

# UBS Russia Mid Cap Day

Investor presentation

December 2014





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## Today's presenting team



**Anton Evdokimov**

**Chief Executive Officer**

**Member of the Board of Directors**

With Etalon Group since 1998



**Kirill Bagachenko**

**Head of Corporate Investments and IR**

**Member of the Board of Directors**

With Etalon Group since 2013



1

Company  
overview

2

Financial  
results

3

Operating  
results

4

2014  
deliveries

5

Selected  
upcoming  
projects

6

Appendix



**Etalon Group**



## Summary

1

New contract sales in 9M 2014 increased 28% y-o-y to RUB 26.7 billion

2

Cash collections for 9M 2014 came to RUB 23.8 billion, up 35% y-o-y

3

Free cash flow supported by strong cash collections performance turned positive in 1H 2014

4

Initial dividend distributed in July 2014, second dividend announced in November 2014

5

Balance sheet remains exceptionally strong with net cash of RUB 349 million as of 30 June 2014

# Company overview



**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 27 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
- 4,500 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 RUB 349 mln<sup>(4)</sup>
- Credit rating by S&P: B+/Stable/B+<sup>(5)</sup>

## Corporate governance

- 10 BoD members, 5 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;

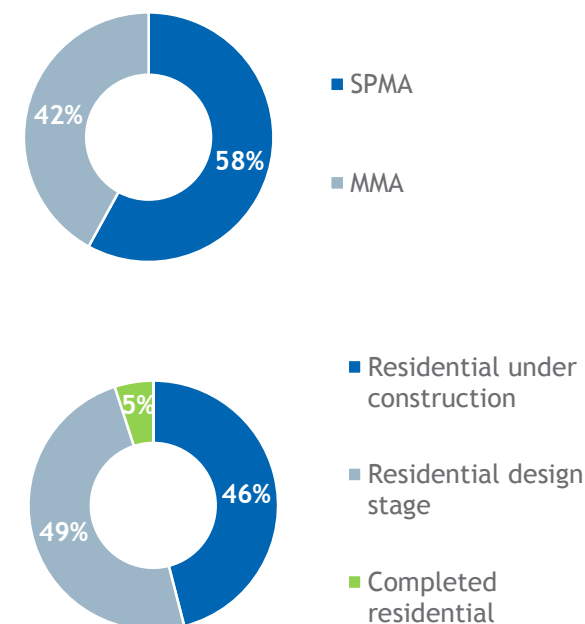
<sup>(4)</sup> Consolidated IFRS financial statements for 1H 2014;

<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 2.21 (09.12.2014)
Market capitalization	USD 645 mln (09.12.2014)
Portfolio valuation (by Jones Lang LaSalle)	USD 2,727 mln (31.12.2013)

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

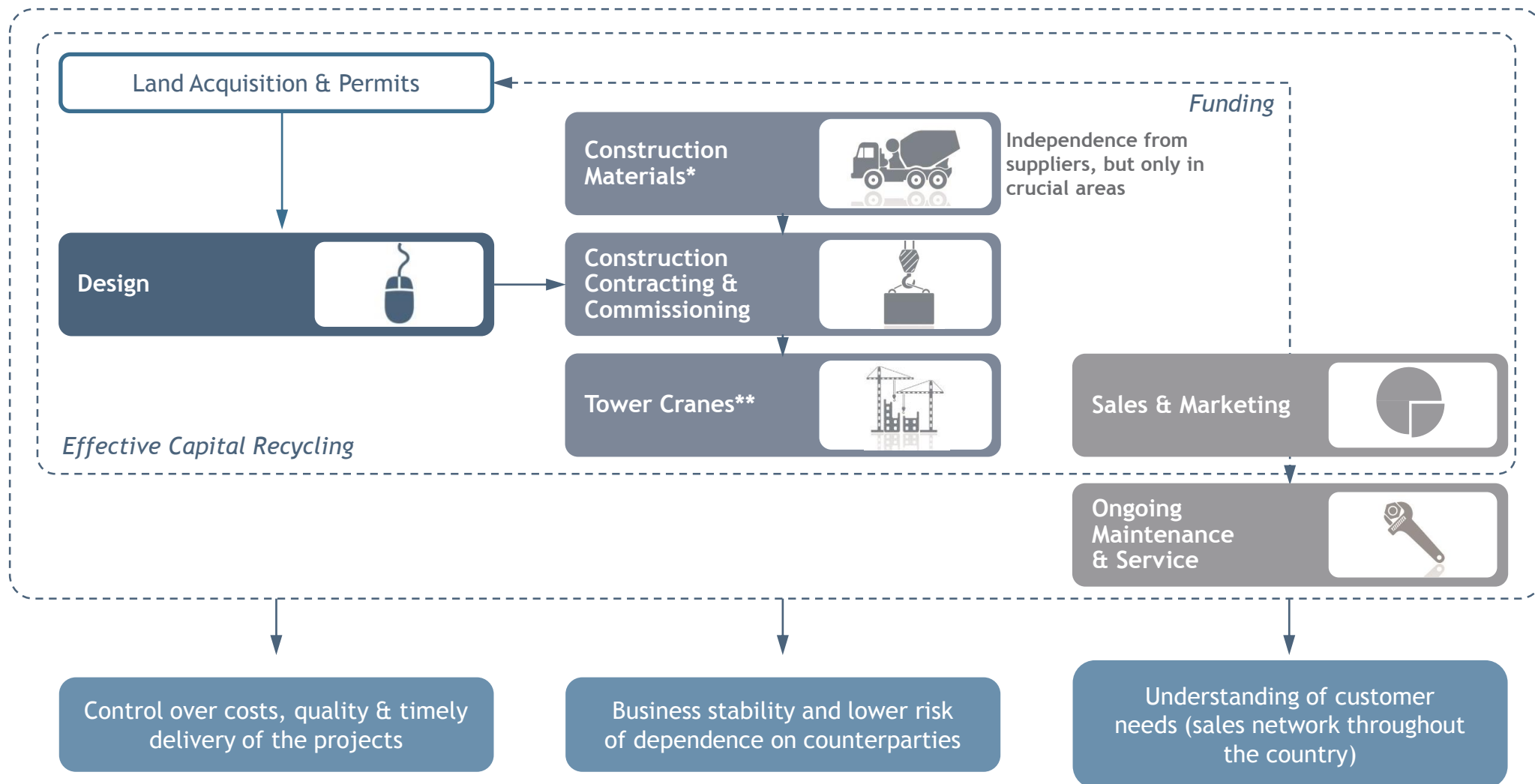


# Strategic vertical integration: control over costs, quality and timing

*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



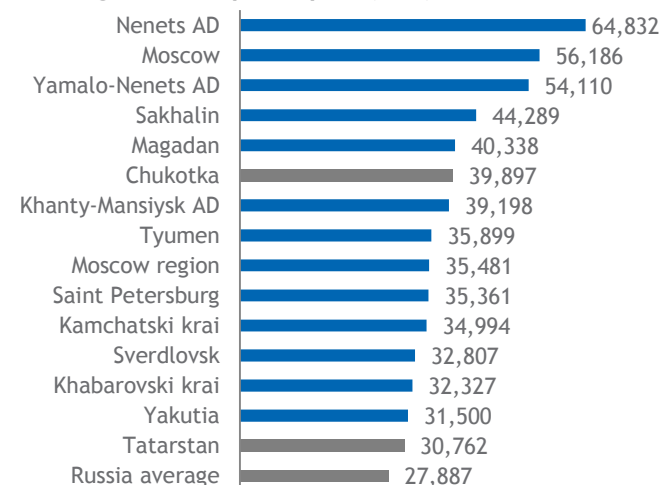
- Etalon Group sales force is focused on the regions with the **largest income per capita**
- Key markets: **SPMA and MMA**
- **36 cities** covered with 13 sales offices in St. Petersburg and **16 more sales offices nationwide**
- External professional marketing and sales service agents engaged nationwide

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

Region	Share of total contracts
Leningrad	5.7%
Khanty-Mansiysk AD	2.3%
Yakutia	1.9%
Yamalo-Nenets AD	1.6%
Krasnoyarski krai	1.3%
Khabarovsk krai	1.3%
Murmansk	1.3%
Arkhangelsk	1.1%
Other Russian regions	19.4%
Foreigners	0.8%
<b>Total:</b>	<b>36.9%</b>

The Group's flats are sold in 13 out of Russia's 15 richest regions

## Average income per capita (RUB)<sup>(2)</sup>



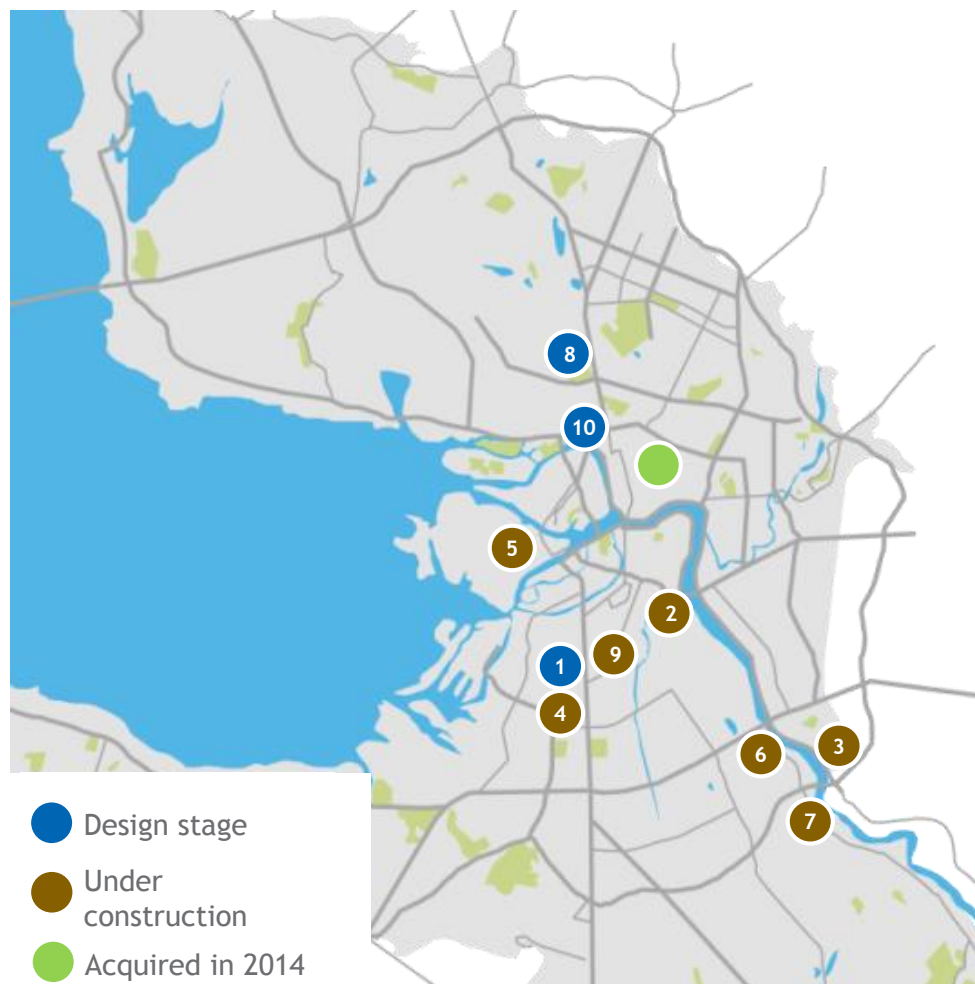
■ Etalon Group's target regions

<sup>(1)</sup>Source: company data for 3Q 2014

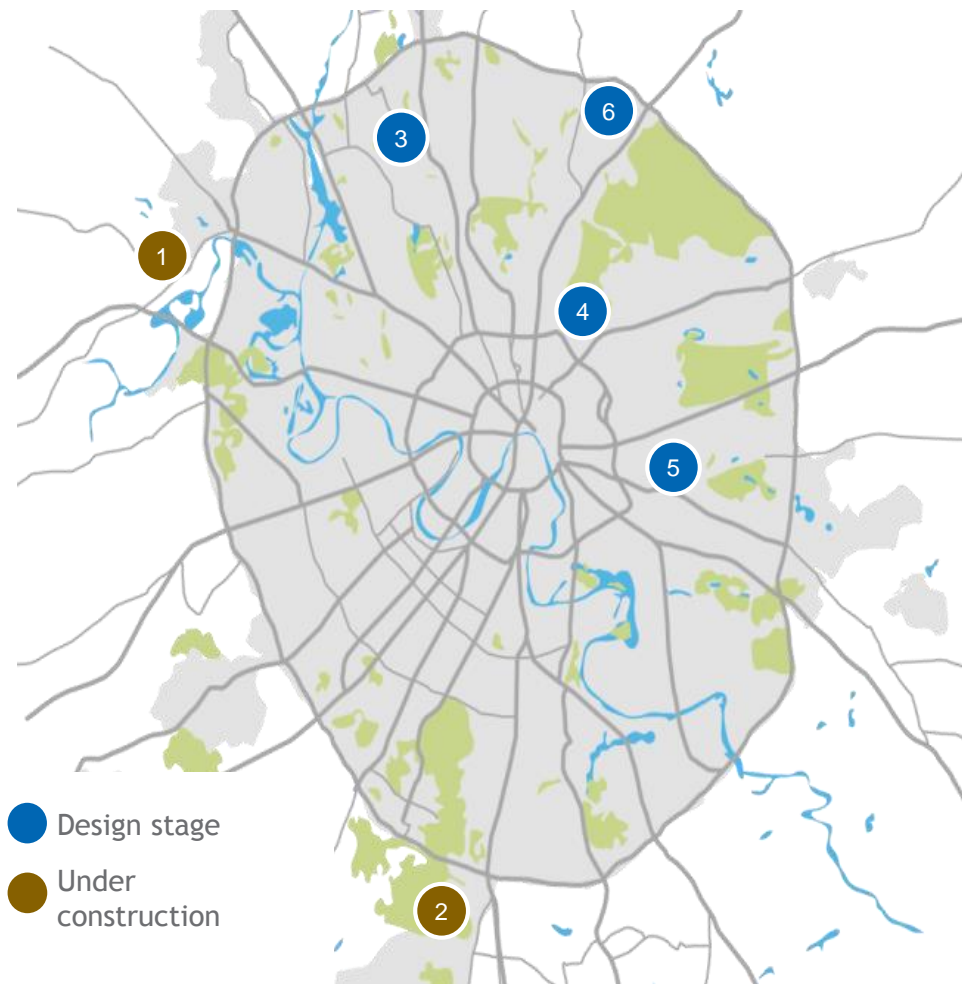
<sup>(2)</sup>Average monthly cash income per capita, Rosstat's preliminary estimates as of 3Q 2014

