

UBS RUSSIA CORPORATE DAY

Stockholm
30 August 2018



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AT A GLANCE



ETALON GROUP KEY FACTS

Etalon Group is one of Russia's largest development and construction corporations. The Company focuses on residential real estate for the middle class in the Moscow metropolitan area and St Petersburg.

KEY FACTS

30

YEARS

of experience in
construction &
development

52

CITIES

in Russia are
covered by
the sales
network

5.8

MLN SQM

commissioned
since inception

5^{THS}

employees

38

PROJECTS

among which 25 are
under construction or
ready to launch in near
future, and a total of
2.82 mln sqm of NSA

ETLN

LSE ticker

GDRs listed on the
London Stock
Exchange since 2011

BOARD OF DIRECTORS REPRESENTS INTERESTS OF ALL INVESTOR GROUPS



NON-EXECUTIVE DIRECTORS



VIACHESLAV ZARENKOV

Chairman of the Board of Directors, Founding shareholder and President

EXPERIENCE AND AWARDS

- 48 years of experience in construction industry
- Honoured builder of Russia⁽¹⁾

EDUCATION

- Institute of Civil Engineering, St Petersburg University of Internal Affairs
- PhD in Economics, PhD in Technical Sciences, PhD in Architecture, Professor



DMITRY ZARENKOV

Non-Executive Director

EXPERIENCE AND AWARDS

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

EDUCATION

- Institute of Aeronautical Instrumentation, St Petersburg University of Architecture & Civil Engineering, St Petersburg University of Internal Affairs
- PhD in Engineering



ALEXEI KALININ

Partner at Baring Vostok

EXPERIENCE AND AWARDS

- With Baring Vostok since 1999
- Worked at Alfa-Bank and Alfa Capital
- Chairman of the Board of Directors at Volga Gas, member of the board at Samarenergo and other companies

EDUCATION

- Moscow Power Engineering University
- PhD in Engineering

EXECUTIVE DIRECTORS



DMITRY KASHINSKY

Chief Executive Officer

EXPERIENCE AND AWARDS

- Over 16 years of experience in construction industry
- Worked at Barkli and AFI Development (Russia), where he served as CEO

EDUCATION

- Moscow Aviation Institute



KIRILL BAGACHENKO

Chief Financial Officer

EXPERIENCE AND AWARDS

- 13 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-3 portfolio managers in Russia by Thomson Reuters

EDUCATION

- St Petersburg State University of Economics and Finance



MAXIM BERLOVICH

Executive Director, Head of Construction & Maintenance Division

EXPERIENCE AND AWARDS

- Over 10 years of experience in the construction industry

EDUCATION

- Peter the Great St Petersburg Polytechnic University, MBA from Vlerick Business School

INDEPENDENT NON-EXECUTIVE DIRECTORS



MARTIN COCKER

Independent Non-Executive Director

EXPERIENCE AND AWARDS

- Over 20 years of experience in audit, 7 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



BORIS SVETLICHNY

Independent Non-Executive Director

EXPERIENCE AND AWARDS

- Over 29 years of 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)



CHARALAMPOS AVGOUSTI

Independent Non-Executive Director

EXPERIENCE AND AWARDS

- 10 years of legal experience in the real estate, corporate and banking sectors
- Founder and Managing Director of Ch. Avgousti & Partners LLC (Advocates & legal consultants)
- Board member at Cyprus Telecommunication Authority (CYTA), member of the Advisory council of Limassol for the Central Cooperative Bank

EDUCATION

- Northumbria University Newcastle, Democritus University of Thrace

⁽¹⁾ Title granted by President of Russia

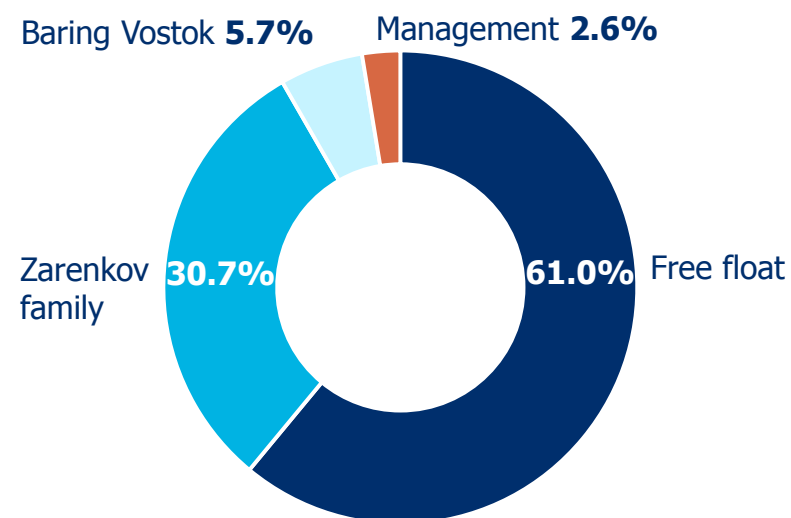
CORPORATE GOVERNANCE AND SHAREHOLDING STRUCTURE



CORPORATE GOVERNANCE STRUCTURE



SHAREHOLDER STRUCTURE⁽¹⁾



Source:
Company data

⁽¹⁾ As of 30 June 2018

AT A GLANCE

ETALON GROUP

6

HOW WE CREATE VALUE

WE AIM TO CAPTURE VALUE AT EVERY STAGE OF OUR BUSINESS THROUGH OPERATIONAL EXCELLENCE



EFFECTIVE PROFIT REINVESTMENT

- > income generated from each stage of the businesses is invested into further growth, and is also returned to our shareholders in the form of dividends



ONGOING MAINTENANCE

- > 4.3 mln sqm of real estate and 17.1 ths parking spaces under management
- > contributes to brand recognition and supports demand



FITTING-OUT AND FURNISHING

- > save customers' time and money and helps us to widen audience of potential buyers
- > is an additional source of revenue



