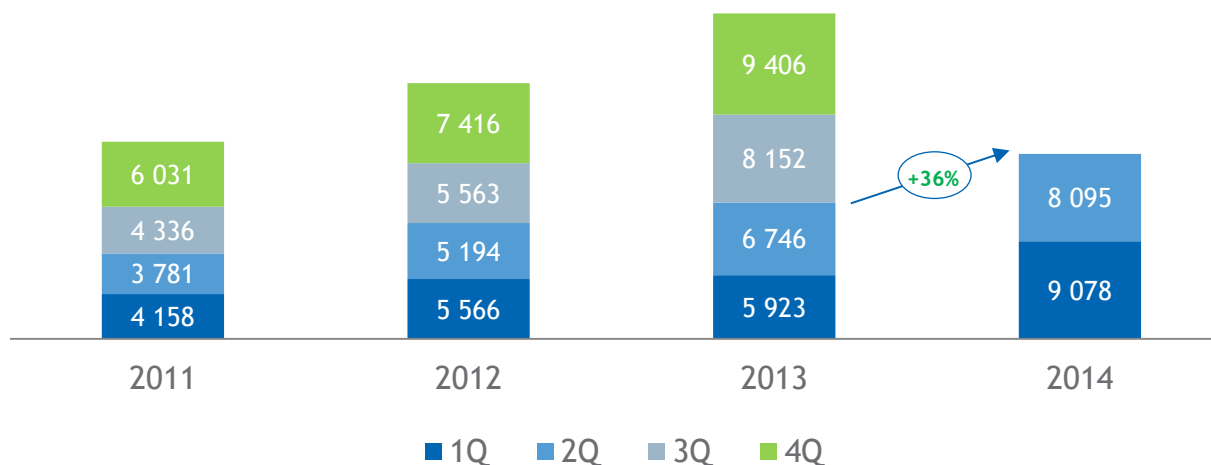
New contract sales, mln RUB



Cash collections, mln RUB



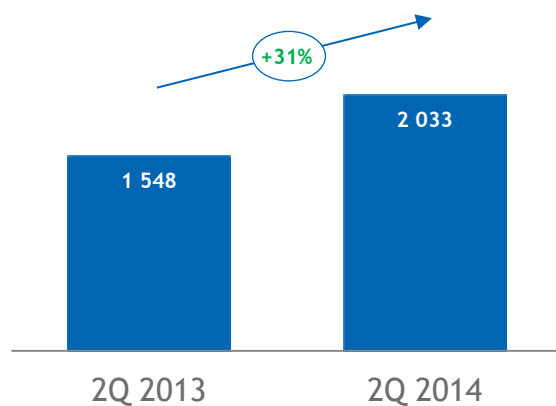
New contract sales y-o-y, mln RUB



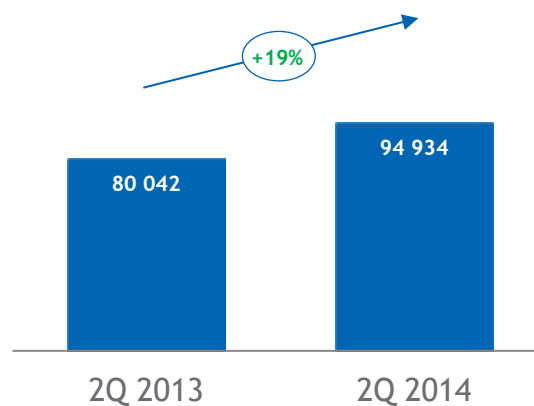
Source: Company data

# Strong new contract sales growth in 2Q 2014

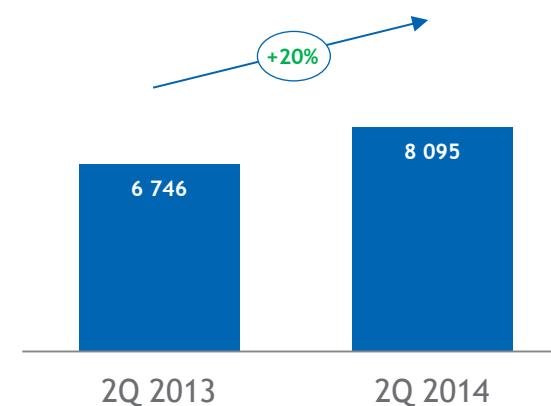
Number of contracts



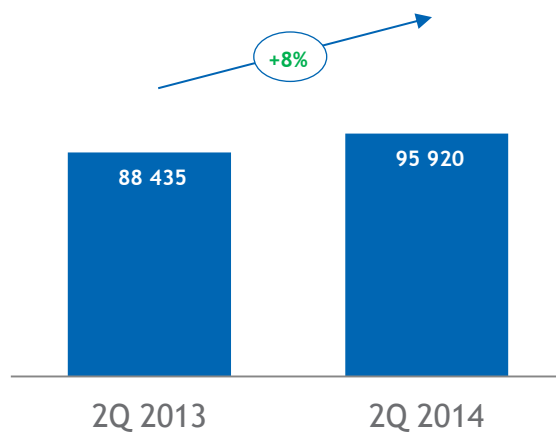
New contract sales, sqm



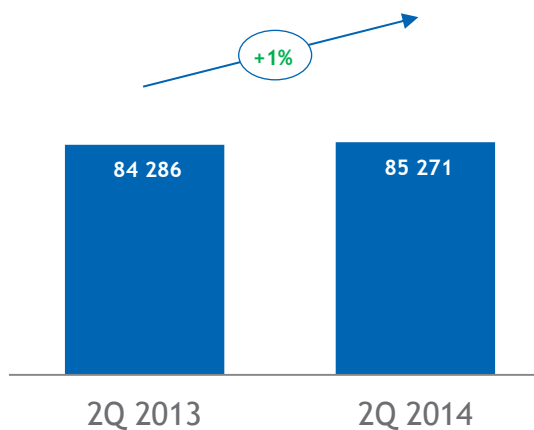
New contract sales, mln RUB



Average price, apartments and commercial premises, RUB/sqm



Average price, total, RUB/sqm



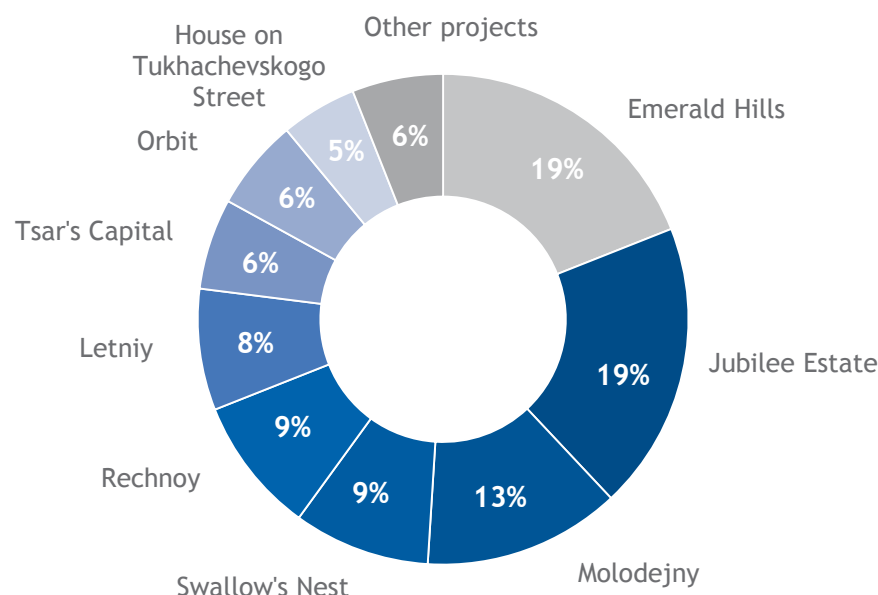
- Average down payment was 74%
- The 1% growth in total average price was influenced by an increased share of parking lots in the 2Q 2014 sales mix, as sales in a number of parking complexes were launched at the same time
- On an adjusted basis, average price per sqm grew 8% year-on-year in 2Q 2014
- Share of Moscow Metropolitan Area contracts remained at a strong level of 21% in 2Q 2014 up from 19% in 2Q 2013
- The regional sales network generated ~40% of new contracts (see p. 26 for details)

Source: Company data

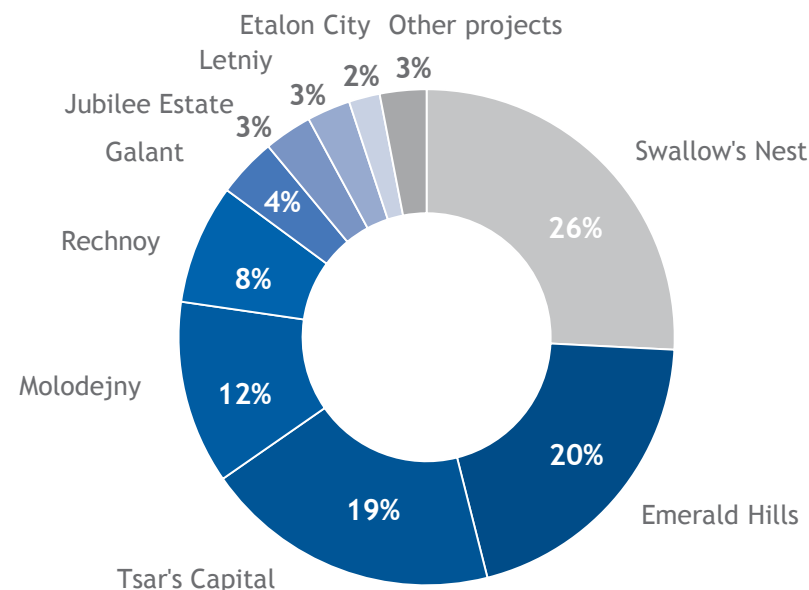


# Better product mix drives new contract sales in 2Q 2014

2Q 2013 New contract sales by project, sqm



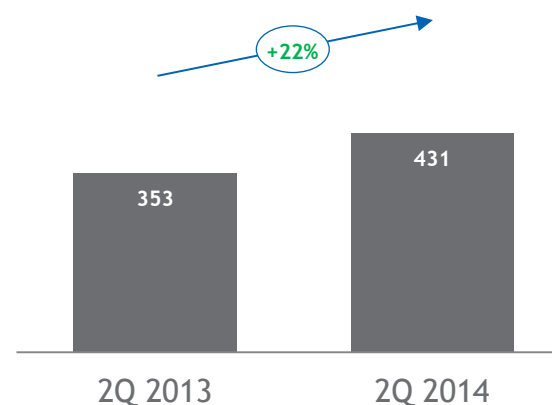
2Q 2014 New contract sales by project, sqm