# Operations in SPMA and MMA

## Projects in St. Petersburg Metropolitan Area



## Projects in Moscow Metropolitan Area





# Project portfolio timeline

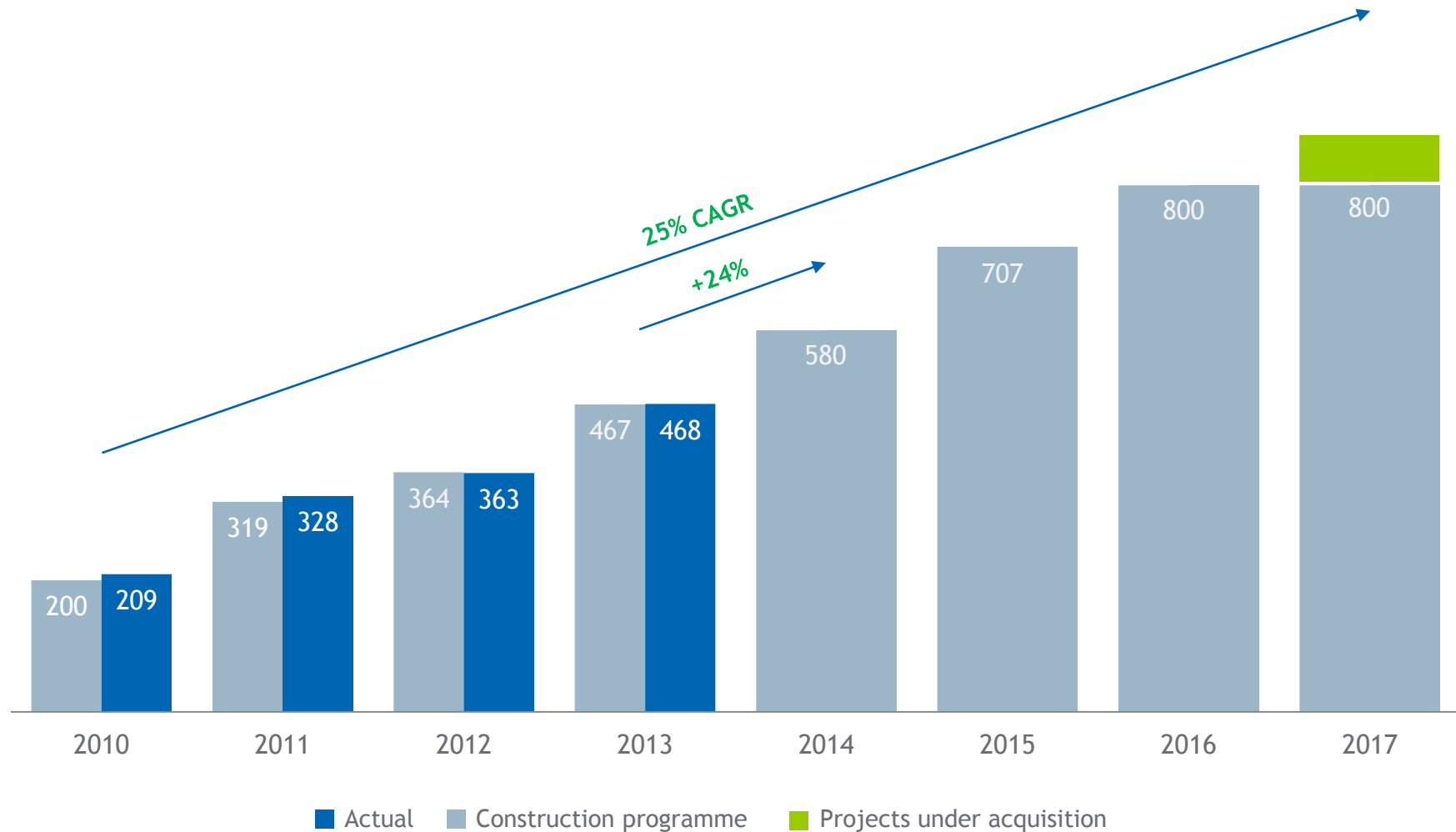
Construction period							Status	Total NSA (‘000 sqm)	Unsold NSA (Etalon’s share) <sup>(1)</sup> (‘000 sqm)	Unsold parking (lots), #	OMV (USDmln)	Income from sales <sup>(2)</sup> (USDmln)	Construction budget <sup>(3)</sup> (USDmln)	Outstanding budget <sup>(3)</sup> (USDmln)								
Project	2014	2015	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							Construction	202.0	202.0	945	137.1	584.0	267.6	259.3								
5. Samotsvety							Construction	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

# Construction programme

Construction programme, ths sqm of NSA



Source: Company estimates



# Etalon Group is well positioned to continue successful development in a more complicated macro environment

- Current land bank is sufficient for Etalon Group's construction programme, no need to acquire land plots in the medium term
- More diversified product offering based on a higher number of projects and a growing share on lucrative MMA market
- Growing contribution from the Company's sales network in Russia's resource-rich regions

- The strongest balance sheet in the industry
- Low level of FX-denominated debt fully hedged by FX-denominated deposits
- Currently no debt borrowed outside of Russia
- Etalon Group maintains its B+/Stable credit rating from Standard & Poor's despite Russia's sovereign credit rating downgrade in 2014

- Reasonable price growth during preceding 3 years, no signs of a bubble

- Comprehensive inventory of completed apartments in diverse locations is attractive to clients during macroeconomic instability. It also enables the Company generate revenue without incurring additional costs

- Moderate share of mortgage sales, well below that of other public peers

- Transparent public company with long and successful track record of cooperation with capital markets

	2008	2014	
Land bank (unsold NSA) bop, ths sqm	1,280	3,442	↑
Number of projects in construction programme, eop	8	15 <sup>(1)</sup>	↑
Share of Moscow Metropolitan Area in total contract sales, %	-	24% <sup>(2)</sup>	↑
Share of regional sales, %	21.0%	36.8% <sup>(2)</sup>	↑
Total net debt (net cash), mn RUB	4,358	(349) <sup>(3)</sup>	↓
- % FX denominated debt	88.5%	11.0% <sup>(3)</sup>	↓
- % of debt borrowed outside of Russia	46.4%	-	↓
- Net debt / EBITDA	1.37x	N/A	↓
Credit rating (Standard & Poor's)	B	B+	↑
Residential real estate price CAGR (previous 3 years), %:			
- St. Petersburg market <sup>(4)</sup>	41%	7%	
- Moscow market <sup>(5)</sup>	34%	6%	
Inventory of completed and available for sale apartments bop, ths sqm	11	238	↑
Share of mortgage sales	8%	22% <sup>(2)</sup>	↑
Qualitative criteria	<ul style="list-style-type: none"> <li>- 3 years of public debt history</li> <li>- Partnership with Baring Vostok Capital Partners</li> </ul>	<ul style="list-style-type: none"> <li>- Public listing on LSE</li> <li>- Transparent corporate governance</li> <li>- Dividend policy</li> <li>- 9 years of public debt history</li> </ul>	

\*Sources: Land bank valuation report by JLL as of 31.12.2013, management accounts, IPO Prospectus, IFRS financial statements for 2008 and 1H2014

(1) 16 projects as of 2013 eop + Polyustrovskiy prospekt project - Rechnoy - Galant

(2) For 9M 2014

(3) as of 30 June 2014

(4) calculation based on EMLS index (secondary market) as of December for preceding 3 years

(5) calculation based on IRN housing price index as of December for preceding 3 years



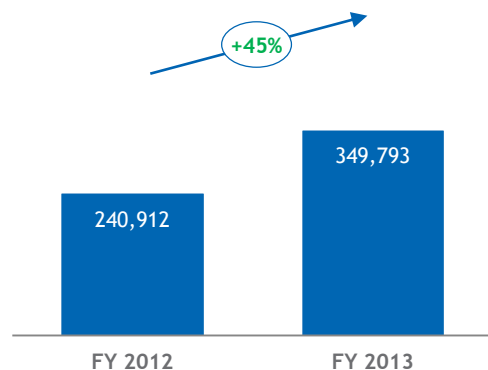
# Financial results



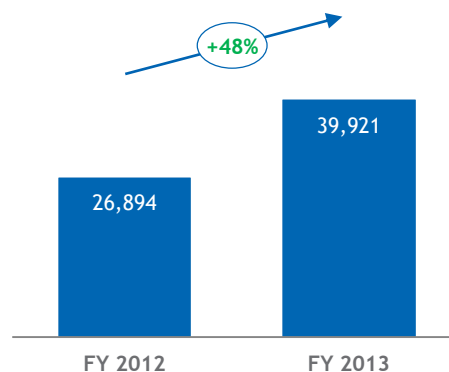


# Vigorous growth in FY 2013 Financial results

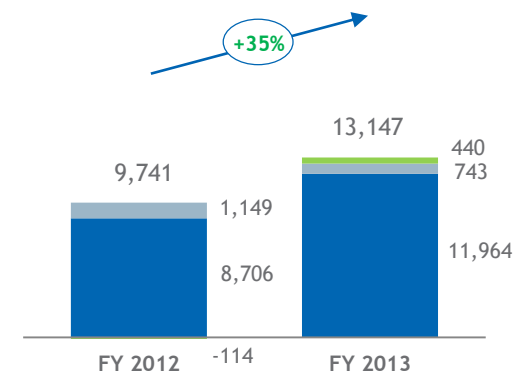
Transfers to customers, sqm



Total Revenue, mln RUB



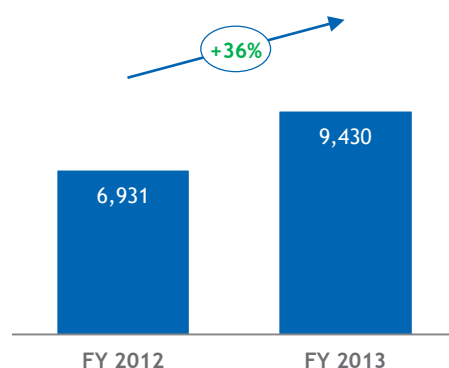
Adjusted gross profit\*, mln RUB



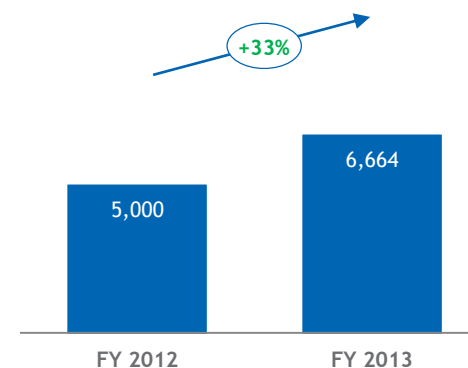
Selling, General and Administrative expenses as % of revenue



EBITDA, mln RUB



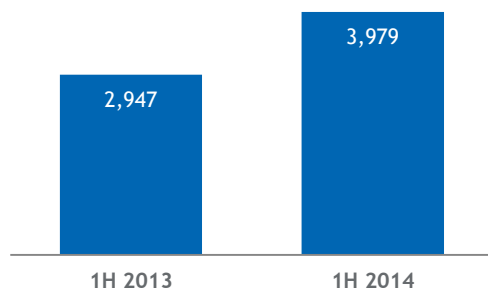
Net Income, mln RUB



■ Other segments plus elimination of inter-segment profit  
■ Construction services  
■ Residential real estate development

# 1H 2014 Revenue analysis - influence of construction cycles

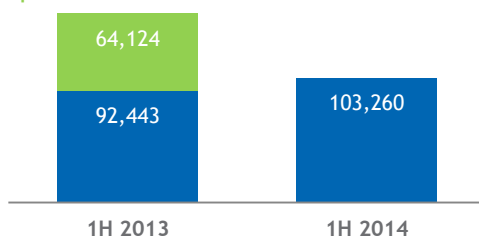
Construction services revenue from third parties/external, mln RUB



- Construction services revenue was boosted by the ExpoForum project, which contributed approx. RUB 3 bln to the top line in 1H 2014
- Recognition of residential real estate development revenue is dependent on the construction schedule, which includes 76 ths sqm delivered in 1H 2014 and 504 ths sqm to be delivered in 2H 2014
- A high base effect in 1H 2013, when 64 ths sqm were delivered in late December 2012 but transferred in January 2013, affects year-on-year comparisons. Adjusted for the January 2013 volumes, residential real estate development revenue increased by 26% year-on-year in 1H 2014