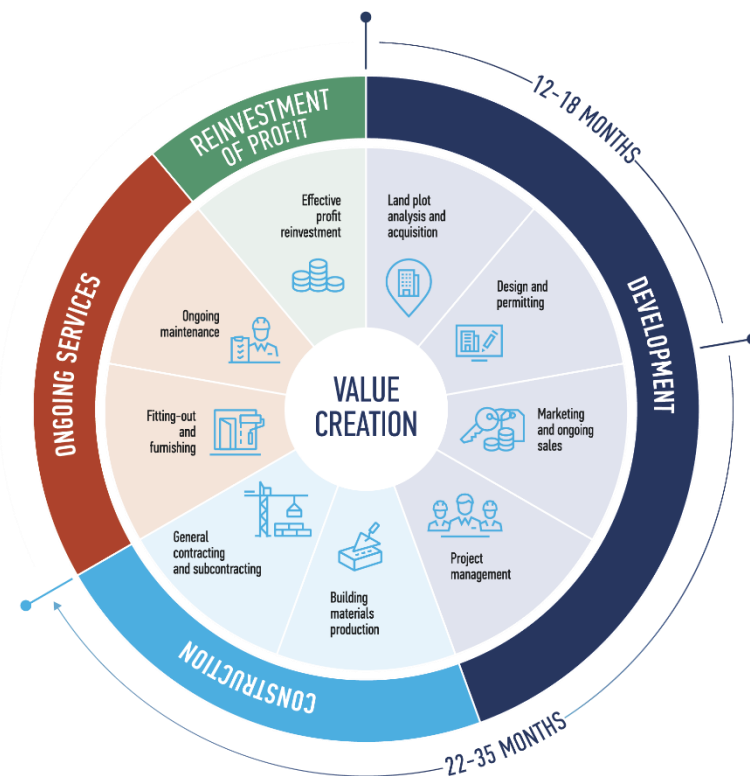
GENERAL CONTRACTING AND SUBCONTRACTING

- > high quality general contracting and subcontracting services at competitive prices and quality offered to the internal and external counterparties



BUILDING MATERIALS PRODUCTION

- > control over costs and quality
- > ensures a continuous supply for own needs
- > 42 mln bricks per year
- > over 180 ths cbm of ready-mix concrete and 40 ths cbm of concrete products per year



LAND PLOT ANALYSIS AND ACQUISITION

- > focus on projects with time-to-market of 12-18 months
- > target IRR over 15%
- > payment schemes aimed to minimise cash outflows



DESIGN AND PERMITTING

- > cooperation with leading architects and deep internal design expertise
- > extensive use of BIM tools at all stages of development
- > quick approval of documentation thanks to reputation as a strong and reliable player



MARKETING AND SALES

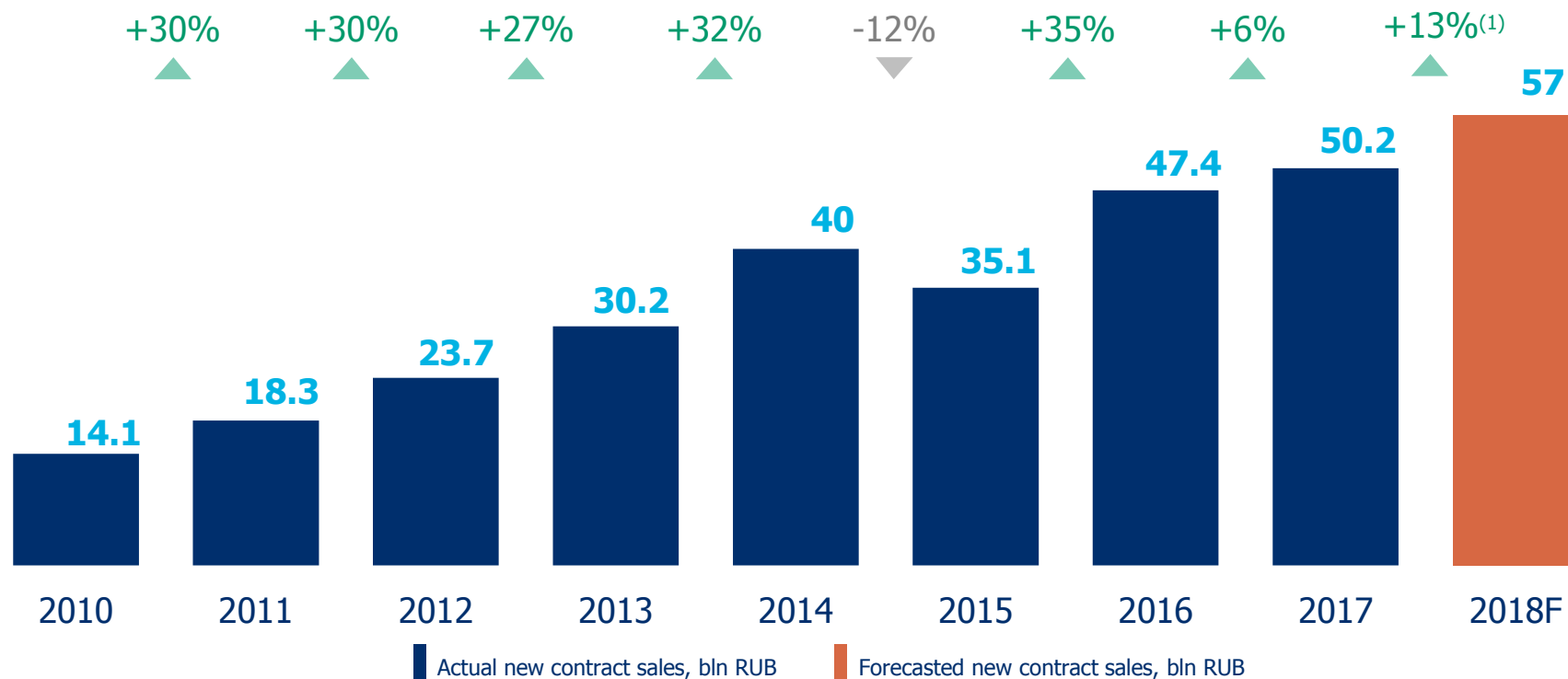
- > 52 cities covered by sales network
- > partnership with leading sales agents and mortgage banks
- > advanced IT solutions facilitate interaction with customers and brokers