## Significant portfolio diversification with growing share of prime location projects

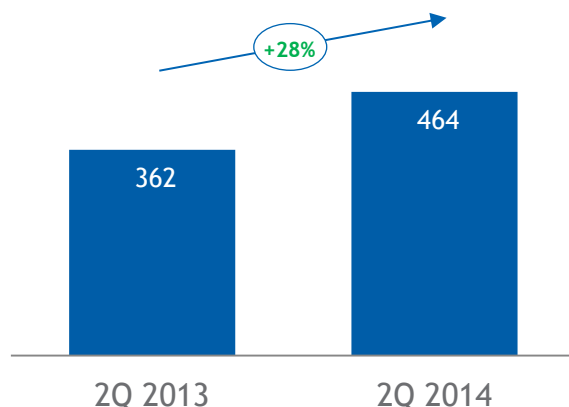
- Tsar's Capital now accounts for 19% of new sales after the Company launched the long-awaited second stage at the end of 1Q 2014
- Second stage of Etalon City, due to be launched at the beginning of 3Q 2014, is expected to boost sales at the project as the first stage is nearly sold out
- 3 new project launches scheduled for 2H 2014 will continue to improve the product mix further

Number of MMA contracts

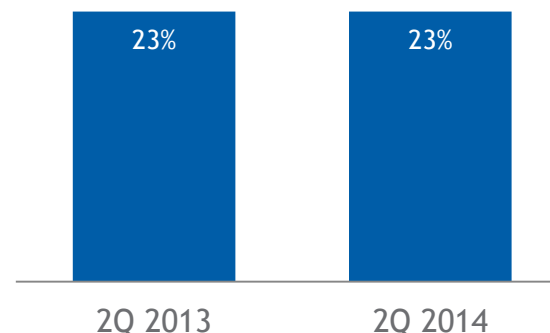


# Mortgage deals - another driver of new contract sales

Number of mortgage contracts



Share of mortgage sales, %



## Highlights

- Etalon Group offers mortgage programmes with major domestic and international banks, including Sberbank, VTB Group, Societe Generale (Rosbank), Raiffeisen Group and Absolut Bank
- Joint programmes established with 23 banks and special mortgage agencies to offer flexible financing options:
  - minimum down payment: 0 - 30%
  - maturity: 1 - 30 years
  - interest:
    - from 10.5% in RUB
    - from 10% in EUR
    - from 10.5% in USD
- Despite the generally hawkish interest rate policy demonstrated by the Central Bank of Russia in 1H 2014, the average mortgage rate actually declined by 20 bps to 12.2%<sup>(1)</sup>

<sup>(1)</sup> Based on CBR data for December 2013 and May 2014

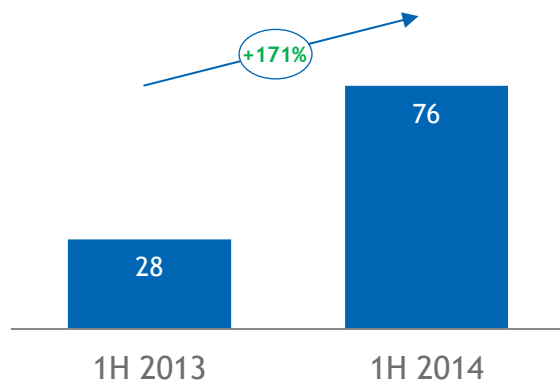
## Selected mortgage partners



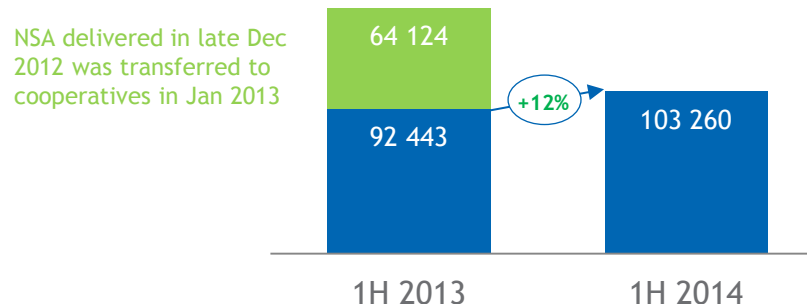


# 2014 Deliveries and transfers

Deliveries, ths sqm



Transfers h-o-h, sqm



1H 2014 project deliveries breakdown, sqm

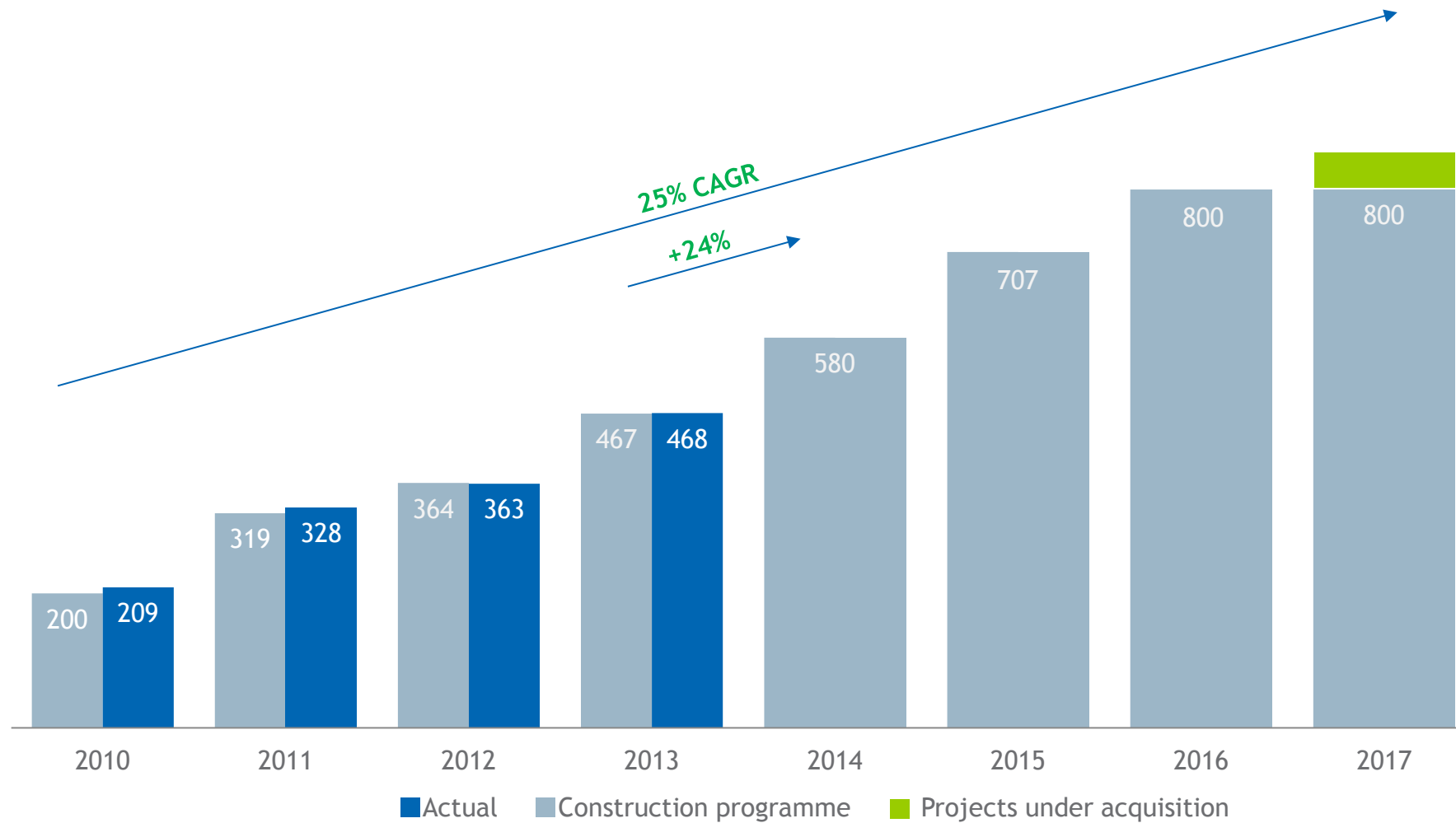
Project	NSA delivered in 1H 2014, ths sqm
Emerald Hills	41.8
Galant	34.6
<b>Total</b>	<b>76.4</b>

- Etalon Group delivered 41.8 ths sqm at Emerald Hills and 34.6 ths sqm at Galant in June 2014, precisely in line with the Company's 2014 construction plan, which envisions total deliveries of 580 ths sqm of NSA at seven different projects.