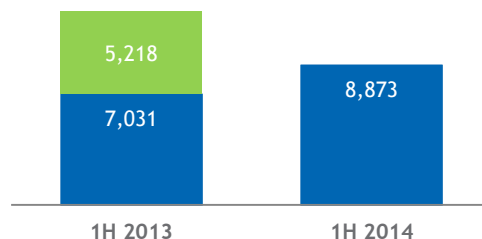
Transfers to customers, sqm

NSA delivered in late Dec 2012 was transferred to cooperatives in Jan 2013

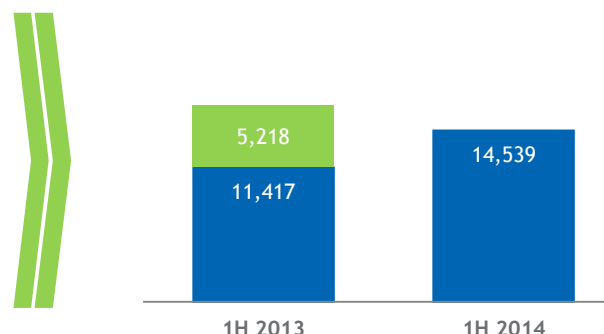


Residential real estate development revenue, mln RUB

Revenue recognized from 64,124 sqm transferred in Jan 2013



Total Revenue, mln RUB

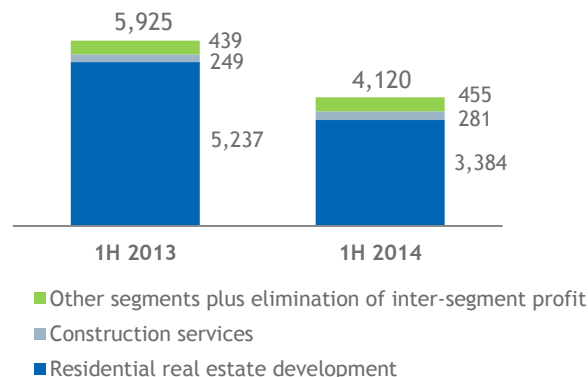


Source: IFRS financial statements, Company information

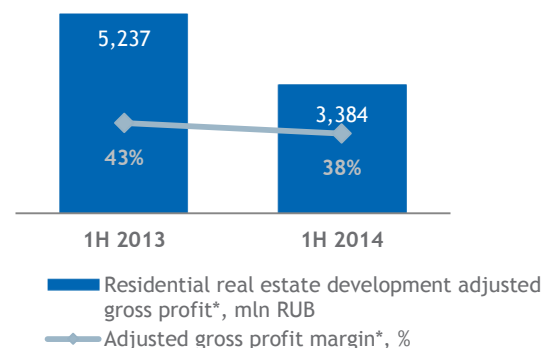


# 1H 2014 Gross profit analysis

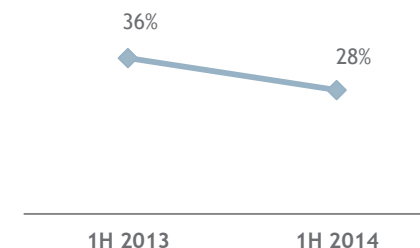
Adjusted gross profit\*, mln RUB



Residential real estate development adjusted gross profit\*, mln RUB

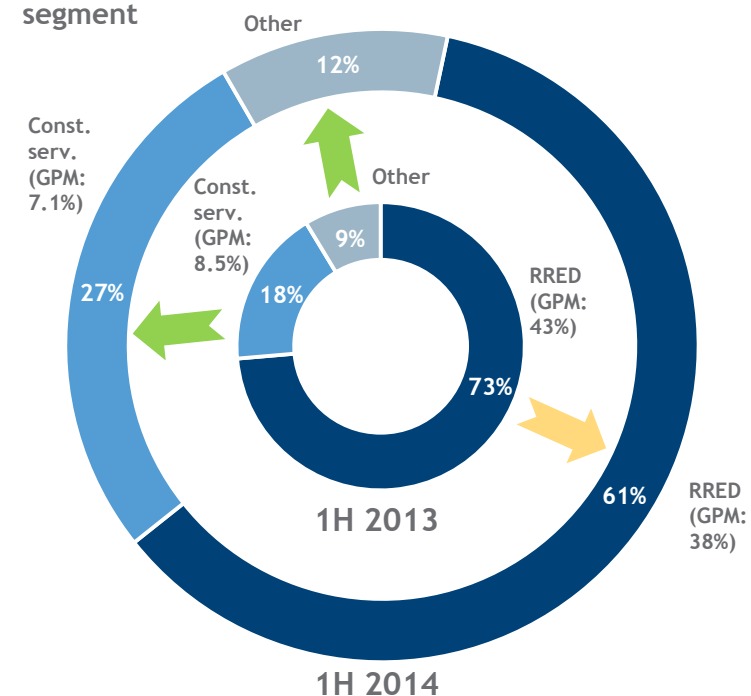


Adjusted gross profit margin\*, %



- In 1H 2014 the revenue mix shifted towards lower-margin segments (construction services and other) due to several factors specific to this period:
  - high level of revenue from ExpoForum general contractor work, and
  - lower volume of transfers in residential real estate development due to the construction schedule
- The margin in the residential real estate development was affected by an accounting requirement whereby the costs associated with construction of a school and pre-school for phase III of Emerald Hills were included in the cost of the construction of the first two buildings (№10 and №11) of the six buildings that comprise this phase of the project. As a result, these social infrastructure costs are included disproportionately on this stage of the project. Had these costs been spread evenly across all of the buildings, the residential development segment adjusted gross margin for 1H 2014 would have been 40% instead of 38%. Going forward, however, this same fact will have a positive impact on the margin of the next four buildings of Emerald Hills phase III.

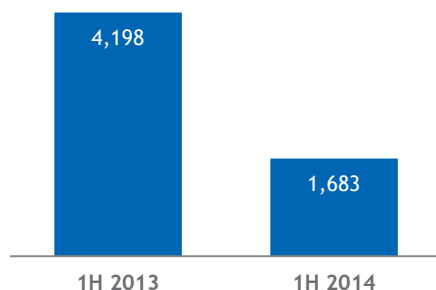
Revenue breakdown and gross profit margin (GPM), by segment



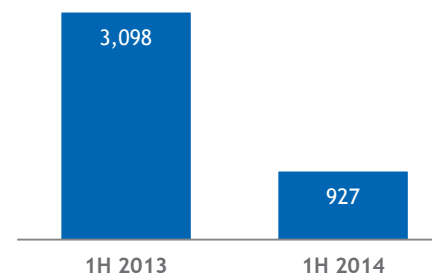
Source: IFRS financial statements  
 \*Note 5 to IFRS financial statements

# 1H 2014 EBITDA and Net Income analysis

EBITDA, mln RUB



Net Income, mln RUB



## EBITDA calculation

mln RUB

1H 2014

Comprehensive income	927
Income tax expense	302
Interest expense on loans and finance leases	140
Net foreign exchange loss	70
Interest income on bank deposits	(307)
Interest income on loans and receivables	(35)
Bank fees and commissions	42
Interest in COS	340
Depreciation	204
<b>EBITDA</b>	<b>1,683</b>

mln RUB

1H 2014

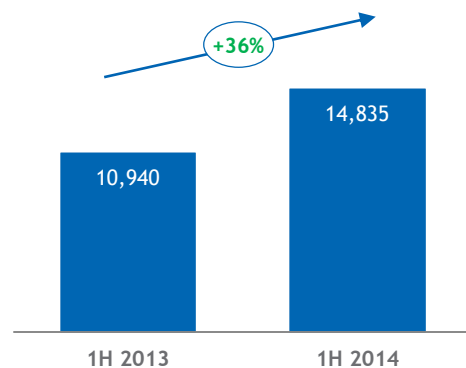
Depreciation to COGS (Note 14 PP&E)	160
Depreciation to selling expenses (Note 14 PP&E)	1
Depreciation to G&A (Note 14 PP&E)	19
Depreciation to Investment property (Note 15 Investment property)	24

Source: IFRS financial statements

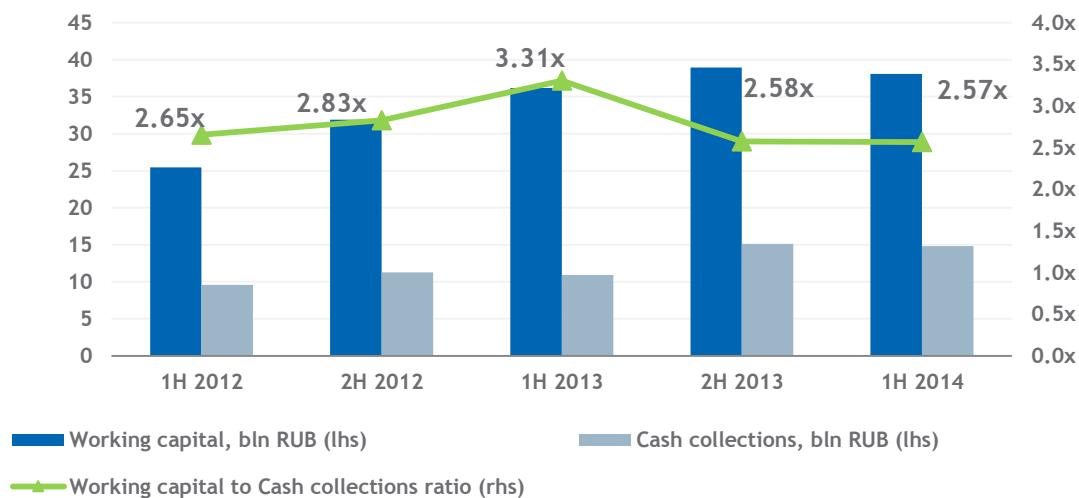


# 1H 2014 Cash flow analysis

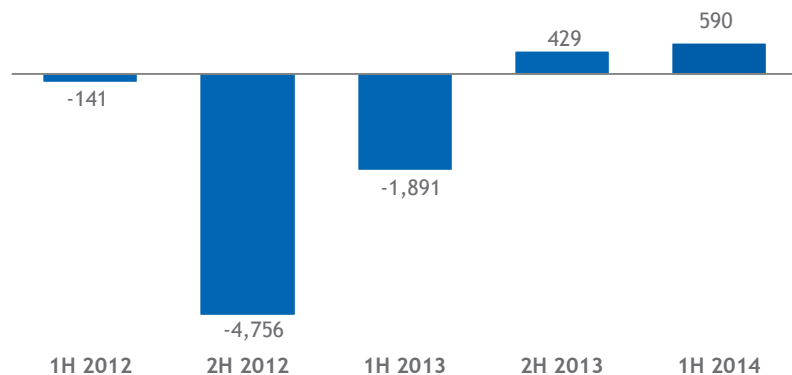
Cash collections, mln RUB



Working capital under control despite strong growth momentum



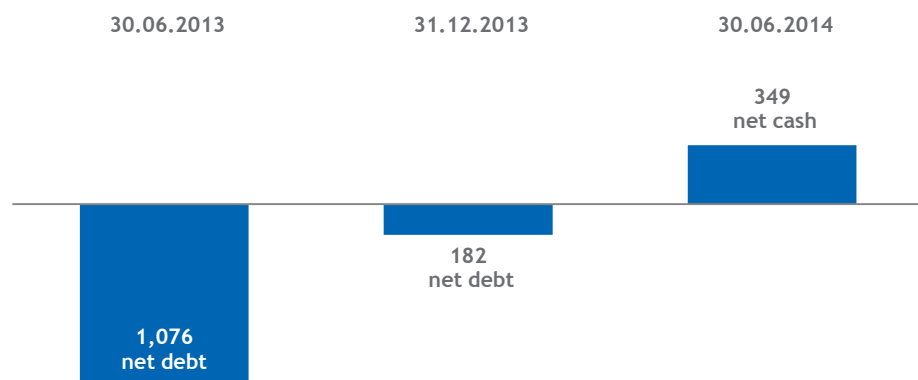
Free cash flow, mln RUB



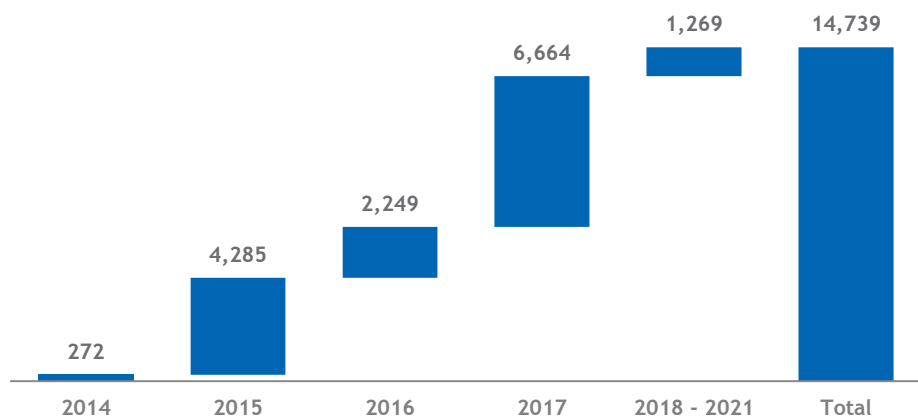
- Strong pre-sales cash collections model supports healthy growth
- First dividend distributed in July

# Strong balance sheet secured by robust cash collections

Liquidity position, RUB mln\*

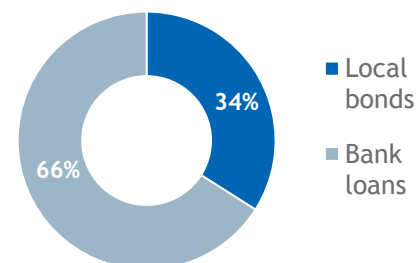


Debt maturity profile  
(as of 30/06/2014; RUB mln)\*

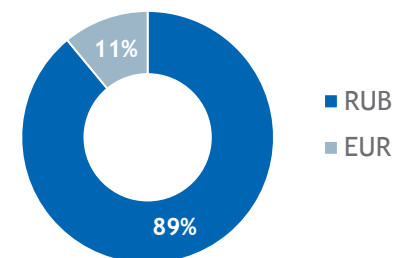


Gross debt composition (RUB 14,739 mln as of 30/06/2014)\*

By type of facility



By currency



## FX sensitivity

- Company estimates that only c. 15% of total construction costs linked to USD
- Foreign currency denominated debt to cash ratio is 0.4 (as of 30 June 2014)