PROJECT MANAGEMENT

- > about 200 fully managed residential buildings
- > large-scale construction projects ranging from factories to exhibition centres
- > skilled staff who ensure quality, safety and timely delivery, while also predicting required resources

SINCE IPO ETALON GROUP HAS SEEN AN IMPRESSIVE GROWTH IN SALES



- > FY 2017 operating results set a new record in Etalon Group's history
- > New sales CAGR of 20% since pre-IPO year of 2010

Source:
Company data

⁽¹⁾ Sales figures are rounded to bln RUB, while y-o-y change is calculated using figures before rounding

2Q AND 1H 2018 OPERATING RESULTS

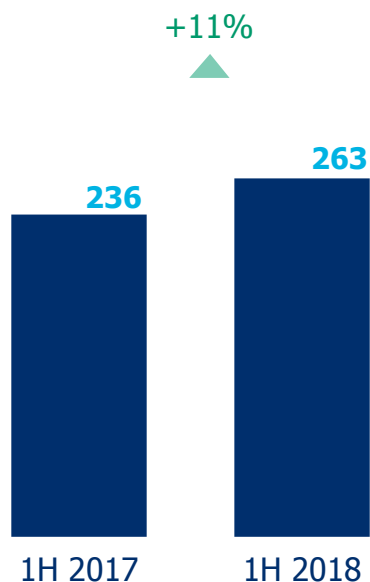


1H 2018 OPERATING RESULTS

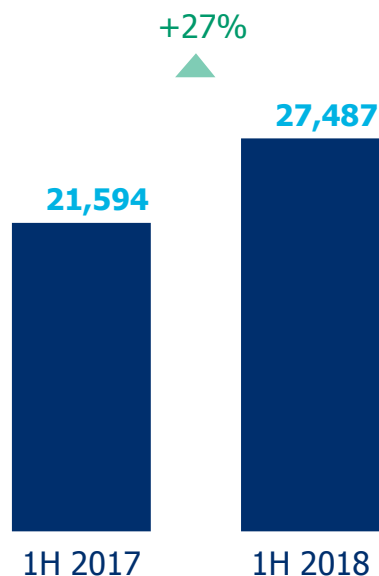


ETALON GROUP ACHIEVED RECORD RESULTS ACROSS ALL KEY METRICS IN 1H 2018

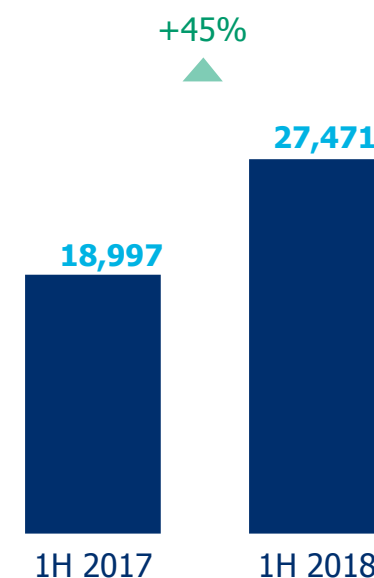
NEW CONTRACT SALES
ths sqm



NEW CONTRACT SALES
mln RUB



CASH COLLECTIONS
mln RUB



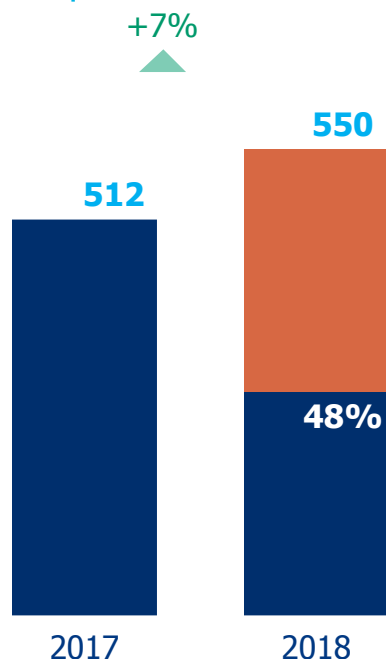
> The number of new contracts reached 5,105 in 1H 2018, up by 16% compared to 1H 2017

MEETING 2018 GUIDANCE

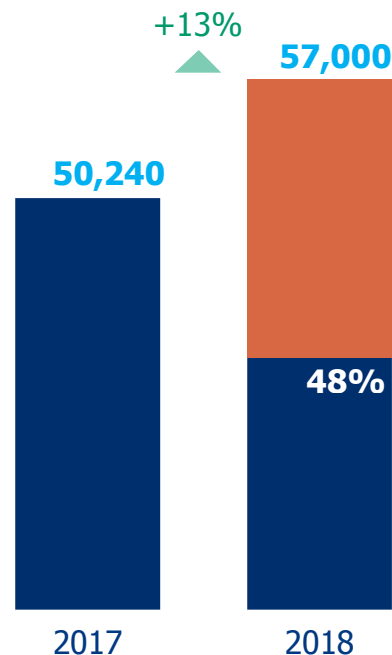


ETALON GROUP IS WELL ON TRACK TO
DELIVER ON ITS FY 2018 GUIDANCE AFTER
SOLID PERFORMANCE IN 1H 2018

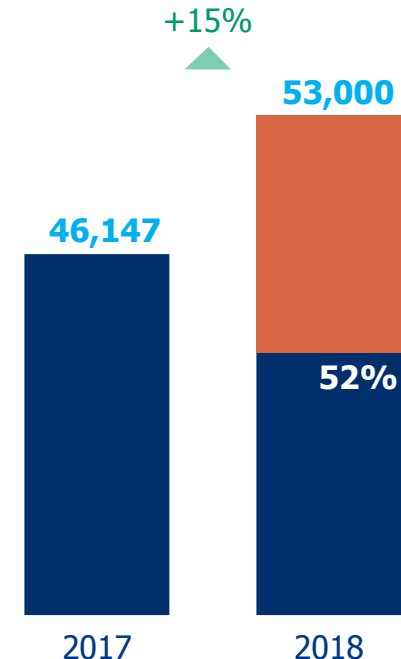
NEW CONTRACT SALES
ths sqm



NEW CONTRACT SALES
mln RUB



CASH COLLECTIONS
mln RUB



- > In 1H 2018 NCS in both sqm and RUB terms reached 48% of FY 2018 guidance
- > Cash collections already exceeded 50% of FY 2018 guidance