Source: Company data

# Construction programme

Construction programme, ths sqm of NSA



Source: Company estimates



# Project portfolio timeline

Construction period							Status	Total NSA (‘000 sqm)	Unsold NSA (Etalon’s share) <sup>(1)</sup> (‘000 sqm)	Unsold parking (lots), #	OMV (USDmln)	Income from sales <sup>(2)</sup> (USDmln)	Construction budget <sup>(3)</sup> (USDmln)	Outstanding budget <sup>(3)</sup> (USDmln)
Project	2014	2015	2016	2017	2018	2019 and beyond								
Current Projects														
St. Petersburg Metropolitan Area (SPMA)														
1. Galactica							Design stage	752.3	663.5	3,379	258.0	2,115.7	1,156.2	1,152.9
2. Tsar’s Capital							Construction	390.3	277.1	2,109	279.8	1,101.4	502.1	384.6
3. Swallow’s Nest							Construction	333.7	246.7	1,834	247.9	612.7	416.1	136.8
4. Moscow Gates							Design stage	202.0	202.0	945	137.1	584.0	267.6	259.3
5. Samotsvety							Design stage	189.1	189.1	1,773	125.0	541.6	248.5	226.8
6. Molodejny							Construction	111.8	64.5	760	56.9	193.9	129.0	91.6
7. Rechnoy							Construction	109.7	59.2	561	50.0	169.4	128.4	85.2
8. Technopark							Design stage	50.7	50.7	240	16.3	110.4	66.5	66.4
9. Galant							Construction	49.2	33.6	110	68.0	131.5	64.3	27.4
10. Beloostrovskaya							Design stage	34.3	34.3	175	11.6	91.9	54.8	54.8
Total SPMA								2,223.1	1,820.7	11,886	1,250.6	5,652.5	3,033.5	2,485.9
Moscow Metropolitan Area (MMA)														
1. Emerald Hills							Construction	862.1	571.8	3,703	448.2	1,960	1,024.8	677.7
2. Etalon-City							Construction	429.5	329.4	3,780	182.4	954.5	503.1	488.3
3. Dmitrovskoe shosse							Design stage	287.4	226.9	1,895	151.4	844.5	410.3	410.3
4. Alekseevskiy District							Design stage	182.9	169.6	2,160	235.4	705.7	239.8	239.8
5. Budennogo street							Design stage	70.0	70.0	709	64.2	228.7	89.4	89.4
6. Losinoostrovskiy District							Design stage	69.6	69.6	540	88.2	309.0	108.0	108.0
Total MMA								1,901.5	1,437.3	12,787	1,169.8	5,002.4	2,375.4	2,013.5
Total Current Projects								4,124.6	3,258.0	24,673	2,420.4	10,654.9	5,408.9	4,499.4
Completed Projects														
Completed and unsold residential developments									162.8	3,189	258.2			
Completed stand-alone commercial properties									21.5	59	48.4			
Total Completed Projects									184.3	3,248	309.6			
All Projects														
Total Etalon Group									3,442.3	27,921	2,727			

Source: construction period based on company estimates, all numbers based on JLL report as of 31.12.2013

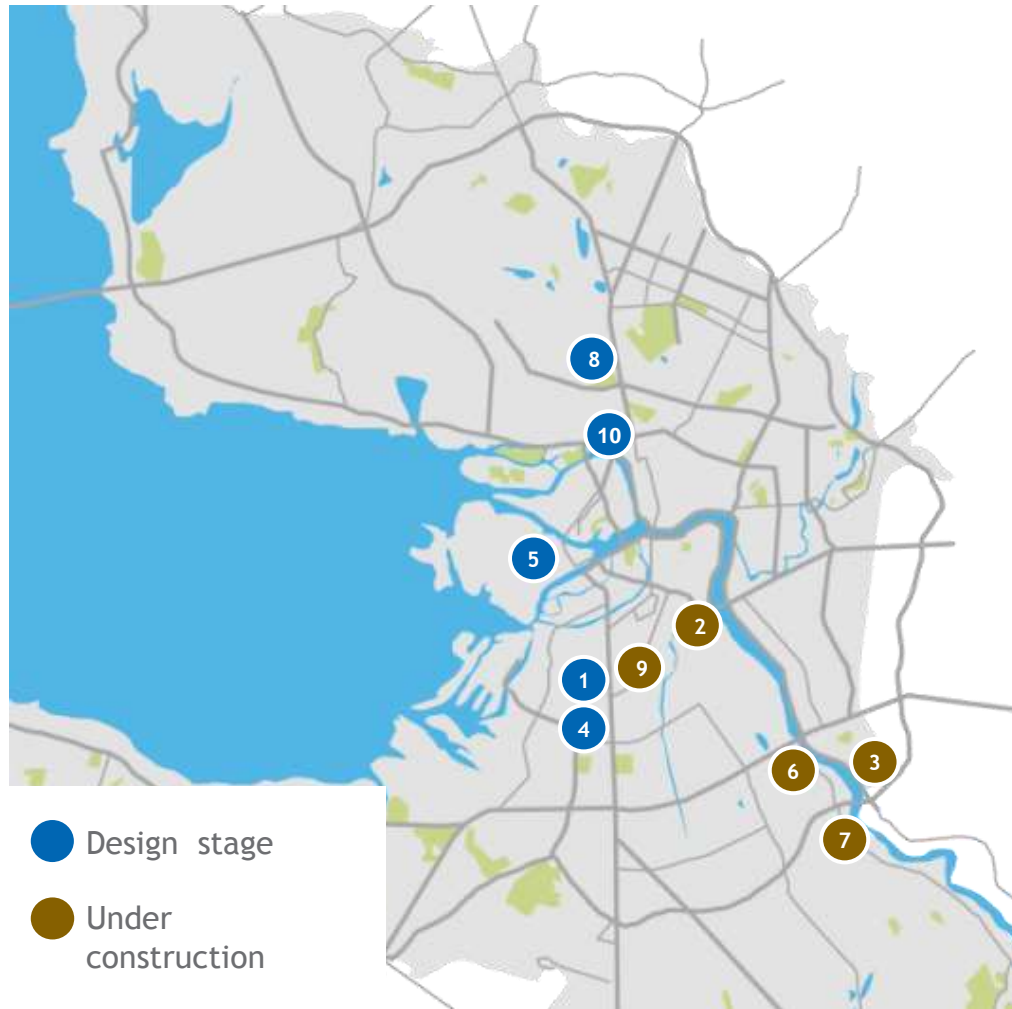
(1) Including parking with average area c. 30 sqm

(2) Income from sales includes potential and received incomes as of 31 December 2013