USD/RUB fx rate as at 30 June 2014 33.63

EUR/RUB fx rate as at 30 June 2014 45.83

\*Source: IFRS financial statements

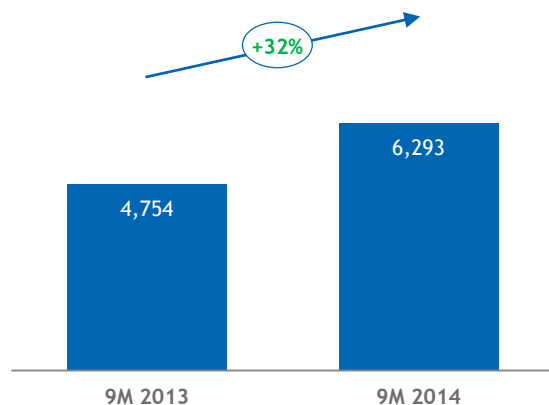


# Operating results

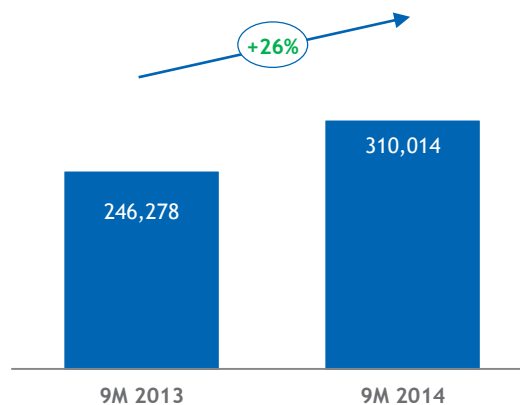


# 9M 2014 Operating results - sustainable growth in sales

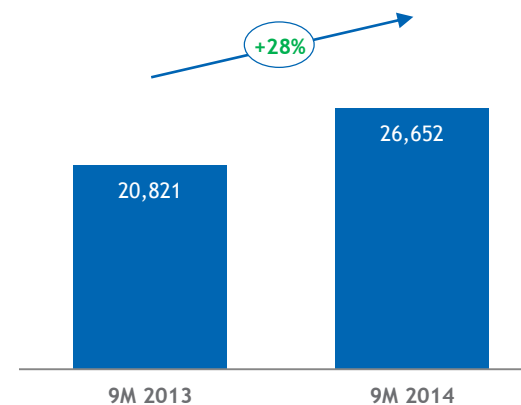
Number of contracts



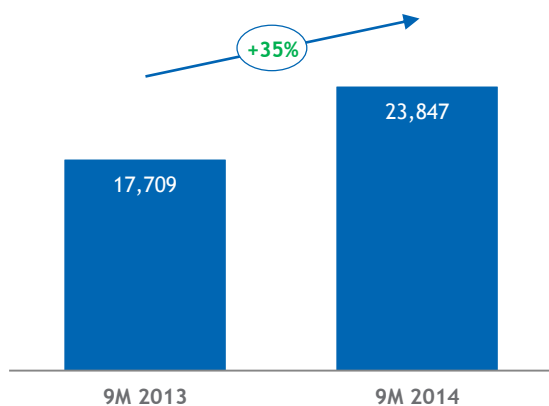
New contract sales, sqm



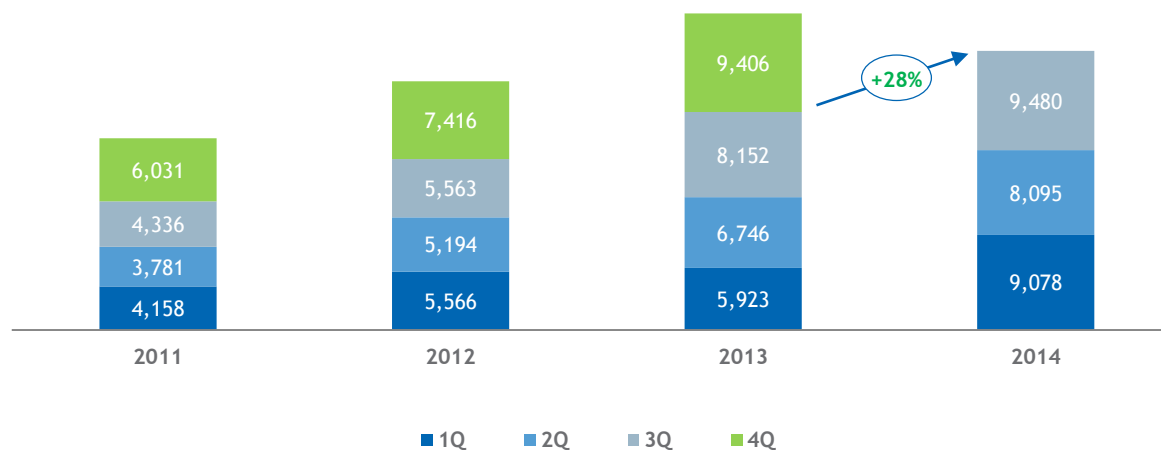
New contract sales, mln RUB



Cash collections, mln RUB



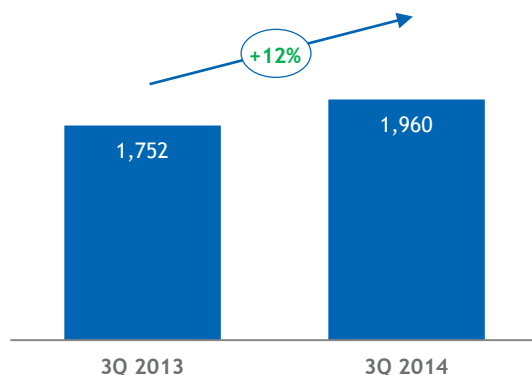
New contract sales y-o-y, mln RUB



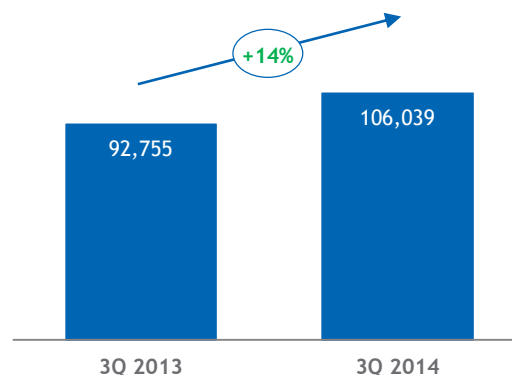
Source: Company data

# 3Q 2014 Operating results - new projects drive new sales

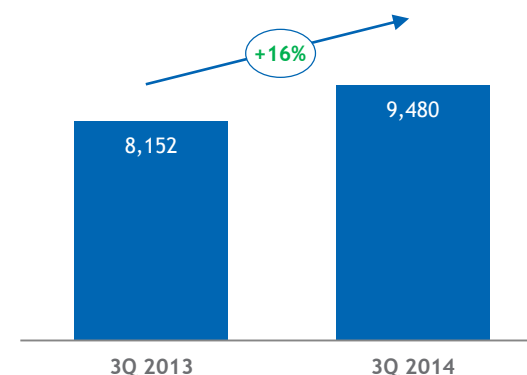
Number of contracts



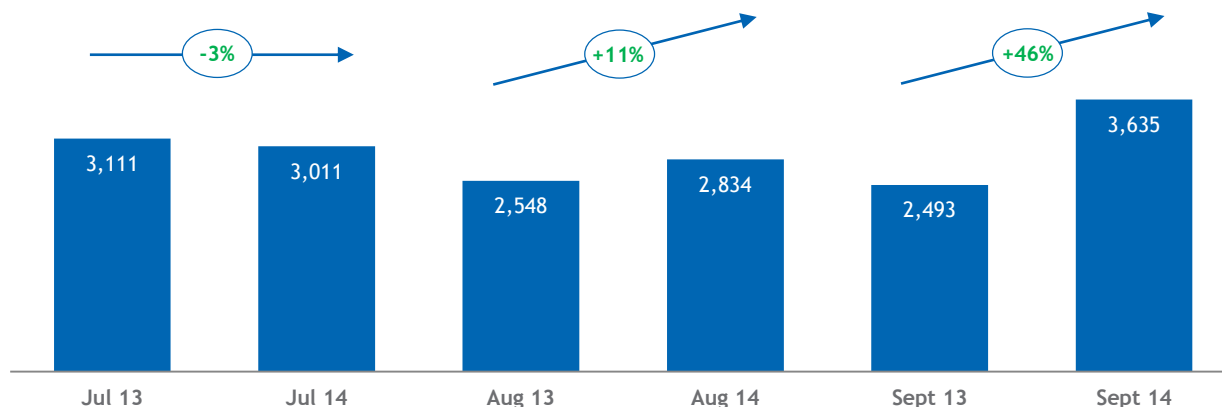
New contract sales, sqm



New contract sales, mln RUB



New contract sales, mln RUB



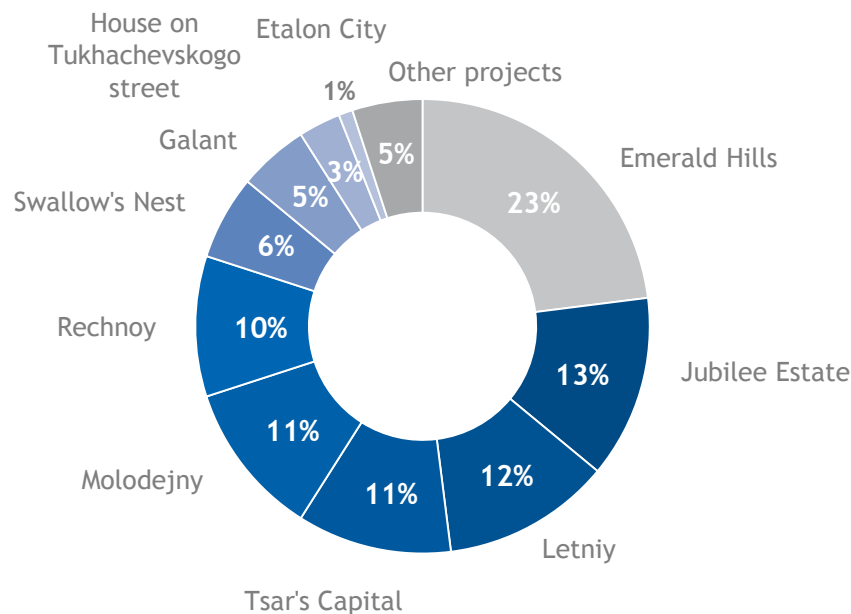
- Average down payment was 77%
- Share of Moscow Metropolitan Area contracts remained at a strong level of 26% in 3Q 2014 up from 24% in 3Q 2013
- The regional sales network generated c.37% of new contracts (see p. 8 for details)

Source: Company data

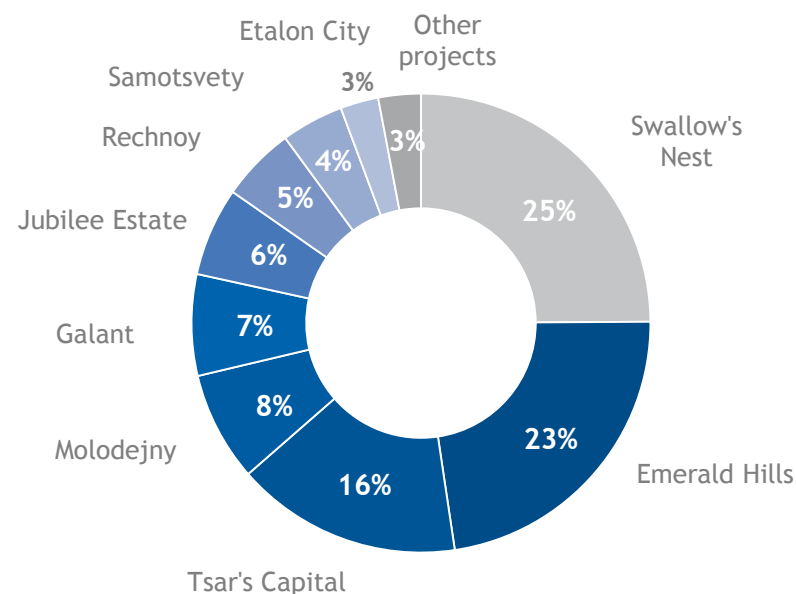


# Better product mix drives new contract sales in 3Q 2014

3Q 2013 New contract sales by project, sqm



3Q 2014 New contract sales by project, sqm

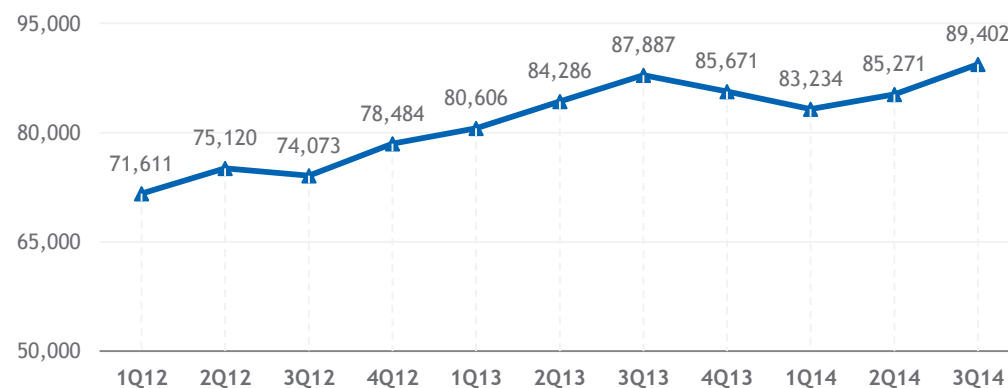


## Significant portfolio diversification with growing share of prime location projects

- Swallow's Nest and Emerald Hills enjoy strong demand from customers
- Tsar's Capital accounted for 16% of new sales, with the long-awaited second stage now available for clients
- Sales at Samotsvety launched at the very end of August, but the project already contributed c. 4% to total 3Q 2014 sales
- Two new project launches scheduled for 4Q 2014 will further improve the product mix