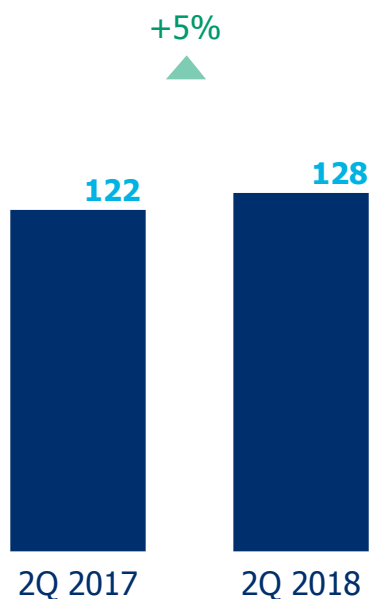
Actual performance Forecast performance

2Q 2018 OPERATING RESULTS

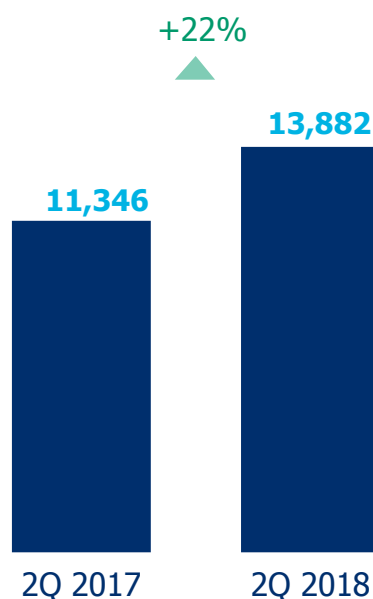


INCREASE IN CASH COLLECTIONS SUPPORTED BY HIGH AVERAGE DOWN PAYMENT AND GROWING MORTGAGE SALES

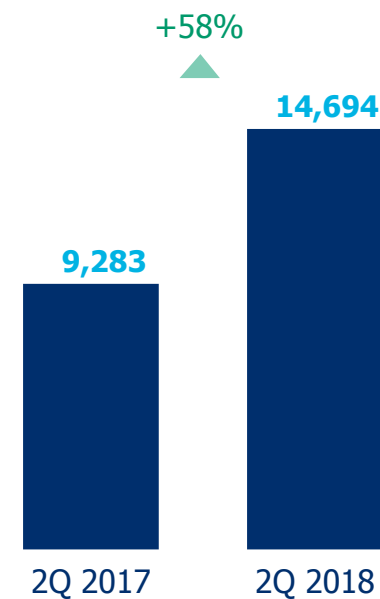
NEW CONTRACT SALES
ths sqm



NEW CONTRACT SALES
mln RUB



CASH COLLECTIONS
mln RUB



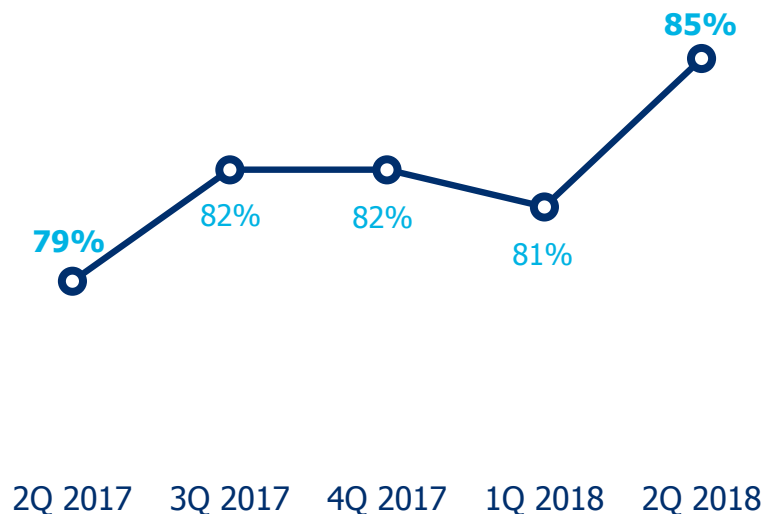
- > In 2Q 2018, the number of new contracts reached 2,532, up by 9% y-o-y
- > Cash proceeds from customers that refinanced instalment plans with mortgage loans further boosted cash collections

2Q 2018 OPERATING RESULTS



RECORD-SETTING DOWN PAYMENT OF 85%
AND IMPRESSIVE PRICE GROWTH
SUPPORTED 2Q OPERATING RESULTS

AVERAGE DOWN PAYMENT
%



AVERAGE PRICE
RUB/sqm

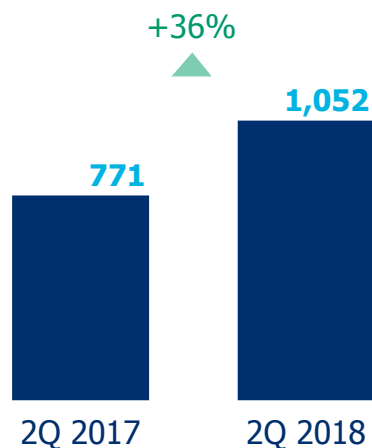


MORTGAGE SALES



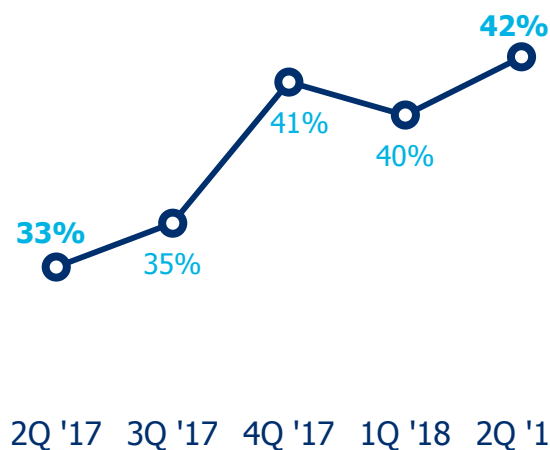
CONTINUING DECLINE IN AVERAGE MORTGAGE RATE LEADING TO ALL-TIME HIGH SHARE OF MORTGAGE SALES