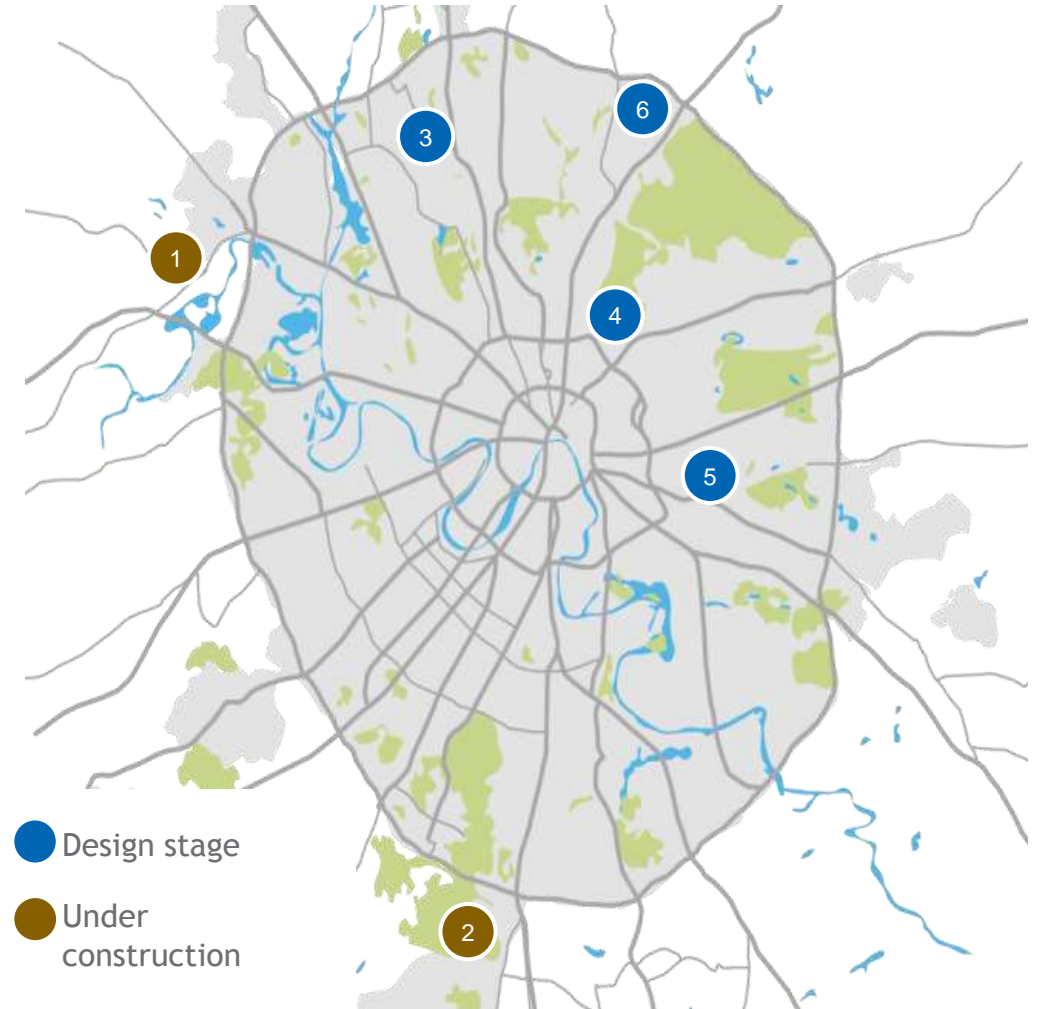
(3) Excluding land acquisition costs

# Operations in SPMA and MMA

## Projects in St. Petersburg Metropolitan Area



## Projects in Moscow Metropolitan Area





# Summary of 2014 planned deliveries

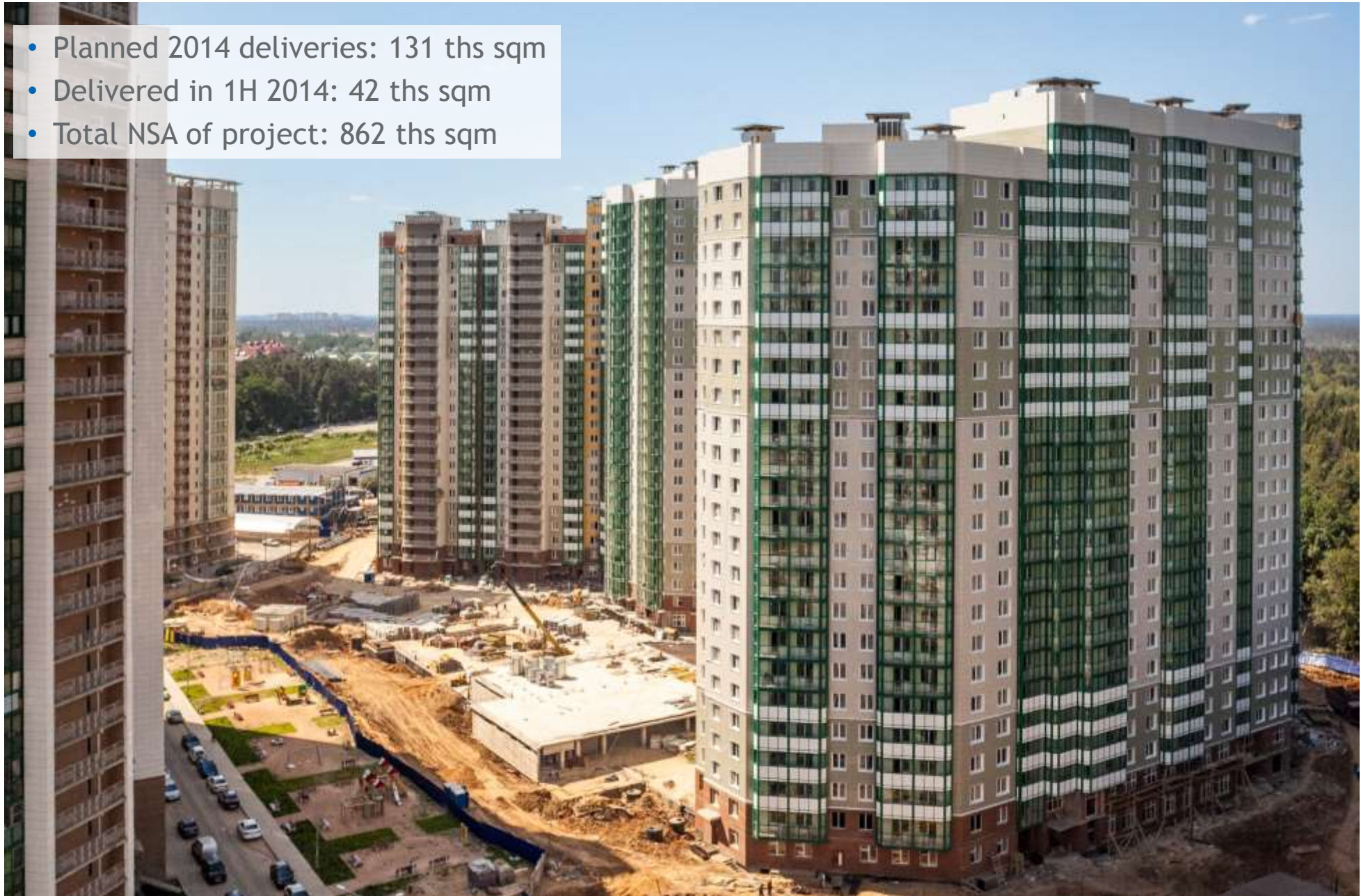
Project deliveries breakdown for 2014

Project		Region	NSA to be delivered in 2014, ths sqm
1	Emerald Hills	MMA	131
2	Molodejny	SPMA	108
3	Rechnoy	SPMA	110
4	Tsar's Capital	SPMA	106
5	Swallow's Nest	SPMA	82
6	Galant	SPMA	38
7	Etalon City	MMA	5
Total			580

Source: Company estimates

## Emerald Hills

- Planned 2014 deliveries: 131 ths sqm
- Delivered in 1H 2014: 42 ths sqm
- Total NSA of project: 862 ths sqm





## Molodejny

- Planned 2014 deliveries: 108 ths sqm
- Total NSA of project: 112 ths sqm





# Rechnoy

- Planned 2014 deliveries: 110 ths sqm
- Total NSA of project: 110 ths sqm





## Tsar's Capital

- Planned 2014 deliveries: 106 ths sqm
- Total NSA of project: 390 ths sqm





## Swallow's Nest

- Planned 2014 deliveries: 82 ths sqm
- Total NSA of project: 334 ths sqm





# Galant

- Planned 2014 deliveries: 38 ths sqm
- Delivered in 1H 2014: 35 ths sqm
- Total NSA of project: 49 ths sqm





# Etalon City

- Planned 2014 deliveries: 5 ths sqm
- Total NSA of project: 430 ths sqm





# Key takeaways

## **1H 2014 operating highlights - a solid foundation for FY 2014 results**

- The number of new contracts increased by 44% year-on-year to 4,333
- New contract sales amounted to 204 thousand sqm and RUB 17.17 billion, year-on-year increases of 33% and 36%, respectively
- Cash collections in 1H 2014 amounted to RUB 14,835 million, an increase of 36% year-on-year
- Deliveries increased 171% year-on-year to 76 ths sqm, precisely in line with the 2014 construction programme
- Net cash position of USD 7 million as of 30 June 2014

## **2Q 2014 operating highlights - continued growth in new contract sales and prices**

- The number of new contracts in 2Q 2014 increased 31% year-on-year to 2,033
- New contract sales amounted to 95 thousand sqm and RUB 8.1 billion, year-on-year increases of 19% and 20%, respectively
- Average down payments remained at a high level of 74% in the second quarter
- The increasing share of sales at prime location projects continued to drive new contract sales and higher average prices per sqm for residential and commercial premises, with average prices for apartments and commercial premises increasing 8% year-on-year to RUB 96 thousand per sqm
- Regional sales network contributed around 40% of new contracts in the second quarter

## **2H 2014 Outlook**

- Phase II of Etalon City and three new projects due to launch in 2H 2014 should further diversify and strengthen product mix
- Construction programme remains on track, with deliveries of 580 ths sqm planned for 2014
- Strong financial position leaves the Company well placed to continue acquiring new projects to secure long-term growth

# Appendix



**Etalon Group**

# At a glance

## Presence in rapidly growing markets

- Focus on middle class residential real estate in Moscow metropolitan area (MMA) and St. Petersburg metropolitan area (SPMA)
- 25% target CAGR for construction volumes over 2010-2016<sup>(1)</sup>

## Strong delivery track record

- Over 26 years of construction & development experience
- 3.9 mln sqm commissioned
- 31% CAGR for deliveries over 2010-2013<sup>(2)</sup>

## True vertical integration

- Strategic vertical integration in key value-added segments of property development enables the Company to control costs, quality and timing
- 4,000 employees
- Country-wide sales network covering 36 cities

## Diversified projects portfolio

- Land bank of 3.44 mln sqm<sup>(3)</sup>
- Land bank sufficient until 2018
- Projects well diversified by locations within both SPMA and MMA

## Liquidity and credit ratings

- Secure liquidity position supported by pre-sales cash collections model
- Strong financial standing with a net cash position of USD 7 mln<sup>(4)</sup>
- Credit rating by S&P: B+/Stable/B+<sup>(5)</sup>

## Corporate governance

- 9 BoD members, 4 NEDs
- Board of Directors consists of professionals with broad range of experience and expertise, ensuring that the interests of all groups of shareholders are appropriately represented
- Monthly visual updates on projects, quarterly trading updates and semi-annual financial reporting
- Official guidance on deliveries and new contract sales
- Dividend policy aims to pay out 15% to 30% of IFRS net profit semi-annually

<sup>(1)</sup> Company expectations;

<sup>(2)</sup> Company operating results;

<sup>(3)</sup> Jones Lang LaSalle land bank valuation report as of 31.12.2013;

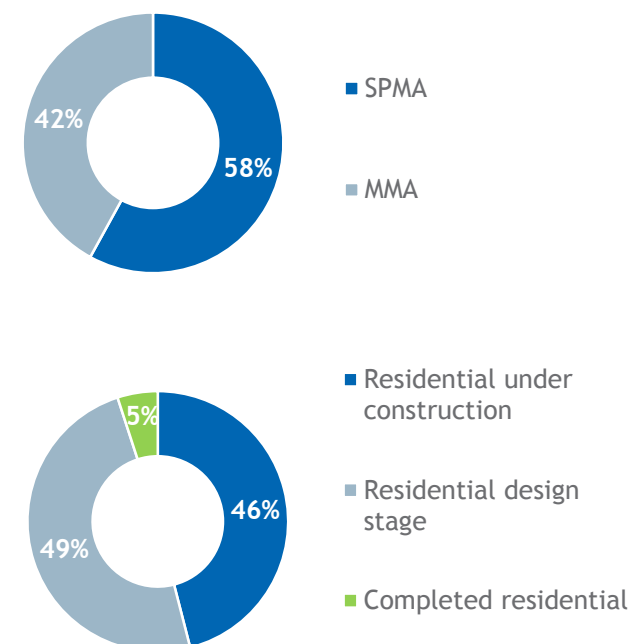
<sup>(4)</sup> Unaudited management accounts as of 30.06.2014;

<sup>(5)</sup> 'B+' long-term & 'B+' short-term corporate credit ratings of SSMO LenSpetsSMU with 'Stable' outlook (last reconfirmed on 29.07.2013).