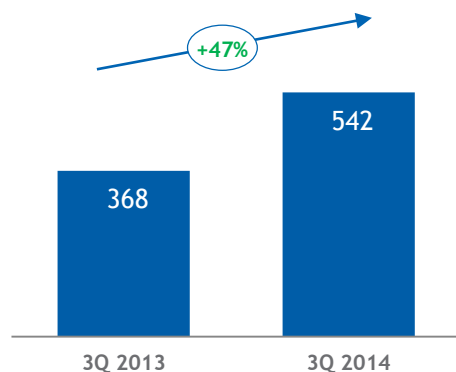
Source: Company data

Average price, RUB/sqm

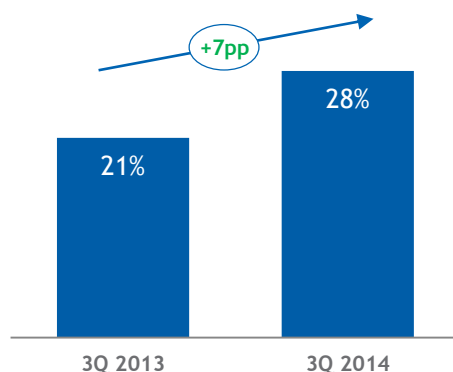


# Mortgage deals - another driver of new contract sales

Number of mortgage contracts



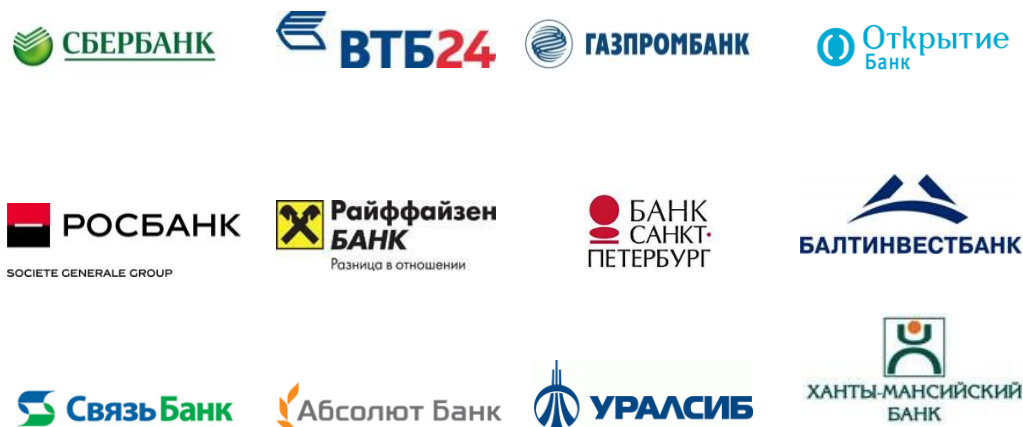
Share of mortgage sales, %



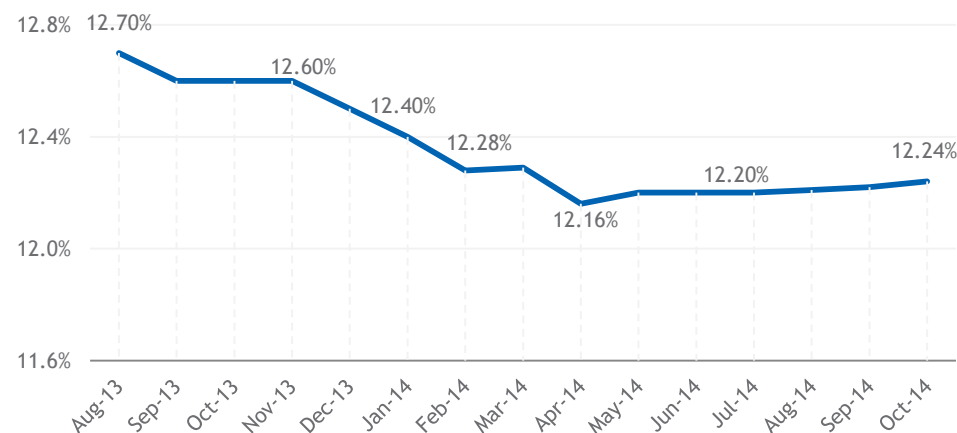
## Highlights

- 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 16 bps to 12.24%<sup>(1)</sup>

## Selected mortgage partners



## Average mortgage rate dynamics in Russia<sup>(2)</sup>



Source: Company data

(1) Based on CBR data for January 2013 and October 2014  
(2) CBR data



# 2014 deliveries



Etalon Group



## Summary of 2014 planned deliveries

Project deliveries breakdown for 2014

Project		Region	NSA to be delivered in 2014, ths sqm	NSA delivered YTD, ths sqm
1	Emerald Hills	MMA	131	125
2	Molodejny	SPMA	108	107
3	Rechnoy	SPMA	110	-
4	Tsar's Capital	SPMA	106	-
5	Swallow's Nest	SPMA	82	83
6	Galant	SPMA	38	35
7	Etalon City	MMA	5	-
<b>Total</b>			<b>580</b>	<b>350</b>

Source: Company estimates

# Emerald Hills

November 2014



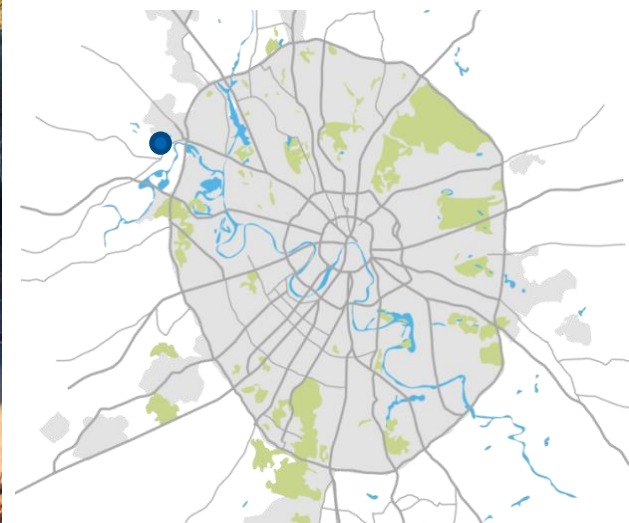
Construction period  
2008 - 2018

Total NSA 862 ths sqm

Planned 2014 deliveries  
131 ths sqm

Income from sales\*  
USD 1,960 mln

December 2013



\*Jones Lang LaSalle estimate as of 31.12.2013

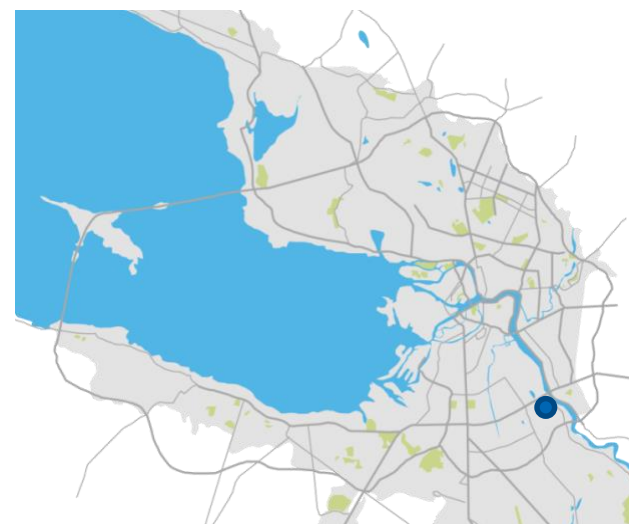
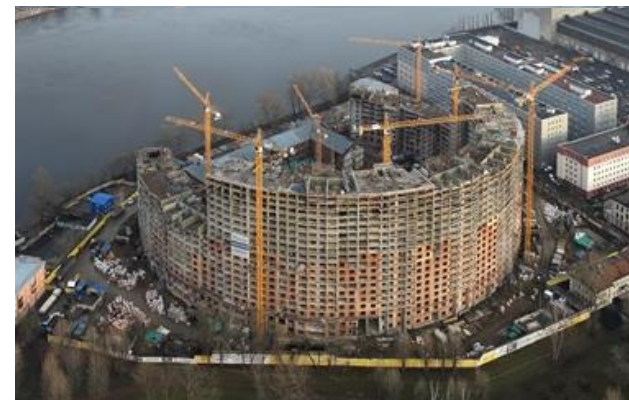


# Molodejny

November 2014



December 2013



Construction period  
2012 - 2015

Total NSA 112 ths sqm

Planned 2014 deliveries  
108 ths sqm

Income from sales\*  
USD 194 mln

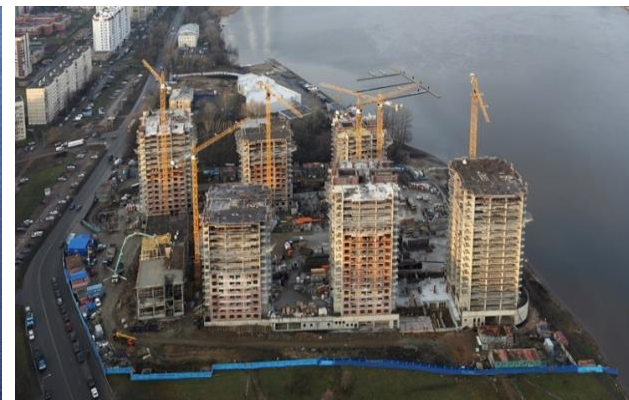
\*Jones Lang LaSalle estimate as of 31.12.2013



November 2014



December 2013



Construction period  
2012 - 2014

Total NSA 110 ths sqm

Planned 2014 deliveries  
110 ths sqm

Income from sales\*  
USD 169 mln

\*Jones Lang LaSalle estimate as of 31.12.2013

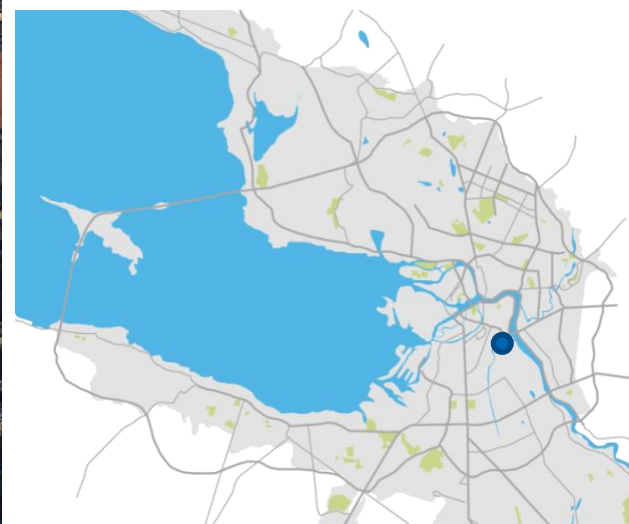


# Tsar's Capital

November 2014



December 2013



Construction period  
2013 - 2016

Total NSA 390 ths sqm

Planned 2014 deliveries  
106 ths sqm

Income from sales\*  
USD 1,101 mln

\*Jones Lang LaSalle estimate as of 31.12.2013

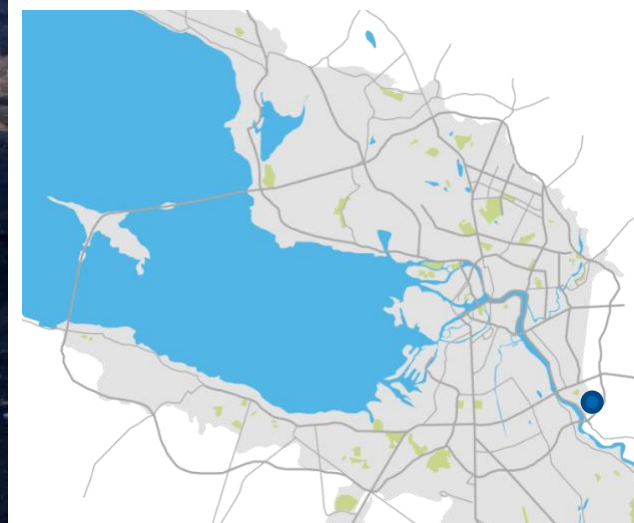


# Swallow's Nest

November 2014



December 2013



Construction period  
2012 - 2016

Total NSA 334 ths sqm

Planned 2014 deliveries  
82 ths sqm

Income from sales\*  
USD 613 mln

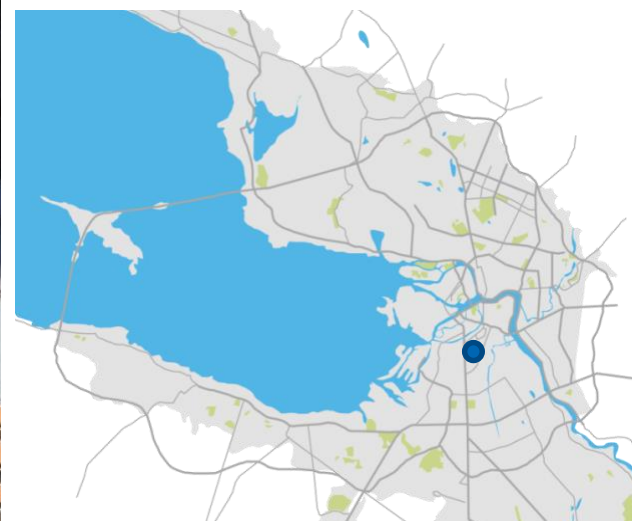
\*Jones Lang LaSalle estimate as of 31.12.2013