NUMBER OF MORTGAGE CONTRACTS SIGNED



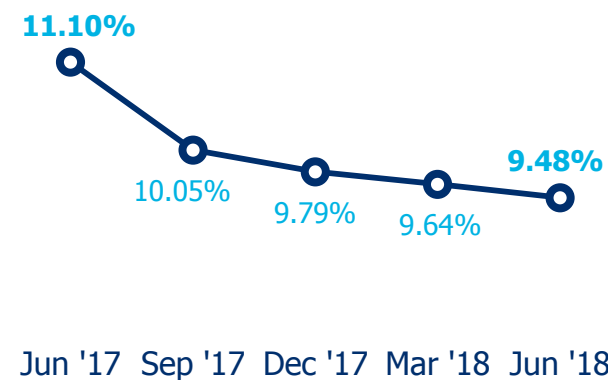
- > Etalon Group offers various mortgage programmes through major banks, including Sberbank, VTB Group, Gazprombank, Raiffeisenbank and Absolut Bank

MORTGAGE CONTRACT AS SHARE OF SALES



- > Joint programmes established with 25 banks and special mortgage agencies to offer flexible financing options:
 - minimum down payment: 10 – 20%
 - maturity: 1 – 30 years
 - interest rate: from 6%

AVERAGE MORTGAGE RATE IN RUSSIA⁽¹⁾



Source:
Company data

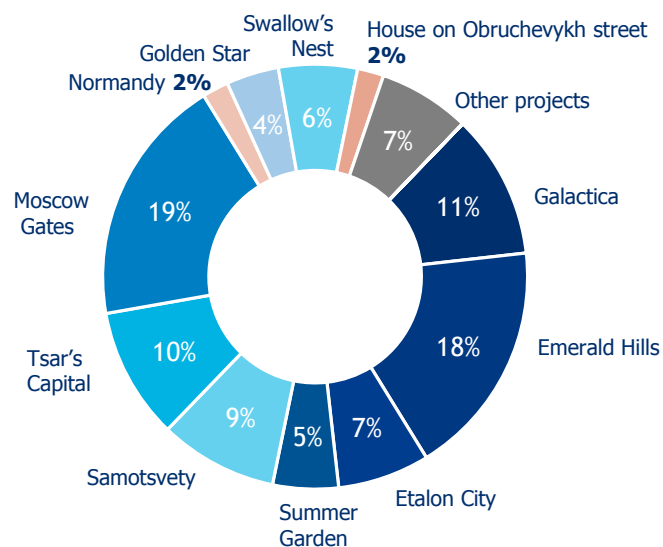
⁽¹⁾ Weighted average interest rate on mortgage loans given to residents of Russia for acquisition of apartments on the primary market during the month, based on CBR data

SALES PORTFOLIO

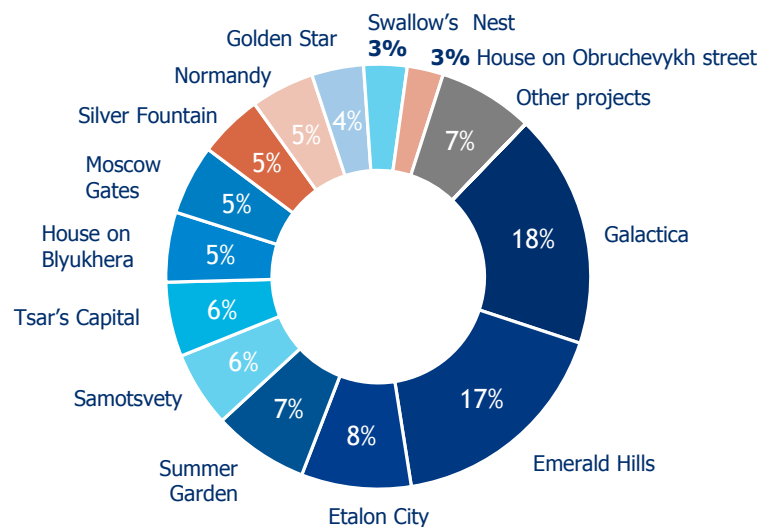


SALES PORTFOLIO IS WELL
DIVERSIFIED BY PROJECTS IN BOTH
ST PETERSBURG AND MOSCOW

2Q 2017 NEW CONTRACT SALES BY PROJECT
sqm



2Q 2018 NEW CONTRACT SALES BY PROJECT
sqm⁽¹⁾



- > Galactica's share increased by 7 p.p since 2Q 2017 and it continues to account for the greatest share of new contract sales
- > Share of projects in Moscow reached 47% of total sales

Source:
Company data

⁽¹⁾ Percentages may not add up to exactly 100 due to rounding

POWERFUL SALES NETWORK ACROSS THE COUNTRY



NATIONWIDE SALES & MARKETING
NETWORK SUPPORTS SUSTAINABLE
CONTRACT SALES

REGIONAL POPULATION ACTIVELY BUYS
APARTMENTS IN MOSCOW AND ST
PETERSBURG



- > Etalon Group's sales force focuses on regions with the highest per capita income levels
- > Key markets: St Petersburg and Moscow
- > 52 cities covered with nine sales offices in St Petersburg and 22 more sales offices nationwide
- > External professional marketing and sales service agents engaged nationwide

ETALON GROUP'S REGIONAL SALES GEOGRAPHY⁽¹⁾

REGION	SHARE OF TOTAL CONTRACTS
Leningrad region	2.4%
Khanty-Mansi AD	2.0%
Krasnoyarsk Krai	1.7%
Krasnodar Krai	1.6%
Yamalo-Nenets AD	1.6%
Murmansk region	1.3%
Khabarovsk Krai	1.1%
Bashkortostan Republic	1.0%
Primorsky Krai	1.0%
Other Russian regions	23.5%
Foreigners	1.0%
TOTAL	38.1%