<sup>(6)</sup> Jones Lang LaSalle land bank valuation report as of 31.12.2013

LSE ticker	ETLN:LI
Share price	USD 4.4 (11.07.2014)
Market capitalization	USD 1,285 mln (11.07.2014)
Portfolio valuation (by Jones Lang LaSalle)	USD 2,727 mln (31.12.2013)

## Portfolio composition <sup>(6)</sup>



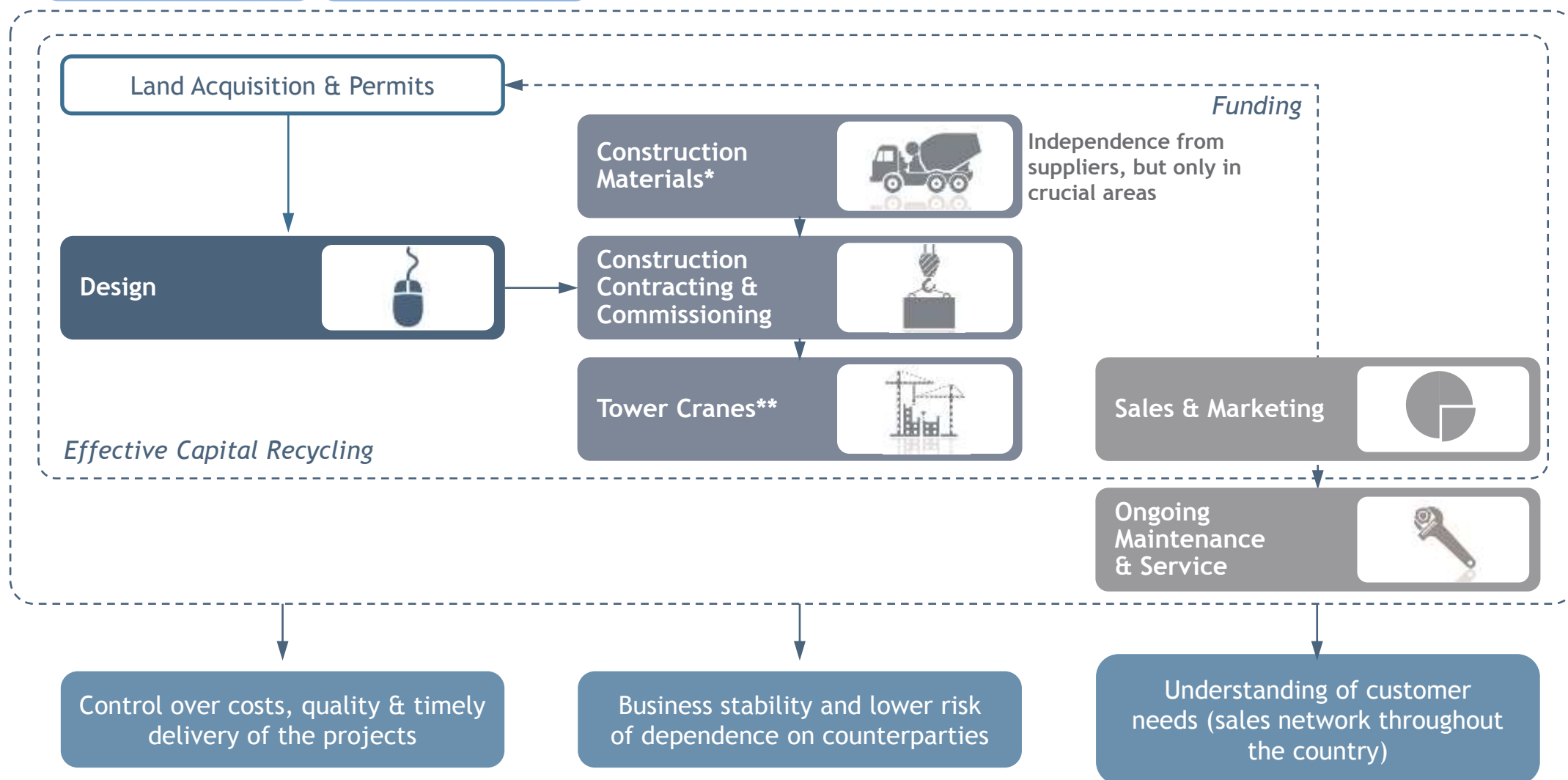


# Strategic vertical integration: control over costs, quality and timing

*Etalon Group operates in every part of property development process*

> 40 business units

> 4,000 people



\* Brick plant and concrete products plant. Own production only for "bottleneck" construction materials

\*\* 60 Liebherr tower cranes. Data as of 31.10.2013

# 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 income per capita**
- Key markets: **SPMA and MMA**
- **36 cities** covered with 13 sales offices in St. Petersburg and **15 more sales offices nationwide**
- External professional marketing and sales service agents engaged nationwide

<sup>(1)</sup>Source: company data for the 2Q 2014

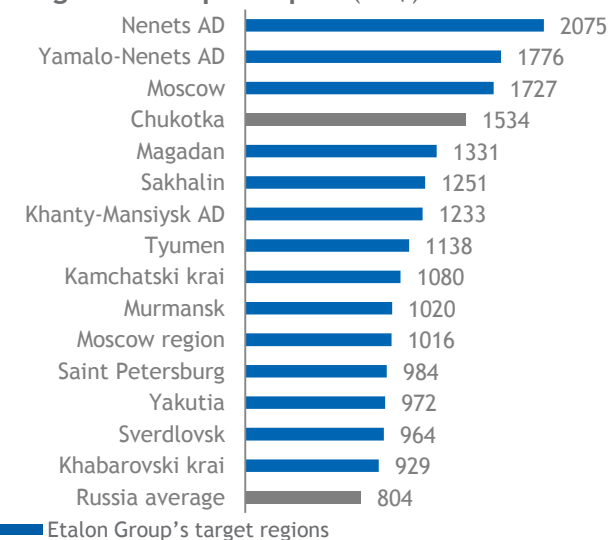
<sup>(2)</sup>Average monthly cash income per capita, Rosstat's estimates as of FY13, average USD/RUB fx rate in 2013 31.91

## Etalon Group's regional sales geography<sup>(1)</sup>

Region	Share of total contracts
Leningrad	6.3%
Khanty-Mansiysk AD	2.9%
Krasnoyarski krai	2.5%
Murmansk	2.4%
Yamalo-Nenets AD	2.0%
Kamchatski krai	1.7%
Khabarovski krai	1.7%
Yakutia	1.6%
Other Russian regions	17.8%
Foreigners	0.6%
<b>Total:</b>	<b>39.6%</b>

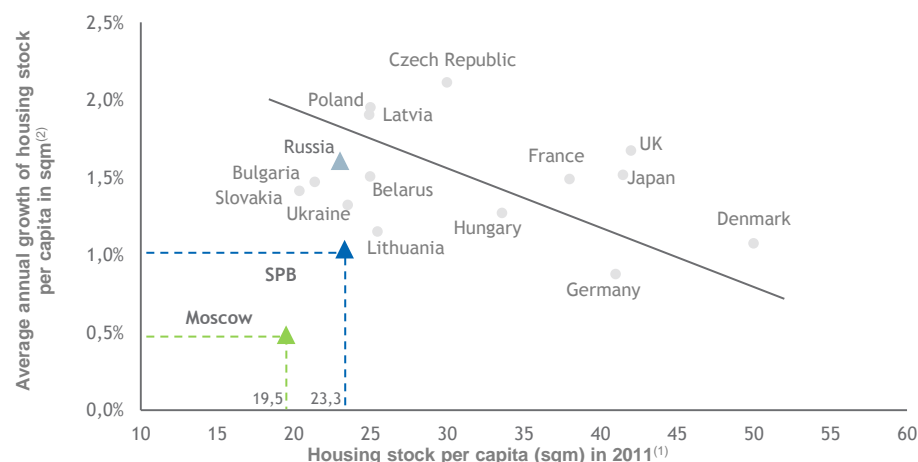
The Group's flats are sold in 14 out of 15 richest Russian regions

## Average income per capita (US\$)<sup>(2)</sup>



# Underpenetrated residential real estate market in Moscow and St. Petersburg has great potential

Growth rate for Moscow and St. Petersburg housing stock over last 7 years lags well behind other European countries, indicating huge potential for growth



Population growth in Moscow and SPb has significantly outpaced delivery of new housing stock, while disposable income growth has also outpaced real estate prices, improving affordability and indicating significant potential demand

City / region	Population'13 (mln)	Cumulative growth'03-13	Monthly disposable income'12 (USD)	Cumulative growth'09-12 (RUB)
Moscow	12.0	+16.6%	1,566	+52.2%
Moscow region	7.0	+6.6%	956	+55.9%
Moscow and region (MMR)	19.0	+12.7%	1,348	+54.2%
SPB	5.0	+7.2%	895	+64.0%
SPB region	1.8	+4.7%	577	+55.0%
SPB and region (SSR)	6.8	+6.6%	818	+63.1%
Other regions with Etalon sales offices <sup>(3)</sup>	13.9	(1.4%)	956	+41.7%
<b>Russia</b>	<b>143.3</b>	<b>(1.6%)</b>	<b>742</b>	<b>+55.1%</b>

Note: Average USD/RUB FX rates for 2011 and 2012: 29.4 and 31.1, accordingly; average EUR/USD FX rates for 2011 and 2012: 1.39 and 1.28, accordingly