November 2014



December 2013



Construction period  
2013 - 2014

Total NSA 49 ths sqm

Planned 2014 deliveries  
38 ths sqm

Income from sales\*  
USD 132 mln

\*Jones Lang LaSalle estimate as of 31.12.2013

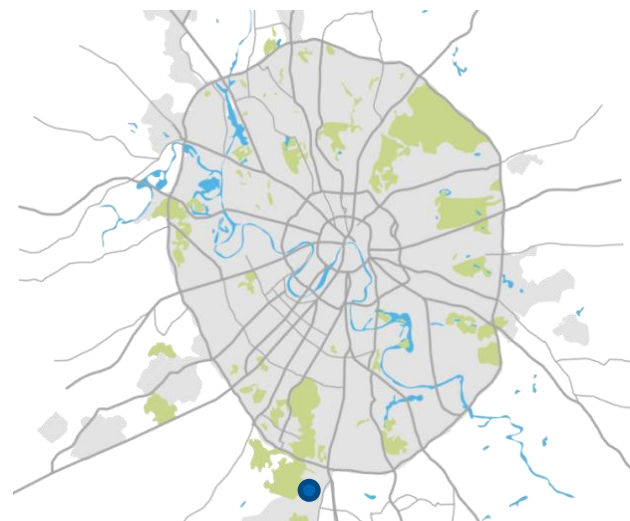


# Etalon City

November 2014



December 2013



Construction period  
2013 - 2017

Total NSA 430 ths sqm

Planned 2014 deliveries  
5 ths sqm

Income from sales\*  
USD 955 mln

\*Jones Lang LaSalle estimate as of 31.12.2013



# Selected upcoming projects



**Etalon Group**

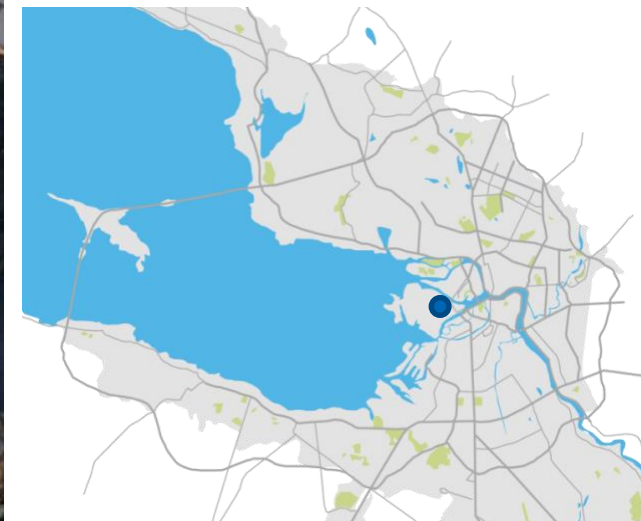


# Samotsvety

November 2014



Visualization



Construction period  
2014 - 2016

Planned launch of sales  
2014

Total NSA 189 ths sqm

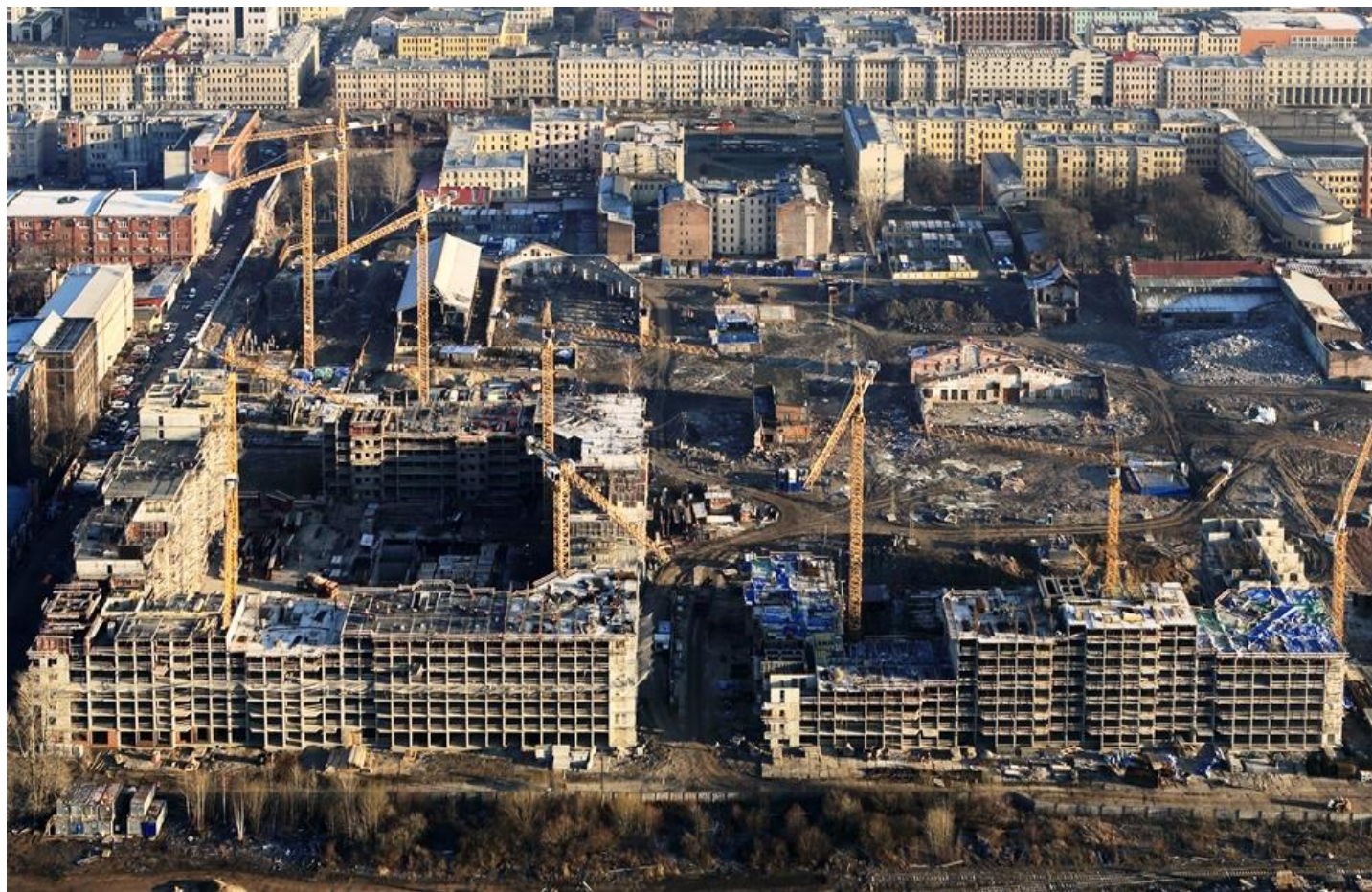
Income from sales\*  
USD 542 mln

\*Jones Lang LaSalle estimate as of 31.12.2013

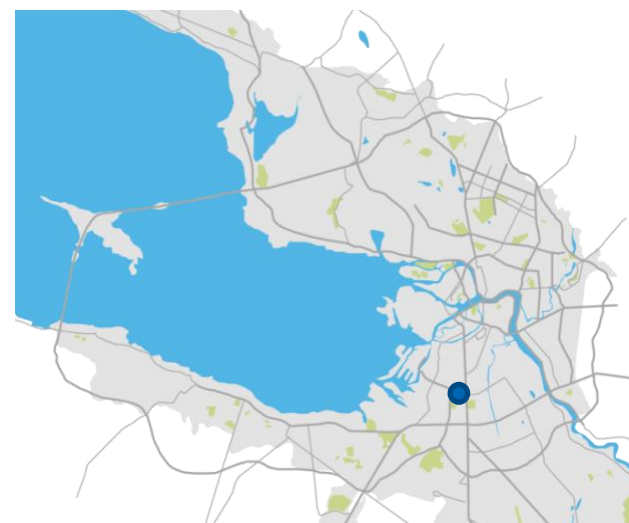


# Moscow Gates

November 2014



Visualization



Construction period  
2014 - 2016

Planned launch of sales  
2014

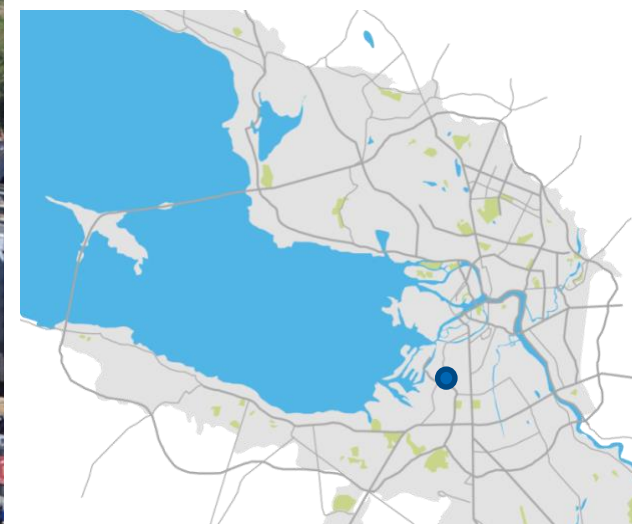
Total NSA 202 ths sqm

Income from sales\*  
USD 584 mln

\*Jones Lang LaSalle estimate as of 31.12.2013



# Galactica



Construction period  
2015 - 2020

Planned launch of sales  
2015

Total NSA 752 ths sqm

Income from sales\*  
USD 2,116 mln

\*Jones Lang LaSalle estimate as of 31.12.2013



# Appendix

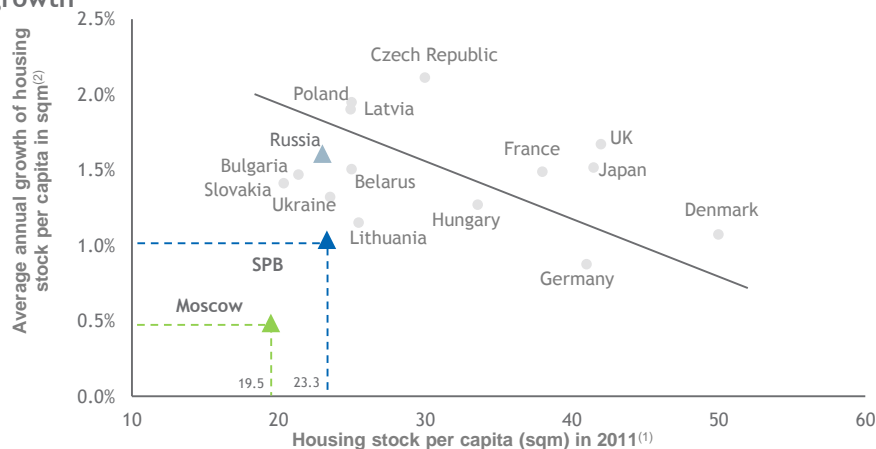


Etalon Group



# 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 StP 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 (RUB)	Cumulative growth'09-12 (RUB)
Moscow	12.0	+16.6%	48,622	+52.2%
Moscow region	7.0	+6.6%	29,699	+55.9%
Moscow and region (MMR)	19.0	+12.7%	41,858	+54.2%
SPB	5.0	+7.2%	27,795	+64.0%
SPB region	1.8	+4.7%	17,925	+55.0%
SPB and region (SSR)	6.8	+6.6%	25,414	+63.1%
Other regions with Etalon sales offices <sup>(3)</sup>	13.9	(1.4%)	29,704	+41.7%
Russia	143.3	(1.6%)	23,058	+55.1%

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

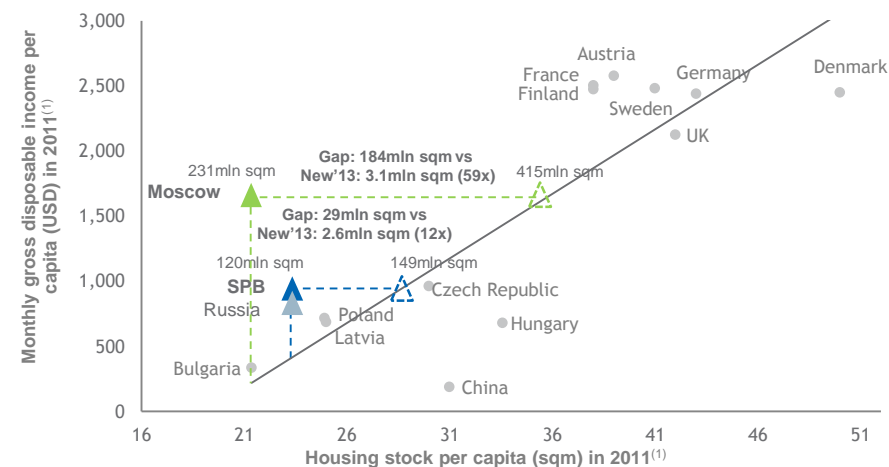
<sup>(1)</sup> 2012 data applied for Moscow

<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

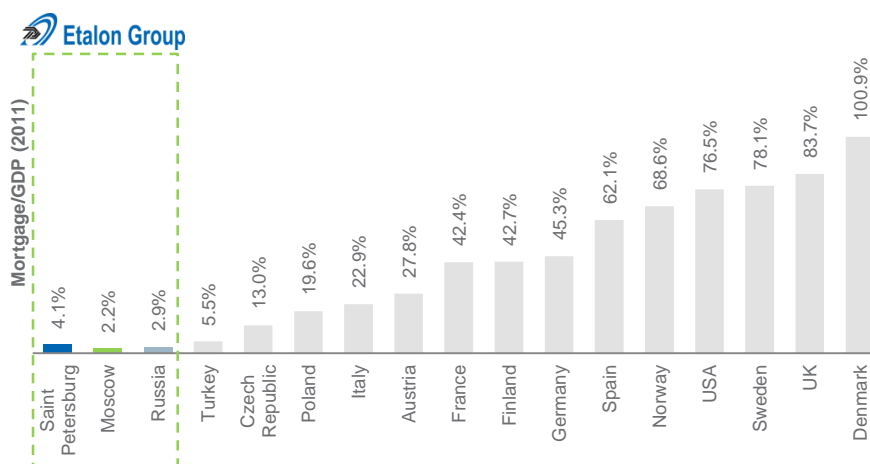
Residential stock in Moscow is disproportionately low for the population's disposable income levels



▲ - Total housing stock (latest)