THE GROUP'S FLATS ARE SOLD IN 14 OF RUSSIA'S 15 MOST AFFLUENT REGIONS

REGIONAL INCOME PER CAPITA TO RUSSIA AVERAGE⁽²⁾

Nenets AD	2.2x	
Yamalo-Nenets AD	2.1x	
Moscow	1.9x	
Chukotka	1.7x	
Sakhalin region	1.6x	
Khanty-Mansi AD	1.5x	
Magadan region	1.4x	
Moscow region	1.3x	
St Petersburg	1.3x	
Khabarovskiy krai	1.2x	
Murmansk region	1.2x	
Kamchatskiy krai	1.2x	
Yakutia	1.1x	
Sverdlovsk region	1.1x	
Primorskiy krai	1.0x	
Russia average		

■ Etalon Group's target regions

⁽¹⁾ Source: Company data for 2Q 2018

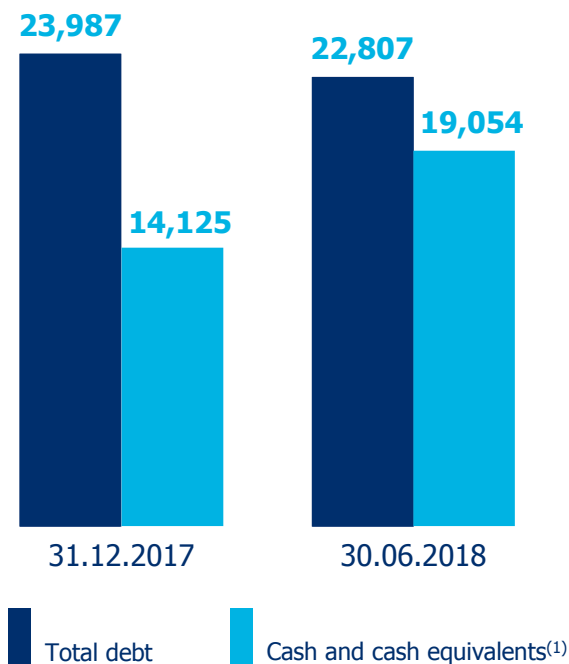
⁽²⁾ Average monthly cash income per capita, Rosstat's estimates for 1Q 2018

MAINTAINING A STRONG BALANCE SHEET

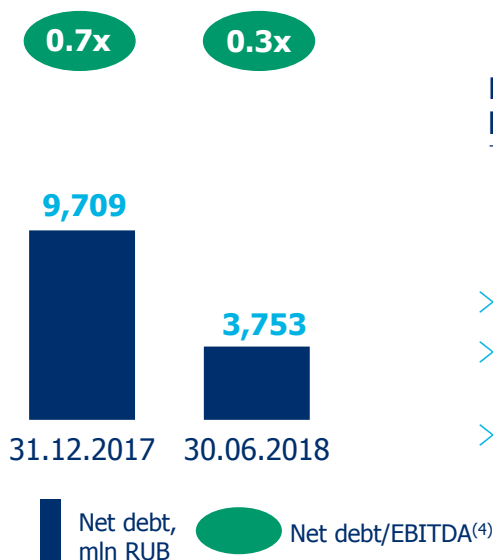


IN 1H 2018 ETALON GROUP'S NET DEBT DECREASED BY RUB 6 BLN DUE TO HEALTHY CASH FLOW GENERATION

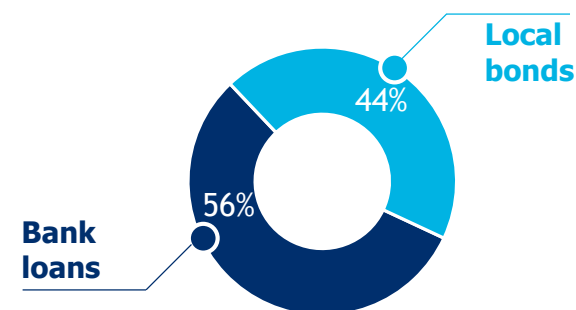
STRONG LIQUIDITY POSITION mln RUB



NET DEBT mln RUB



BALANCED GROSS DEBT COMPOSITION⁽²⁾



- > 100% of debt denominated in RUB
- > Average cost of borrowings declined from 10.29% at the end of 2017 to 9.89% at the end of 1H 2018
- > S&P once again affirmed the long term global scale credit rating of Etalon Group subsidiary Etalon LenSpetsSMU at B+ with a stable outlook⁽³⁾

Source:
Company data

⁽¹⁾ Including bank deposits in ST Investments

⁽²⁾ As of 30.06.2018

⁽³⁾ As of 26.06.2018

⁽⁴⁾ FY 2017 EBITDA

MARKET OVERVIEW



SUPPLY AND DEMAND

FACTORS AFFECTING **SUPPLY**

- ▼ **Changes in development industry regulations**
 - **Considerable positive impact in the long term** due to withdrawal of smaller players who do not comply with the requirements of the amended law 214

- ▼ **Further industry consolidation among top industry players**
 - **Positive impact** due to decreasing supply triggered by market consolidation among top players and withdrawal of smaller developers who do not comply with the requirements of the amended law 214

FACTORS AFFECTING **DEMAND**

- ▲ **Macro recovery and subsequent real disposable income growth**
 - Macro recovery and growth of real disposable income **is likely to provide further stimulus for potential buyers** of residential real estate

- ▲ **Significant decrease in mortgage rates**
 - **Considerable positive impact** due to increasingly accessible mortgages for income groups who previously could not afford mortgage payments. Up to 1.5 mln new households within Etalon Group's target markets who could not afford mortgage financing now will be able to buy housing, with interest rates declining to 7%⁽¹⁾

⁽¹⁾ Source: MACON Realty Group estimates based on Rosstat income distribution data, saving rates, households consumption patterns; AHML data; MinEc data and other open sources

ENACTED AMENDMENTS TO REGULATION



ETALON CAN EASILY COMPLY WITH THE AMENDMENTS INTRODUCED TO THE PRE-SALE MODEL

REQUIREMENTS FOR PROJECTS WITH PERMISSIONS RECEIVED AFTER 1 JULY 2018

ENHANCED TRANSPARENCY REQUIREMENTS

- Audited annual financial reporting
- Disclosure of interim unaudited financial results
- ✓ **Etalon has long-established IFRS reporting systems and undergoes semi-annual audits**