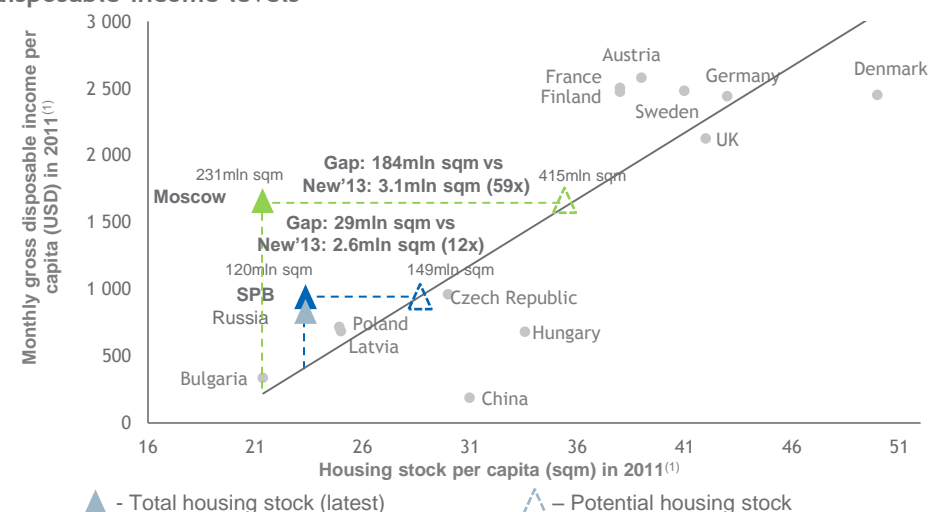
<sup>(1)</sup> 2012 data applied for Moscow

<sup>(2)</sup> Based on 2005-2011 data for Russia, SPB and SSR; 2005-2012 – for Moscow and MMR; for other countries - average growth rates for available periods

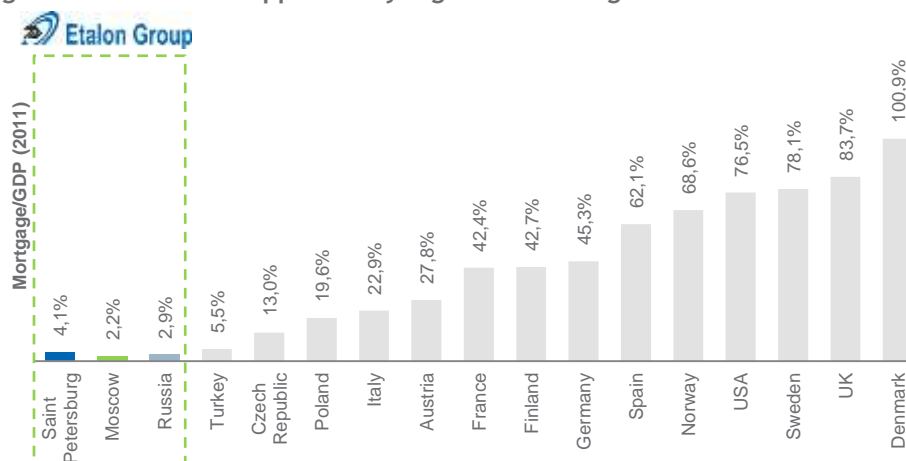
<sup>(3)</sup> Murmansk region, Krasnoyarsk region, Tyumen region, Khanty-Mansiyskiy autonomous district, Yakutia, Magadan region, Kamchatskiy krai, Khabarovskiy krai, Sakhalinsk region and Primorskiy krai

Source: Rosstat, AHML, UN, OECD, Eurostat, HelgiLibrary, World Bank, Turkish Statistical Institute, NBP, IRN, St. Petersburg Real Estate Bulletin

Residential stock in Moscow is disproportionally low for the population's disposable income levels



Mortgage to GDP ratio illustrates significant underpenetration and huge potential for growth in demand supported by higher borrowing levels





# Board of Directors represents interests of all investor groups

## EXECUTIVE DIRECTORS



**Viacheslav Zarenkov**

Chairman of the Board of Directors,  
Founding shareholder and President

### Experience and awards

- 44 years of experience in construction industry
- Honoured builder of Russia<sup>(1)</sup>

### 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**

Vice-President

### Experience and awards

- 17 years of experience in construction industry
- Honoured builder of Russia<sup>(1)</sup>; 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



**Anton Evdokimov**

Chief Executive Officer

### Experience and awards

- 27 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, Open University Business School (MSc in International finance, MBA in business strategy)

## NON-EXECUTIVE DIRECTORS



**Anton Poriadine**

INED

### 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 Svetlichny**

Chief Financial Officer

### Experience and awards

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

### Education

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



**Kirill Bagachenko**

Head of Corporate Investments and IR

### Experience and awards

- Over 8 years' experience in corporate finance and asset management
- Previously held position of senior equity portfolio manager at TKB BNP Paribas Investment Partners
- In 2013 voted one of the top three portfolio managers in Russia by Thomson Reuters Extel Survey

### Education

- St. Petersburg State University of Economics and Finance



**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

### 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

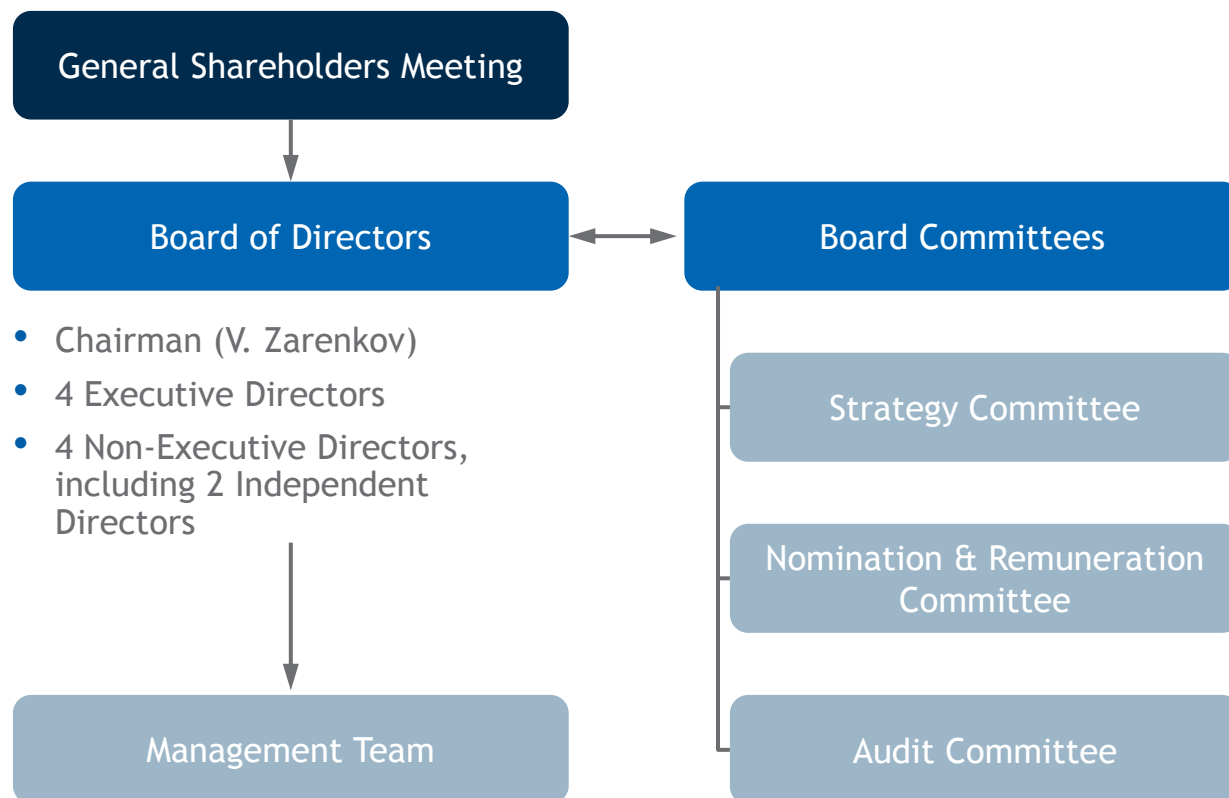
### Education

- University of Keele

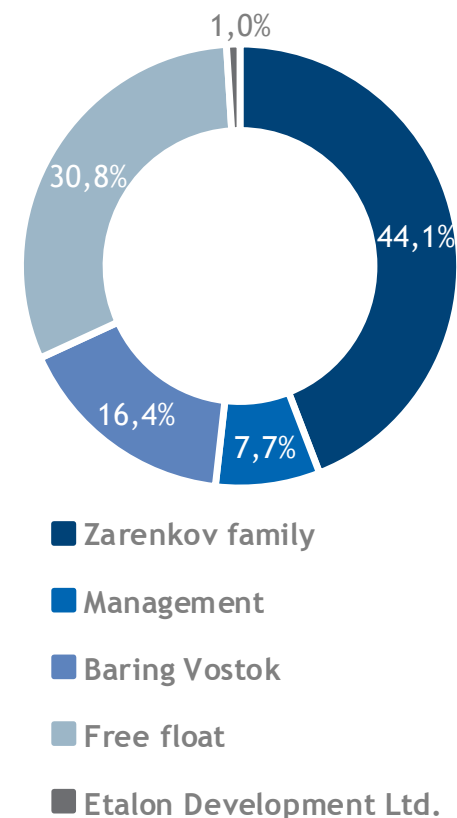
<sup>(1)</sup> Title granted by President of Russia