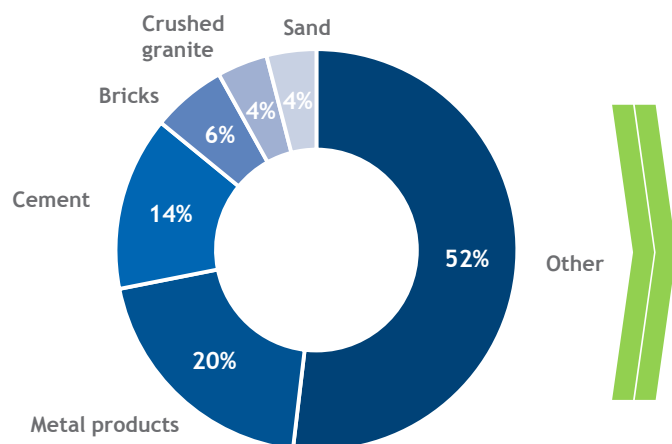
▲ - Potential housing stock

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

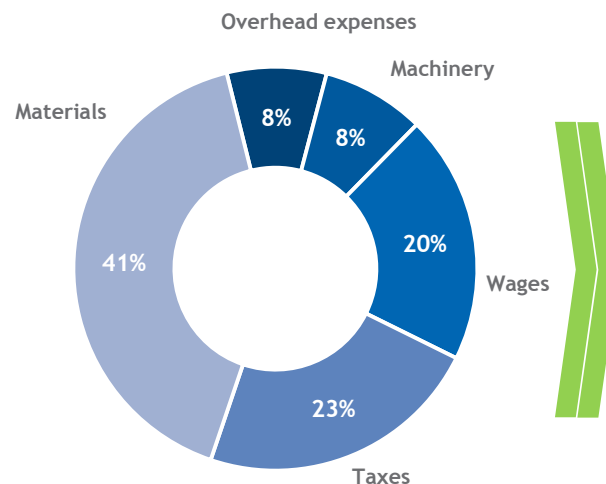


# Typical project cost structure

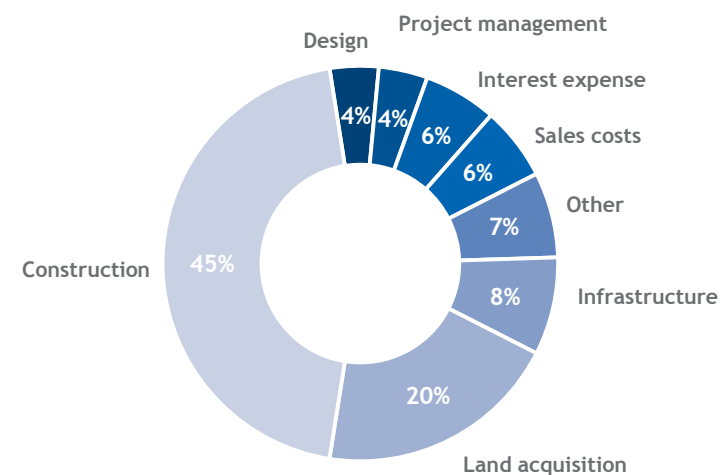
Materials cost structure \*  
(RUB 12,000 - 18,000 per sqm of NSA)



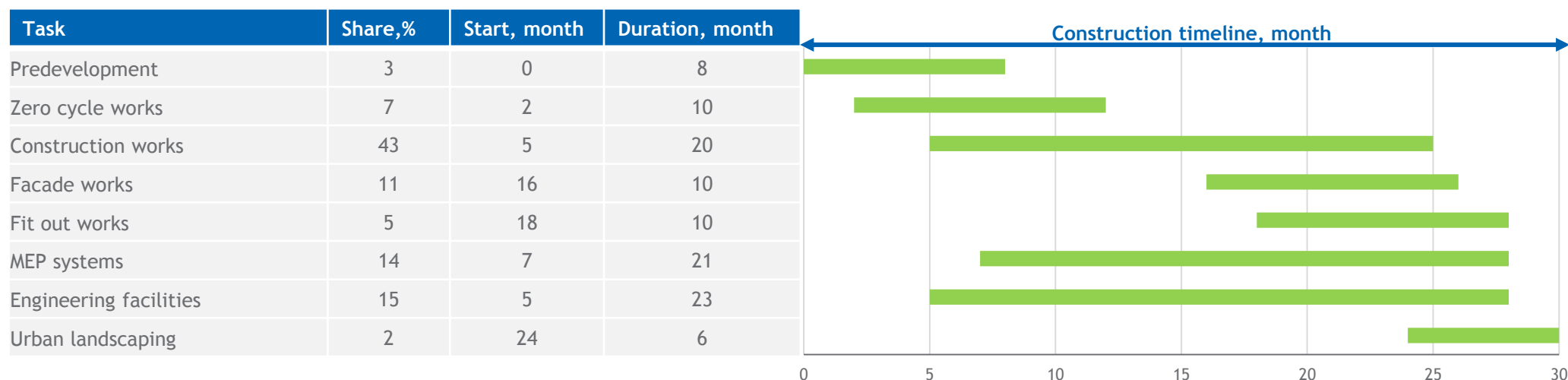
Construction cost structure \*  
(RUB 29,000 - 39,000 per sqm of NSA)



Total cost structure \*  
(RUB 59,000 - 72,000 per sqm of NSA)



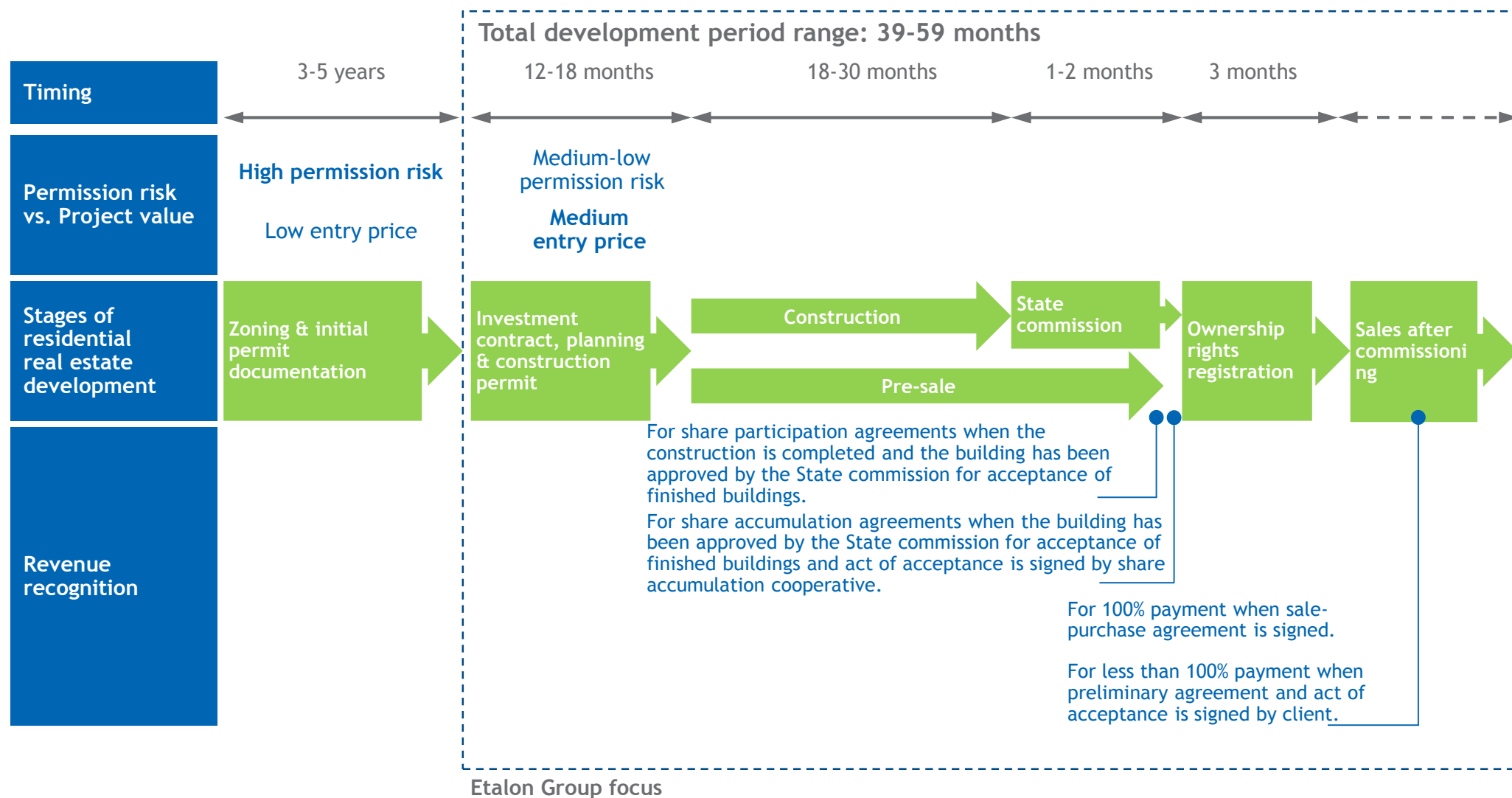
## Typical project lifecycle\*



\*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.



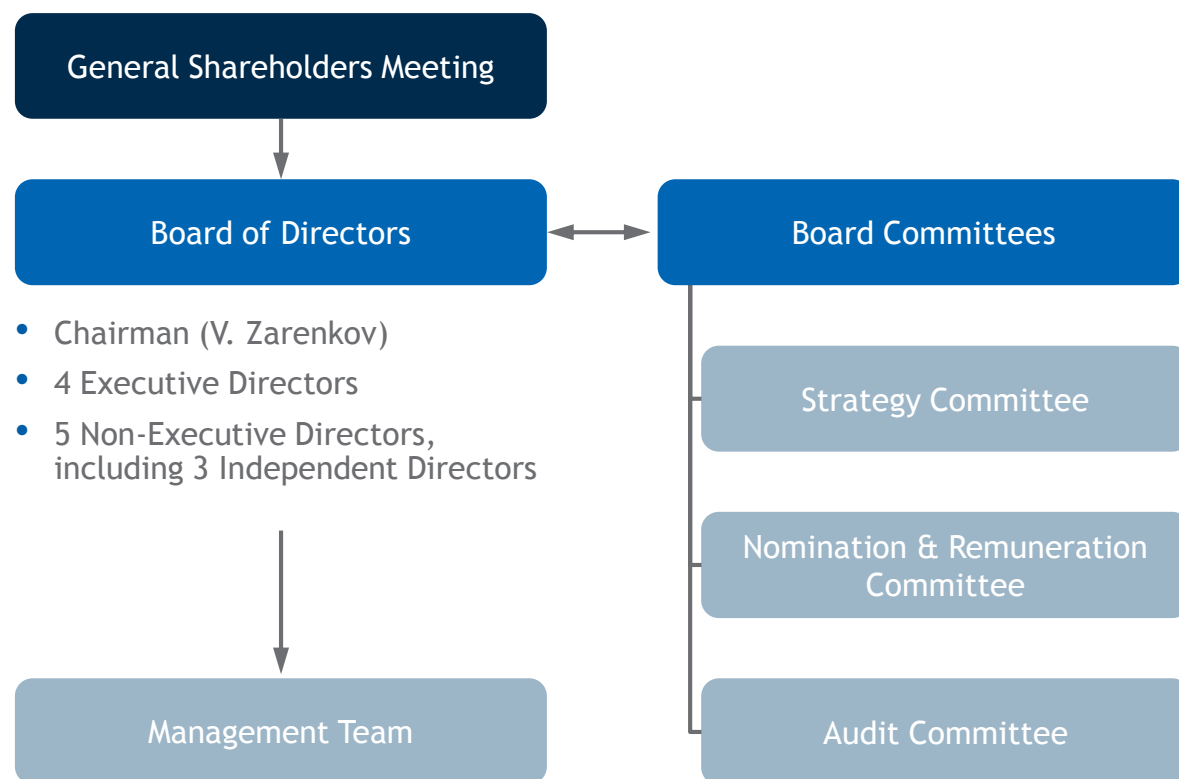
# Residential development scheme



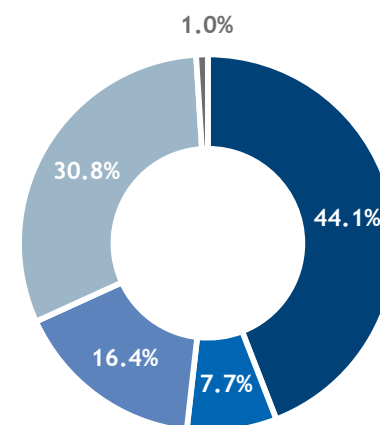
Source: Company data

# Strong corporate governance and shareholding structure

Corporate governance structure



Shareholding structure



■ Zarenkov family  
■ Management  
■ Baring Vostok  
■ Free float  
■ Etalon Development Ltd

As of 30 June 2014

Source: Company data



# Board of Directors represents interests of all investor groups

## FOUNDING SHAREHOLDERS



**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, SPb University of Internal Affairs
- PhD in Economics, PhD in Technical Sciences, PHD in Architecture, Professor



**Dmitry 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, SPb University of Internal Affairs
- PhD in Engineering

## EXECUTIVE DIRECTORS



**Anton Evdokimov**

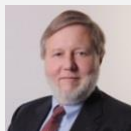
Chief Executive Officer,  
First Vice-President

### Experience and awards

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

### Education

- Leningrad Engineering Construction Institute, SPb State University and International Banking Institute, Open University Business School (MSc in International finance, MBA in business strategy)



**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

- 9 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
- 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

## INDEPENDENT NON-EXECUTIVE DIRECTORS



**Martin Cocker**

Independent Non-  
Executive Director

### Experience and awards

- 18 years of experience in audit, 5 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



**Anton Poryadin**

Independent Non-  
Executive Director

### Experience and awards

- 12 years of experience in strategy consulting at A.T. Kearney. Partner and Vice President at A.T. Kearney
- Worked at Barents International Markets B.V., Torno Internazionale S.p.A., St. Petersburg Foundation for Enterprise Development

### Education

- SPb Technical University, Business School at the University of Rochester



**Robert Paul King**

Independent Non-  
Executive Director

### Experience and awards

- 28 years of experience in the corporate governance and management of investment companies and funds

### Education

- BSc Honours degree in Geography and Geology



**Alexei 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 at Samarenergo and two Russian glass companies

### Education

- Moscow Power Engineering University
- PhD in Engineering

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

# 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 23 milestone projects
- Heat & power stations, three hotels, four car assembly plants, shipyards, fitness and sports centre etc.