FINANCING

- Borrowing activities are limited to project financing only
- No bonds, only equity issuance allowed
- ✓ **Etalon can meet additional financing needs through parent company borrowings, as intra-group loans up to 20% of project cost are allowed**

ENHANCED TRACK RECORD REQUIREMENTS

- A minimum 3-year track record, and at least 10 ths sqm of area commissioned
- ✓ **Etalon has 30 years of experience and has commissioned over 5.8 mln sqm of property**

ASSOCIATED COSTS AND CAPITAL REQUIREMENTS

- 1.2% of equity participation contract value must be contributed to the Compensation fund
- 10% of the total project value must be deposited in a mandated bank before project launch
- ✓ **Etalon's strong balance sheet, with RUB 63 bln⁽¹⁾ in equity and low net debt, enables it to easily comply with the new requirement**

USE OF FUNDS FOR DEVELOPMENT PURPOSES

- Advances associated with design and construction are limited to 30% of total project value
- SG&A to be capped at 20% of construction costs if a company reports under IFRS
- ✓ **Current values for Etalon Group companies are in line with the new requirements of the law as amended**

MOREOVER, 80% OF ETALON'S ONGOING PROJECTS WILL NOT BE SUBJECT TO THE NEW REGULATION, AS PERMITS WERE RECEIVED BEFORE 1 JULY 2018

⁽¹⁾ As of 31.12.2017

EXPECTED AMENDMENTS TO REGULATION



PROJECT FINANCING WILL BECOME
WAY MORE AFFORDABLE WHEN
ESCROW ACCOUNTS ARE USED

REQUIREMENTS FOR PROJECTS WITH PERMISSIONS RECEIVED AFTER **1 JULY 2019**

USE OF ESCROW ACCOUNTS

- Mandatory use of escrow accounts for incoming funds from sales
- Payments from customers will become available to developers after project commissioning
- Most of previously-applicable constraints, such as mandatory contributions to compensation fund, will be removed when escrow accounts are used, leading to **cost savings for housing developers**

FINANCING MECHANISM

- Use of bank **credit lines at a c. 4%⁽¹⁾** interest rate **backed by escrow accounts**

POSSIBLE FUTURE SCENARIO

- **Step-by-step withdrawal of funds from escrow accounts** as projects progress, in line with global best practice

Escrow accounts are widely accepted in the EU, UK and Switzerland, as well as in emerging economies like India, Brazil and the UAE where the real estate market's evolution is similar to Russia's

Regulation in Russia is likely to develop in a similar way, with developers being allowed to receive funds in several tranches as they complete successive stages of projects

ALL CURRENT PROJECTS IN ETALON GROUP'S PROJECT PORTFOLIO ARE NOT EXPECTED TO FALL UNDER THE NEXT REGULATION CHANGE, PROVIDING FOR A SMOOTH AND PREDICTABLE TRANSITION

⁽¹⁾ Dom.rf: according to the escrow account terms announced by Rossiysky Capital Bank

IMPACT OF AMENDMENTS ON MARKET AND ETALON GROUP

LARGE AND WELL-CAPITALIZED PLAYERS LIKE ETALON WILL BENEFIT FROM NEW REGULATION

MARKET

Industry consolidation

Small and midsize players will lose market share due to inability to raise sufficient funds

Barriers for new entrants

New players, including current landowners, will face additional entry barriers

Decline in supply

Supply will shrink as small and midsize players are forced to leave the market and remaining volumes of available properties decrease

Price increases

Additional costs related to servicing new funding scheme and decrease in supply will inflate prices

ETALON GROUP

Smooth transition

All current projects are expected to have construction permits by July 2019, which will allow for a smooth transition to operation under new regulations

Solid financials

Etalon Group has RUB 63 bln⁽¹⁾ in equity and a low net debt level of RUB 3.8 bln⁽²⁾, which allows us to acquire and execute new projects with ease

Access to funding

Sufficient own funds and successful track record of public borrowing, as well as established relationships with top banks

Loyal customers

Customers are ready to absorb price increase thanks to distinctive quality of offering and continuous product improvement

Potential ability to expand project portfolio with high-quality sites

Around 40%⁽³⁾ of current developers will not be able to carry on development themselves. As a result, Etalon may purchase land at attractive prices

Ongoing market consolidation

Etalon may achieve sales targets in its core markets faster than initially planned due to ongoing consolidation

Greater confidence in industry

Etalon already has a sterling reputation with its customers. Improved transparency and elimination of dishonest players will further increase customers' confidence in the real estate sector and encourage them to make a purchase

⁽¹⁾ As of 31.12.2017

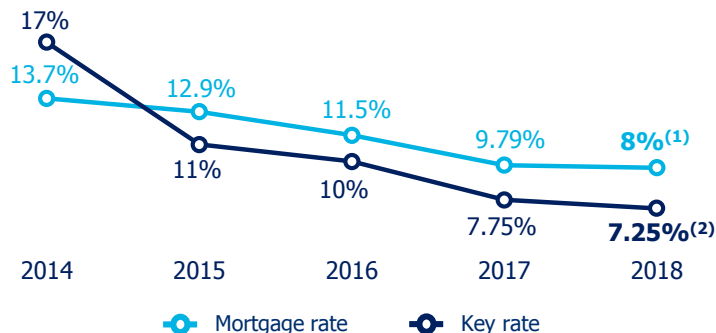
⁽²⁾ As of 30.06.2018

⁽³⁾ Source: Knight Frank

MORTGAGE AFFORDABILITY

MORTGAGES BECAME SIGNIFICANTLY MORE ACCESSIBLE IN 2017, YET THE FUTURE HOLDS EVEN GREATER POTENTIAL FOR GROWTH

KEY RATE MORTGAGE RATE IS REACHING HISTORICAL LOWS...