# Strong corporate governance and shareholding structure

Corporate governance structure



Shareholding structure

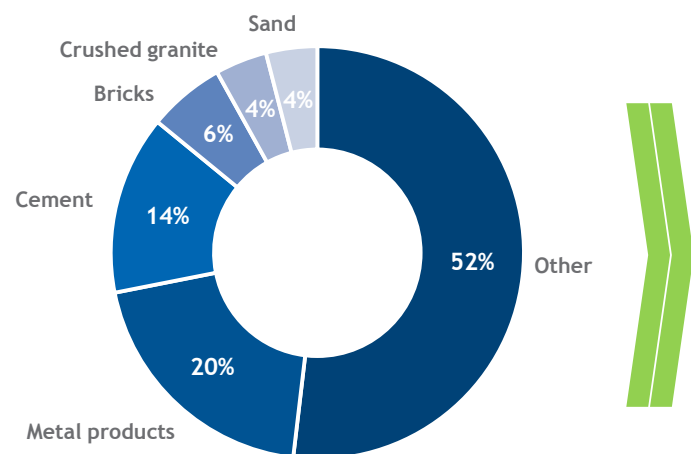


Source: Company data

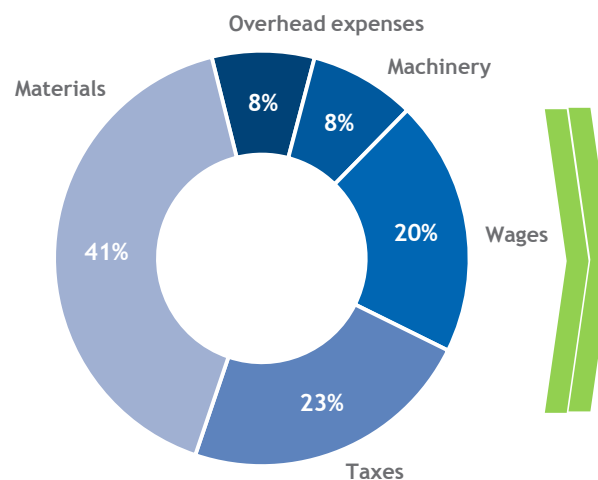
As of 30 June 2014

# Typical project cost structure

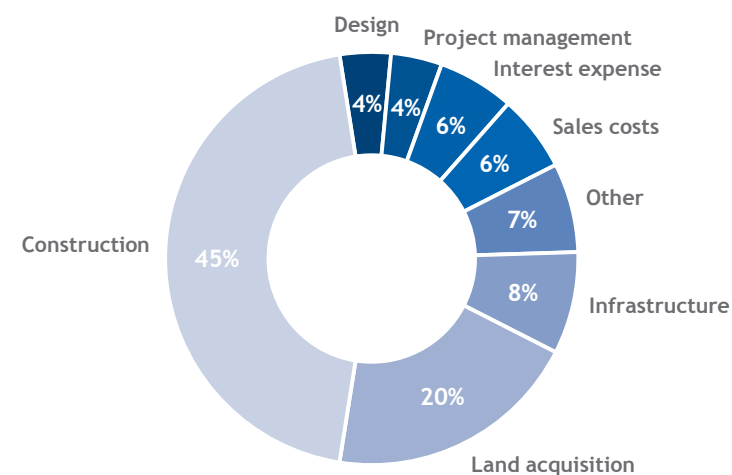
Materials cost structure \*  
(USD 375 - 550 per sqm of NSA)



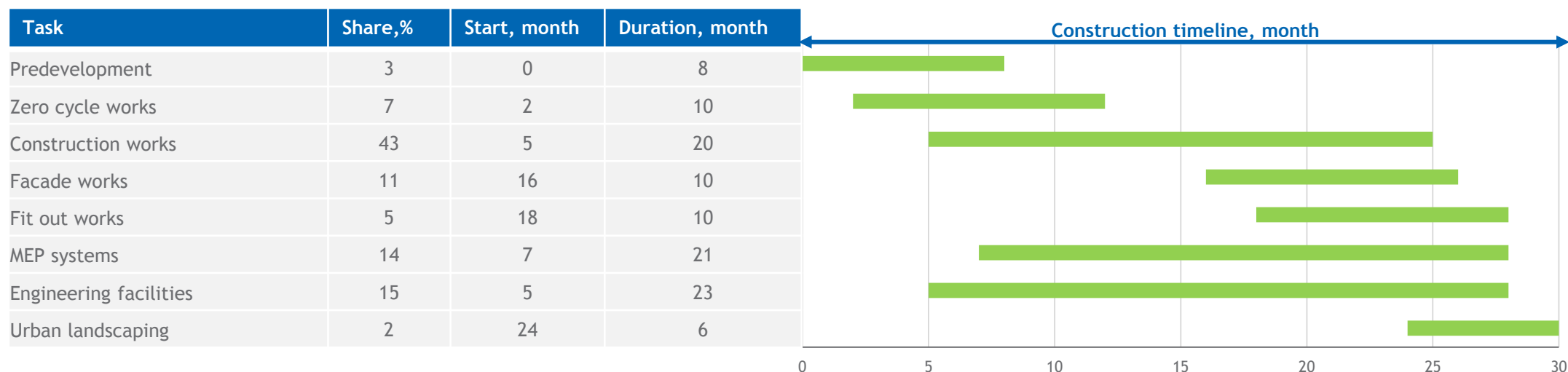
Construction cost structure \*  
(USD 900 - 1,200 per sqm of NSA)



Total cost structure \*  
(USD 1,800 - 2,200 per sqm of NSA)



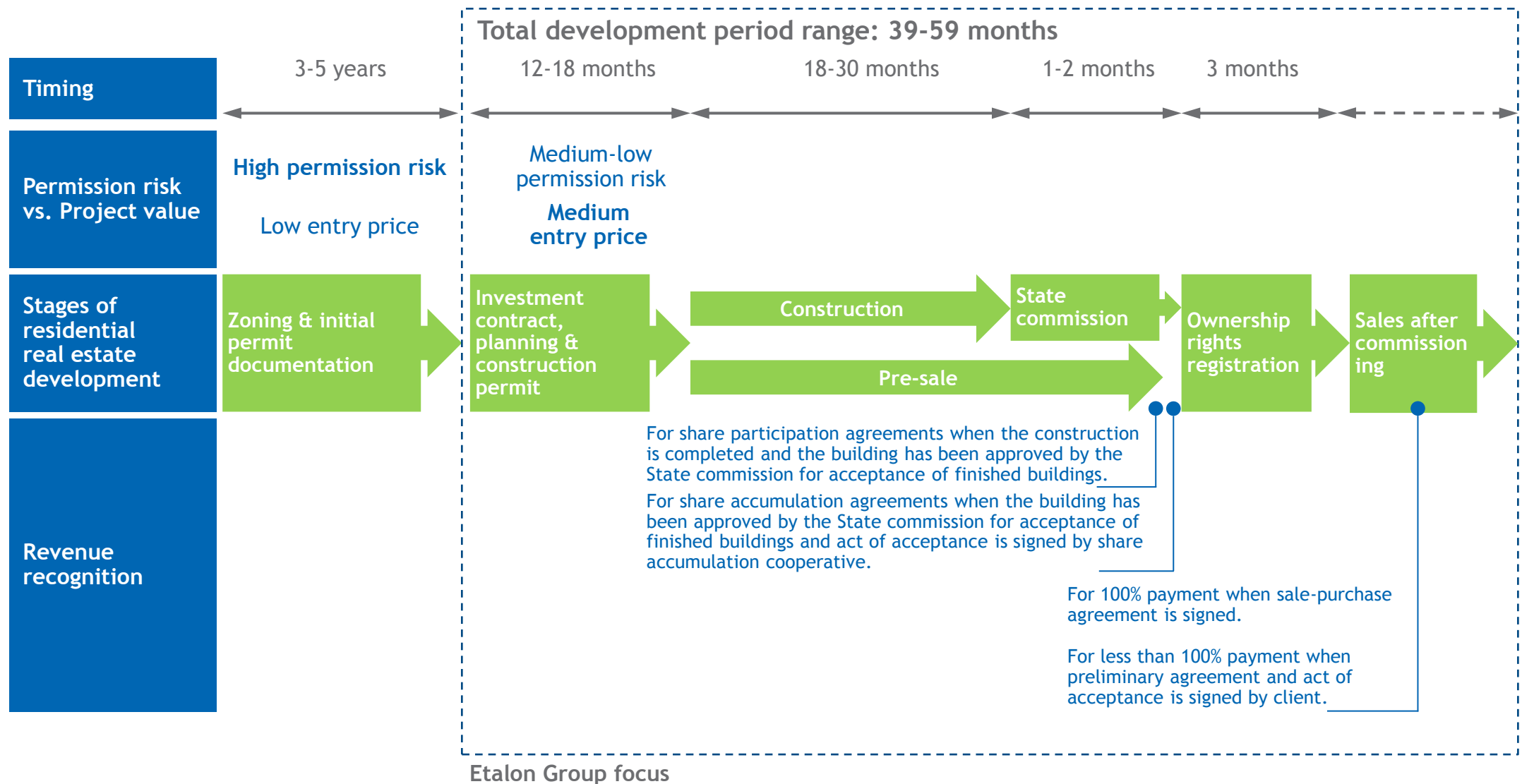
## Typical project lifecycle\*



\*Source: Company estimates for typical project based on current portfolio average. Actual breakdown per project is subject to significant variation due to a number of factors.