## Strategy

- 4 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 & finished car parking site



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



# Income statement

mIn RUB	2011	2012	2013	1H12	1H13	1H14
Revenue	22,741	26,894	39,921	12,157	16,635	14,539
Cost of sales	(11,888)	(17,494)	(27,553)	(7,797)	(11,064)	(10,759)
Gross profit	10,853	9,400	12,368	4,360	5,571	3,780
General and administrative expenses	(2,328)	(2,324)	(3,157)	(1,195)	(1,387)	(1,957)
Selling expenses	(854)	(958)	(1,023)	(389)	(460)	(577)
Other expenses, net	(27)	(209)	(40)	(27)	(96)	(166)
Results from operating activities	7,644	5,909	8,148	2,749	3,628	1,080
Finance income	1,441	749	691	367	434	391
Finance costs	(60)	(132)	(342)	(96)	(142)	(242)
Net finance income	1,381	617	349	271	292	149
Profit before income tax	9,025	6,526	8,497	3,020	3,920	1,229
Income tax expense	(1,585)	(1,526)	(1,833)	(651)	(822)	(302)
Profit for the period	7,440	5,000	6,664	2,369	3,098	927
<i>Profit attributable to:</i>						
Owners of the Company	7,332	4,979	6,629	2,342	3,083	927
Non-controlling interest	108	21	35	27	15	-
Profit for the period	7,440	5,000	6,664	2,369	3,098	927

Source: IFRS financial statements for 2011, 2012, 2013, 1H12, 1H13, 1H14

# Balance sheet

mln RUB	2011	2012	2013	1H12	1H13	1H14
<b>Assets</b>						
<b>Non-current assets</b>						
PP&E	2,009	2,380	1,962	2,152	1,853	2,326
Investment property	-	-	1,142	-	638	1,052
Other long-term investments	88	60	275	48	241	684
Trade and other receivables	551	433	1,332	472	390	756
Deferred tax assets	679	434	560	536	433	710
Other non-current assets	92	11	10	10	10	10
<b>Total non-current assets</b>	<b>3,419</b>	<b>3,318</b>	<b>5,281</b>	<b>3,218</b>	<b>3,565</b>	<b>5,538</b>
<b>Current assets</b>						
Inventories	32,047	41,522	50,057	34,613	44,056	57,132
Trade and other receivables	7,473	11,058	15,078	8,200	14,387	17,746
Short-term investments	1,327	6,870	5,008	3,032	3,824	5,493
Cash and cash equivalents	14,484	10,716	8,139	13,276	8,559	9,635
Other current assets	34	32	7	13	20	18
<b>Total current assets</b>	<b>55,365</b>	<b>70,198</b>	<b>78,289</b>	<b>59,134</b>	<b>70,846</b>	<b>90,024</b>
<b>Total assets</b>	<b>58,784</b>	<b>73,516</b>	<b>83,570</b>	<b>62,352</b>	<b>74,411</b>	<b>95,562</b>

mln RUB	2011	2012	2013	1H12	1H13	1H14
<b>Equity and Liabilities</b>						
<b>Equity</b>						
Share capital	14,980	14,967	14,967	14,967	14,967	14,983
Retained earnings	17,704	22,688	29,332	20,009	25,771	30,259
<b>Total equity attributable to equity holders of the Company</b>	<b>32,684</b>	<b>37,655</b>	<b>44,299</b>	<b>34,976</b>	<b>40,738</b>	<b>45,242</b>
Non-controlling interest	372	408	387	436	394	387
<b>Total equity</b>	<b>33,056</b>	<b>38,063</b>	<b>44,686</b>	<b>35,412</b>	<b>41,132</b>	<b>45,629</b>
<b>Non-current liabilities</b>						
Loans and borrowings	8,456	12,811	10,176	7,466	10,750	10,050
Trade and other payables	48	980	785	30	1,041	678
Provision	77	65	89	61	61	91
Deferred tax liabilities	98	226	826	272	402	650
<b>Total non-current liabilities</b>	<b>8,679</b>	<b>14,082</b>	<b>11,876</b>	<b>7,829</b>	<b>12,254</b>	<b>11,469</b>
<b>Current liabilities</b>						
Loans and borrowings	1,950	3,825	3,043	3,375	2,359	4,689
Trade and other payables	13,539	16,966	22,300	14,570	18,399	32,436
Provisions	1,560	580	1,665	1,166	267	1,339
<b>Total current liabilities</b>	<b>17,049</b>	<b>21,371</b>	<b>27,008</b>	<b>19,111</b>	<b>21,025</b>	<b>38,464</b>
<b>Total equity and liabilities</b>	<b>58,784</b>	<b>73,516</b>	<b>83,570</b>	<b>62,352</b>	<b>74,411</b>	<b>95,562</b>

Source: IFRS financial statements for 2011, 2012, 2013, 1H12, 1H13, 1H14



# Cashflow statement

mln RUB	2011	2012	2013	1H12	1H13	1H14
<b>Operating Activities</b>						
Profit for the period	7,440	5,000	6,664	2,369	3,098	927
Adjustments for						
Depreciation	265	417	343	209	168	204
Gain on disposal of PP&E	(92)	(49)	(15)	(27)	(27)	(46)
Loss on disposal of subsidiaries	1	28	-	-	-	-
Gain on disposal of equity accounted investees	(24)	-	-	-	-	-
Impairment loss on investment property	-	-	-	-	-	60
Impairment loss on inventories	-	-	-	-	-	85
Finance income, net	(1,425)	(544)	(337)	(237)	(319)	(149)
Income tax expense	1,585	1,526	1,833	651	822	302
<b>Cash from operating activities before changes in working capital</b>	<b>7,750</b>	<b>6,378</b>	<b>8,488</b>	<b>2,965</b>	<b>3,742</b>	<b>1,383</b>
Change in inventories	(5,308)	(7,633)	(7,837)	(2,082)	(1,957)	(6,763)
Change in accounts receivable	(2,893)	(3,024)	(5,080)	(401)	(3,243)	(2,093)
Change in accounts payable	(818)	4,074	4,880	1,434	1,478	10,135
Change in provisions	367	(992)	1,109	(410)	(317)	(324)
Change in other current assets	24	3	25	21	12	(11)
Income tax paid	(1,897)	(1,833)	(907)	(936)	(632)	(742)
Interest paid	(1,098)	(1,097)	(1,724)	(476)	(871)	(683)
<b>Net cash from/(used in) operating activities</b>	<b>(3,873)</b>	<b>(4,124)</b>	<b>(1,046)</b>	<b>115</b>	<b>(1,788)</b>	<b>902</b>

mln RUB	2011	2012	2013	1H12	1H13	1H14
<b>Investing Activities</b>						
Proceeds from disposal of non-current assets	117	71	15	41	57	52
Interest received	140	552	611	251	351	342
Acquisition of PP&E	(726)	(844)	(431)	(297)	(160)	(364)
Loans given	(253)	(371)	(55)	(11)	(37)	(16)
Loans repaid	234	363	85	23	17	79
Acquisition of subsidiaries, net of cash acquired	-	-	10	-	-	-
Disposal of subsidiaries, net of cash disposed of	(17)	(8)	(20)	-	(7)	-
(Acquisition)/disposal of other investments	(1,027)	(5,506)	1,606	(1,677)	2,850	(964)
<b>Net cash used in investing activities</b>	<b>(1,532)</b>	<b>(5,743)</b>	<b>1,821</b>	<b>(1,670)</b>	<b>3,071</b>	<b>(871)</b>
<b>Financing activities</b>						
Proceeds from IPO	13,487	-	-	-	-	-
Acquisition of non-controlling interest	(3)	(3)	(10)	-	-	-
Proceeds from disposal of non-controlling interest	24	-	-	-	-	-
Proceeds from borrowings	6,353	12,140	5,937	2,769	2,785	5,627
Repayments of borrowings	(4,821)	(5,552)	(9,668)	(2,450)	(6,624)	(4,278)
Acquisition of own shares	(459)	(13)	-	(13)	-	16
Dividends paid	-	-	-	-	-	-
<b>Net cash from/(used in) financing activities</b>	<b>14,581</b>	<b>6,572</b>	<b>(3,741)</b>	<b>306</b>	<b>(3,839)</b>	<b>1,365</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>9,176</b>	<b>(3,295)</b>	<b>(2,966)</b>	<b>(1,249)</b>	<b>(2,556)</b>	<b>1,396</b>
Effect of FX rate fluctuations	1,672	(473)	389	41	399	100
<b>Cash &amp; cash equivalents at the end of the period</b>	<b>14,484</b>	<b>10,716</b>	<b>8,139</b>	<b>13,276</b>	<b>8,559</b>	<b>9,635</b>

Source: IFRS financial statements for 2011, 2012, 2013, 1H12, 1H13, 1H14

# EBITDA calculation

EBITDA						
mln RUB	2011	2012	2013	1H12	1H13	1H14
Comprehensive income	7,440	5,000	6,664	2,369	3,098	927
Income tax expense	1,585	1,526	1,833	651	822	302
Interest expense on loans and finance leases	10	7	233	1	115	140
Net foreign exchange loss	-	125	109	95	-	70
Interest income on bank deposits	(140)	(543)	(583)	(239)	(342)	(307)
Interest income on loans and receivables	(6)	(9)	(28)	(12)	(9)	(35)
Interest income on promissory notes	-	-	-	-	-	-
Gain on repurchase of CLNs	-	-	-	-	-	-
Net foreign exchange gain	(1,168)	-	-	-	(48)	-
Bank fees and commissions	46	67	80	33	40	42
Interest in COS	169	341	779	111	354	340
Depreciation	265	417	343	209	168	204
<b>EBITDA</b>	<b>8,201</b>	<b>6,931</b>	<b>9,430</b>	<b>3,218</b>	<b>4,198</b>	<b>1,683</b>

	2011	2012	2013	1H 2012	1H 2013	1H 2014
Depreciation to COGS (Note 14 PP&E)	239	385	292	193	149	160
Depreciation to selling expenses (Note 14 PP&E)	1	1	1	1	1	1
Depreciation to G&A expenses (Note 14 PP&E)	25	31	39	15	18	19
Depreciation to Investment property (Note 15 Investment property)	-	-	11	-	-	24



## Working capital calculation

Working capital calculation						
mln RUB	2011	2012	2013	1H12	1H13	1H14
Total inventory	32,047	41,522	50,057	34,613	44,056	57,132
<b>Current part</b>						
+ Trade and other receivables	7,473	11,058	15,078	8,200	14,387	17,746
- Trade and other payables	13,539	16,966	22,300	14,570	18,399	32,436
- Provisions	1,560	580	1,665	1,166	267	1,339
<b>Non-current part</b>						
+ Trade and other receivables	551	433	1,332	472	390	756
- Trade and other payables	48	980	785	30	1,041	678
- Provisions	77	65	89	61	61	91
<b>Adjustments</b>						
- Cumulative borrowing costs capitalized during the period (Note 12 Finance income and finance costs)	1,482	2,725	4,092	2,054	3,457	4,660
+ Cumulative borrowing costs that have been included into the cost of sales (Note 12 Finance income and finance costs)	169	510	1,289	280	864	1,629
-Income tax receivable (Note 19 Trade and other receivables)	72	310	103	236	307	85
+Income tax payable (Note 26 Trade and other payables)	447	7	248	10	13	116
<b>Working capital</b>	<b>23,909</b>	<b>31,904</b>	<b>38,970</b>	<b>25,458</b>	<b>36,178</b>	<b>38,090</b>

# FCF calculation

Free cash flow calculation								
mln RUB	2011	2012	2013	1H12	2H12	1H13	2H13	1H14
Comprehensive income	7,440	5,000	6,664	2,369	2,631	3,098	3,566	927
Adjustment for:								
Depreciation	265	417	343	209	208	168	175	204
Gain on disposal of PP&E	(92)	(49)	(15)	(27)	(22)	(27)	12	(46)
Impairment loss on investment property	-	-	-	-	-	-	-	60
Impairment loss on inventory	-	-	-	-	-	-	-	85
Loss on disposal of subsidiaries	1	28	-	-	28	-	-	-
Gain on disposal of equity accounted investees	(24)	-	-	-	-	-	-	-
Finance income, net	(1,425)	(544)	(337)	(237)	(307)	(319)	(18)	(149)
Income tax expense	1,585	1,526	1,833	651	875	822	1,011	302
Income tax paid	(1,897)	(1,833)	(907)	(936)	(897)	(632)	(275)	(742)
Interest paid	(1,098)	(1,097)	(1,724)	(476)	(621)	(871)	(853)	(683)
<b>(Increase)/Decrease in working capital</b>	<b>(8,628)</b>	<b>(7,572)</b>	<b>(6,903)</b>	<b>(1,438)</b>	<b>(6,134)</b>	<b>(4,027)</b>	<b>(2,876)</b>	<b>944</b>
<b>(Increase)/Decrease in invested capital</b>	<b>(609)</b>	<b>(773)</b>	<b>(416)</b>	<b>(256)</b>	<b>(517)</b>	<b>(103)</b>	<b>(313)</b>	<b>(312)</b>
<b>FCF</b>	<b>(4,482)</b>	<b>(4,897)</b>	<b>(1,462)</b>	<b>(141)</b>	<b>(4,756)</b>	<b>(1,891)</b>	<b>429</b>	<b>590</b>
<b>(Increase)/Decrease in working capital based on CF statement</b>								
Change in inventories	(5,308)	(7,633)	(7,837)	(2,082)	(5,551)	(1,957)	(5,880)	(6,763)
Change in accounts receivable	(2,893)	(3,024)	(5,080)	(401)	(2,623)	(3,243)	(1,837)	(2,093)
Change in accounts payable	(818)	4,074	4,880	1,434	2,640	1,478	3,402	10,135
Change in provisions	367	(992)	1,109	(410)	(582)	(317)	1,426	(324)
Change in other current assets	24	3	25	21	(18)	12	13	(11)
<b>Working capital change</b>	<b>(8,628)</b>	<b>(7,572)</b>	<b>(6,903)</b>	<b>(1,438)</b>	<b>(6,134)</b>	<b>(4,027)</b>	<b>(2,876)</b>	<b>944</b>
<b>(Increase)/Decrease in invested capital based on CF statement</b>								
Acquisition of PP&E	(726)	(844)	(431)	(297)	(547)	(160)	(271)	(364)
Proceeds from disposal of non-current assets	117	71	15	41	30	57	(42)	52
<b>Invested capital change</b>	<b>(609)</b>	<b>(773)</b>	<b>(416)</b>	<b>(256)</b>	<b>(517)</b>	<b>(103)</b>	<b>(313)</b>	<b>(312)</b>



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