# Residential development scheme



Source: Company data

# Construction services

## 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 key projects



Poling and gridding



Design & construction (increase of production capacities)



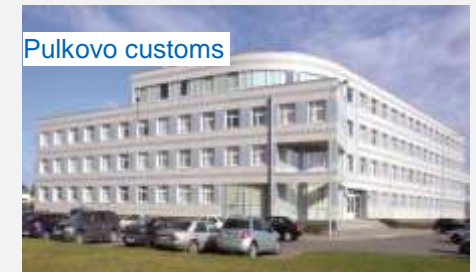
Poling & road infrastructure construction



Infrastructure & site for the finished good



Construction of workshop & transportation utilities



Full construction cycle



Full construction cycle



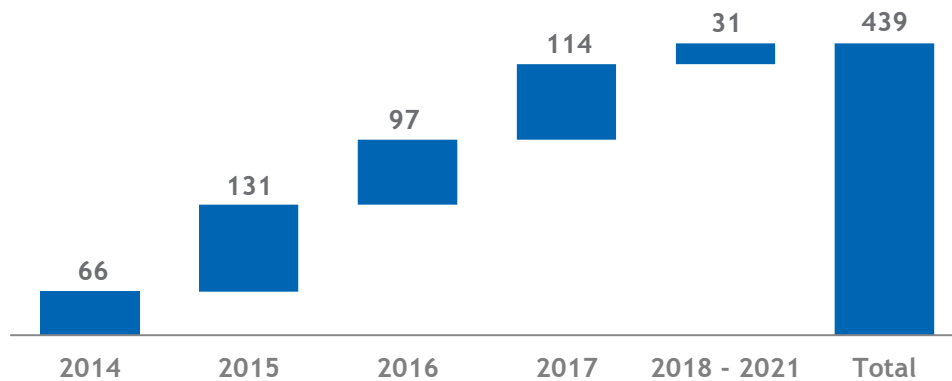
Foundation construction for a cooling tower and main building



Renovation of the existing building and building up two additional floors

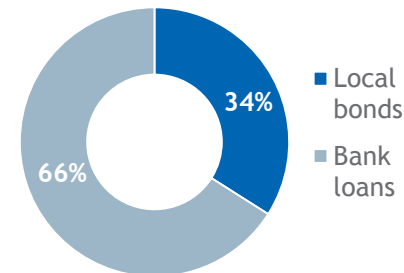
# Robust balance sheet

Debt maturity profile  
(as of 30/06/2014; USD mln)\*

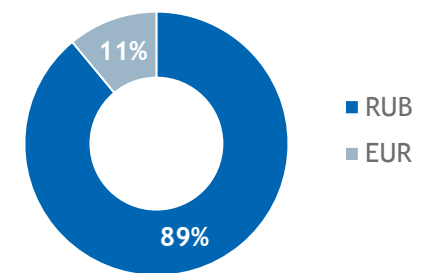


Debt composition (as of 30/06/2014)\*

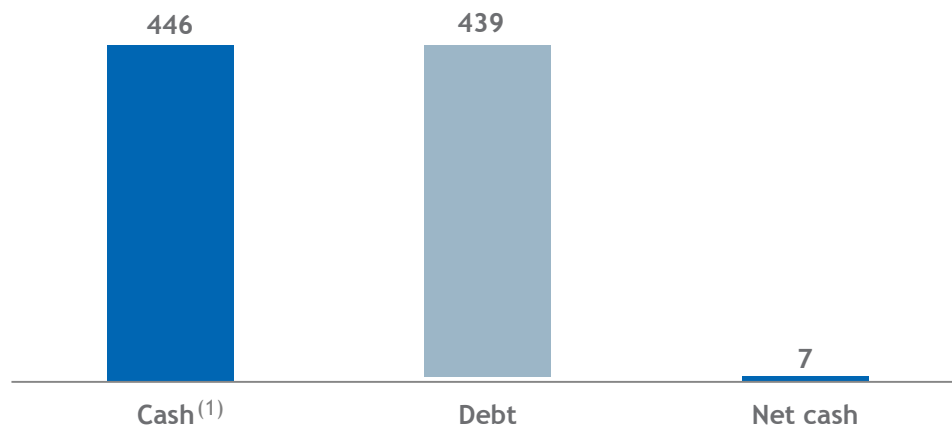
By type of facility



By currency



Net debt (as of 30/06/2014)\*, USD mln



## Financing highlights

- Conservative approach to leverage
- Balance sheet naturally hedged

USD/RUB fx rate as at 30 June 2014

33.63

<sup>(1)</sup> Including bank deposits  
\*Source: unaudited management accounts



# Income statement

mIn RUB	2010	2011	2012	2013
Revenue	20,316	22,741	26,894	39,921
Cost of sales	(11,078)	(11,888)	(17,494)	(27,553)
Gross profit	9,238	10,853	9,400	12,368
General and administrative expenses	(2,047)	(2,328)	(2,324)	(3,157)
Selling expenses	(589)	(854)	(958)	(1,023)
Other expenses, net	(177)	(27)	(209)	(40)
Results from operating activities	6,425	7,644	5,909	8,148
Finance income	284	1,441	749	691
Finance costs	(667)	(60)	(132)	(342)
Net finance income (costs)	(383)	1,381	617	349
Share of profit of equity accounted investees (net of income tax)	-	-	-	-
Profit before income tax	6,042	9,025	6,526	8,497
Income tax expense	(1,355)	(1,585)	(1,526)	(1,833)
Profit for the period	4,687	7,440	5,000	6,664
<i>Profit attributable to:</i>				
Owners of the Company	4,628	7,332	4,979	6,629
Non controlling interest	59	108	21	35
Profit for the period	4,687	7,440	5,000	6,664

Source: audited consolidated IFRS accounts for 2010, 2011, 2012, 2013

# Balance sheet

mIn RUB	2010	2011	2012	2013
---------	------	------	------	------

## Assets

### Non-current assets

PP&E	1,660	2,009	2,380	1,962
Investment property	-	-	-	1,142
Other long-term investments	39	88	60	275
Trade and other receivables	904	551	433	1,332
Deferred tax assets	263	679	434	560
Other non-current assets	33	92	11	10
<b>Total non-current assets</b>	<b>2,899</b>	<b>3,419</b>	<b>3,318</b>	<b>5,281</b>

### Current assets

Inventories	25,651	32,047	41,522	50,057
Trade and other receivables	3,964	7,473	11,058	15,078
Short-term investments	341	1,327	6,870	5,008
Cash and cash equivalents	3,636	14,484	10,716	8,139
Other current assets	58	34	32	7
<b>Total current assets</b>	<b>33,650</b>	<b>55,365</b>	<b>70,198</b>	<b>78,289</b>
<b>Total assets</b>	<b>36,549</b>	<b>58,784</b>	<b>73,516</b>	<b>83,570</b>

mIn RUB	2010	2011	2012	2013
---------	------	------	------	------

## Equity and Liabilities

### Equity

Share capital	1,952	14,980	14,967	14,967
Retained earnings	10,157	17,704	22,688	29,332
<b>Total equity attributable to equity holders of the Company</b>	<b>12,109</b>	<b>32,684</b>	<b>37,655</b>	<b>44,299</b>
Non-controlling interest	459	372	408	387
<b>Total equity</b>	<b>12,568</b>	<b>33,056</b>	<b>38,063</b>	<b>44,686</b>

### Non-current liabilities

Long-term debt	6,702	8,456	12,811	10,176
Long-term trade and other payables	261	48	980	785
Provision	81	77	65	89
Deferred tax liabilities	40	98	226	826
<b>Total non-current liabilities</b>	<b>7,084</b>	<b>8,679</b>	<b>14,082</b>	<b>11,876</b>

### Current liabilities

Loans and borrowings	1,424	1,950	3,825	3,043
Trade and other payables	14,284	13,539	16,966	22,300
Provisions	1,189	1,560	580	1,665
<b>Total current liabilities</b>	<b>16,897</b>	<b>17,049</b>	<b>21,371</b>	<b>27,008</b>
<b>Total equity and liabilities</b>	<b>36,549</b>	<b>58,784</b>	<b>73,516</b>	<b>83,570</b>

Source: audited consolidated IFRS accounts for 2010, 2011, 2012, 2013



# Cashflow statement

mln RUB	2010	2011	2012	2013
<b>Operating Activities</b>				
Profit for the period	4,687	7,440	5,000	6,664
<i>Adjustments for</i>				
Depreciation and amortisation	286	265	417	343
Gain/(loss) on disposal of PP&E	(1)	(92)	(49)	(15)
Loss on disposal of subsidiaries	5	1	28	-
Gain/(loss) on disposal of other investments	-	(24)	-	-
Finance income (cost), net	490	(1,425)	(544)	(337)
Income tax expense	1,355	1,585	1,526	1,833
<b>Cash from operating activities before changes in working capital</b>	<b>6,822</b>	<b>7,750</b>	<b>6,378</b>	<b>8,488</b>
Change in inventories	1,520	(5,308)	(7,633)	(7,837)
Change in accounts receivable	(201)	(2,893)	(3,024)	(5,080)
Change in accounts payable	(6,659)	(818)	4,074	4,880
Change in provisions	(736)	367	(992)	1,109
Change in other current assets	(33)	24	3	25
Income tax paid	(1,083)	(1,897)	(1,833)	(907)
Interest paid	(814)	(1,098)	(1,097)	(1,724)
<b>Net cash provided by operating activities</b>	<b>(1,184)</b>	<b>(3,873)</b>	<b>(4,124)</b>	<b>(1,046)</b>

mln RUB	2010	2011	2012	2013
<b>Investing Activities</b>				
Proceeds from disposal of non-current assets	31	117	71	15
Interest received	93	140	552	611
Acquisition of PP&E	(329)	(726)	(844)	(431)
Loans given	(106)	(253)	(371)	(55)
Loans repaid	61	234	363	85
Acquisition of subsidiaries, net of cash acquired	9	-	-	10
Disposal of subsidiaries, net of cash disposed of	(37)	(17)	(8)	(20)
Acquisition of other investments	(277)	(1,027)	(5,506)	1,606
<b>Net cash used in investing activities</b>	<b>(555)</b>	<b>(1,532)</b>	<b>(5,743)</b>	<b>1,821</b>
<b>Financing activities</b>				
Proceeds from IPO	-	13,487	-	-
Acquisition of non-controlling interest	(97)	(3)	(3)	(10)
Proceeds from disposal of non-controlling interest	-	24	-	-
Proceeds from borrowings	10,794	6,353	12,140	5,937
Repayments of borrowings	(8,620)	(4,821)	(5,552)	(9,668)
Acquisition of own shares	-	(459)	(13)	-
Dividends paid	(38)	-	-	-
<b>Net cash (used in) from financing activities</b>	<b>2,039</b>	<b>14,581</b>	<b>6,572</b>	<b>(3,741)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>300</b>	<b>9,176</b>	<b>(3,295)</b>	<b>(2,966)</b>
<b>Cash &amp; cash equivalents at the end of the period</b>	<b>3,636</b>	<b>14,484</b>	<b>10,716</b>	<b>8,139</b>

Source: audited consolidated IFRS accounts for 2010, 2011, 2012, 2013

**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](mailto:info@etalongroup.com)