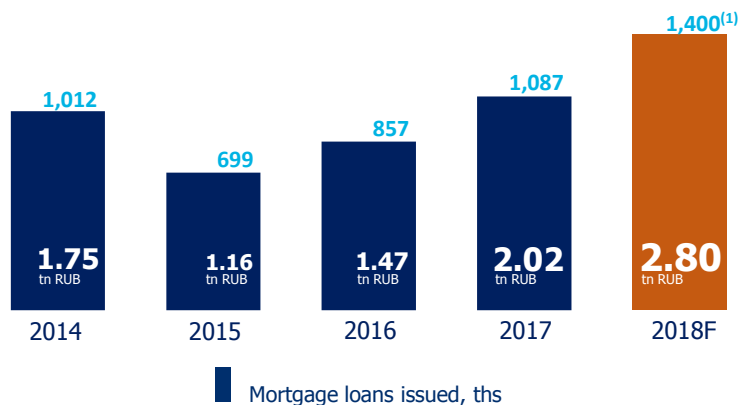


... BOOSTING MORTGAGE AFFORDABILITY UNPRECEDENTEDLY

Ratio of monthly household wage to mortgage payment⁽³⁾



2018 IS EXPECTED TO SET NEW ISSUANCE RECORDS...



SUPPORTED BY MACRO RECOVERY AND STATE SUBSIDIES



2.2% average GDP growth in 2018-2020 expected by Ministry of Economic Development in its base case scenario



126 ths families in our target regions **will be eligible for government subsidies** to buy flats in 2018



1.6% average real income growth in 2018-2020 expected by Ministry of Economic Development in its base case scenario



11% share of "maternity capital" in the cost of comfort class apartment suitable for a family with small children offered by Etalon Group

Source: CBR, AHML, Rosstat

⁽¹⁾ Based on forecast by Russia's Agency for Housing and Mortgage Lending (AHML)

⁽²⁾ Current key rates as of 26.03.2018

⁽³⁾ Based on CBR's historic data on mortgage lending, Rosstat's data on wages and average prices, assuming two adults receive wage, and apartment size of 55 sqm

RESIDENTIAL REAL ESTATE DEMAND



ETALON GROUP REMAINS
FOCUSED ON THE SEGMENTS
WITH HIGHEST DEMAND

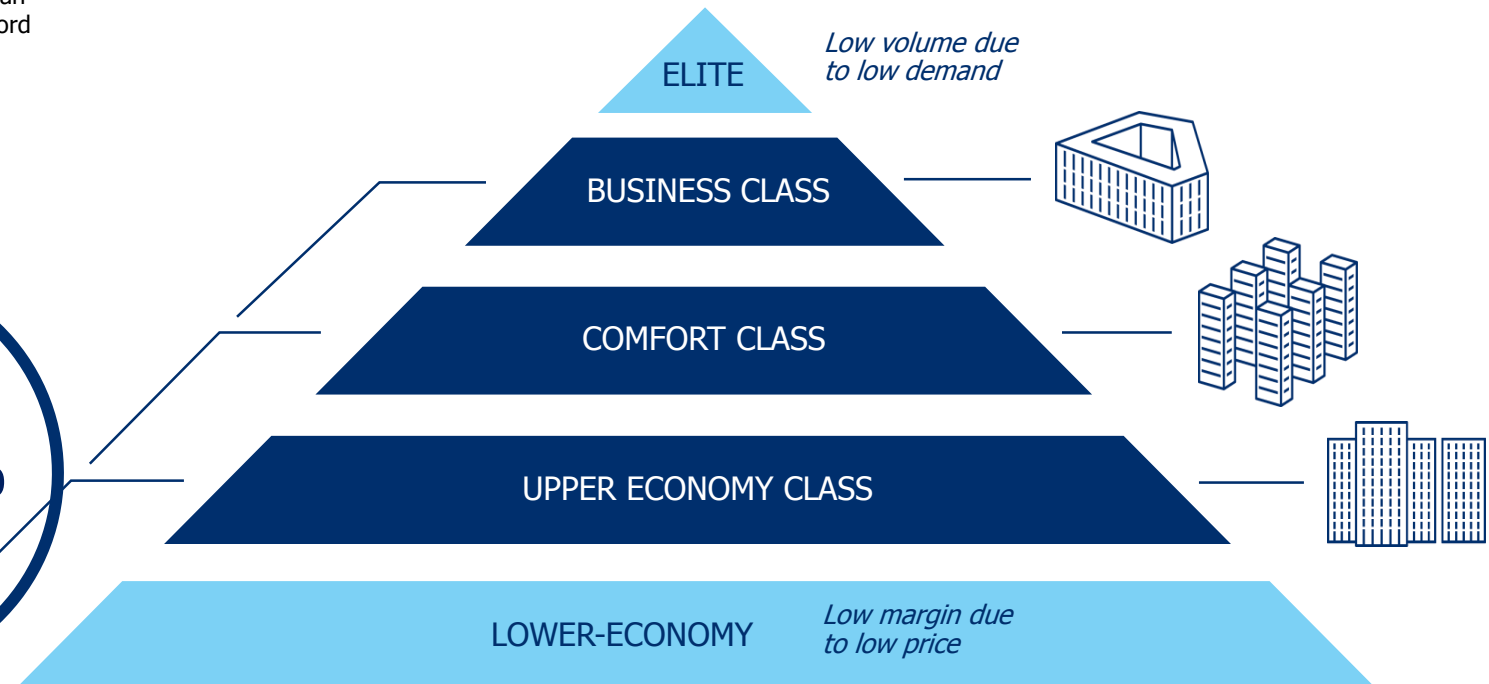
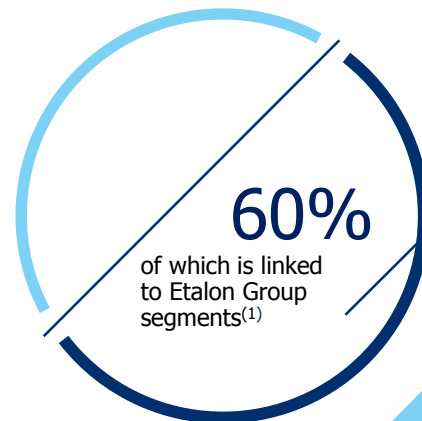
RESIDENTIAL REAL ESTATE DEMAND BREAKDOWN

2.2mln

households in Moscow Metropolitan Area and St Petersburg could afford residential real estate in 2017

This translates into potential demand of

121mln sqm



ETALON GROUP SEGMENTS

Source: MACON Realty Group estimates based on Rosstat income distribution data, saving rates, households consumption patterns; AHML data; MiniEc data and other open sources

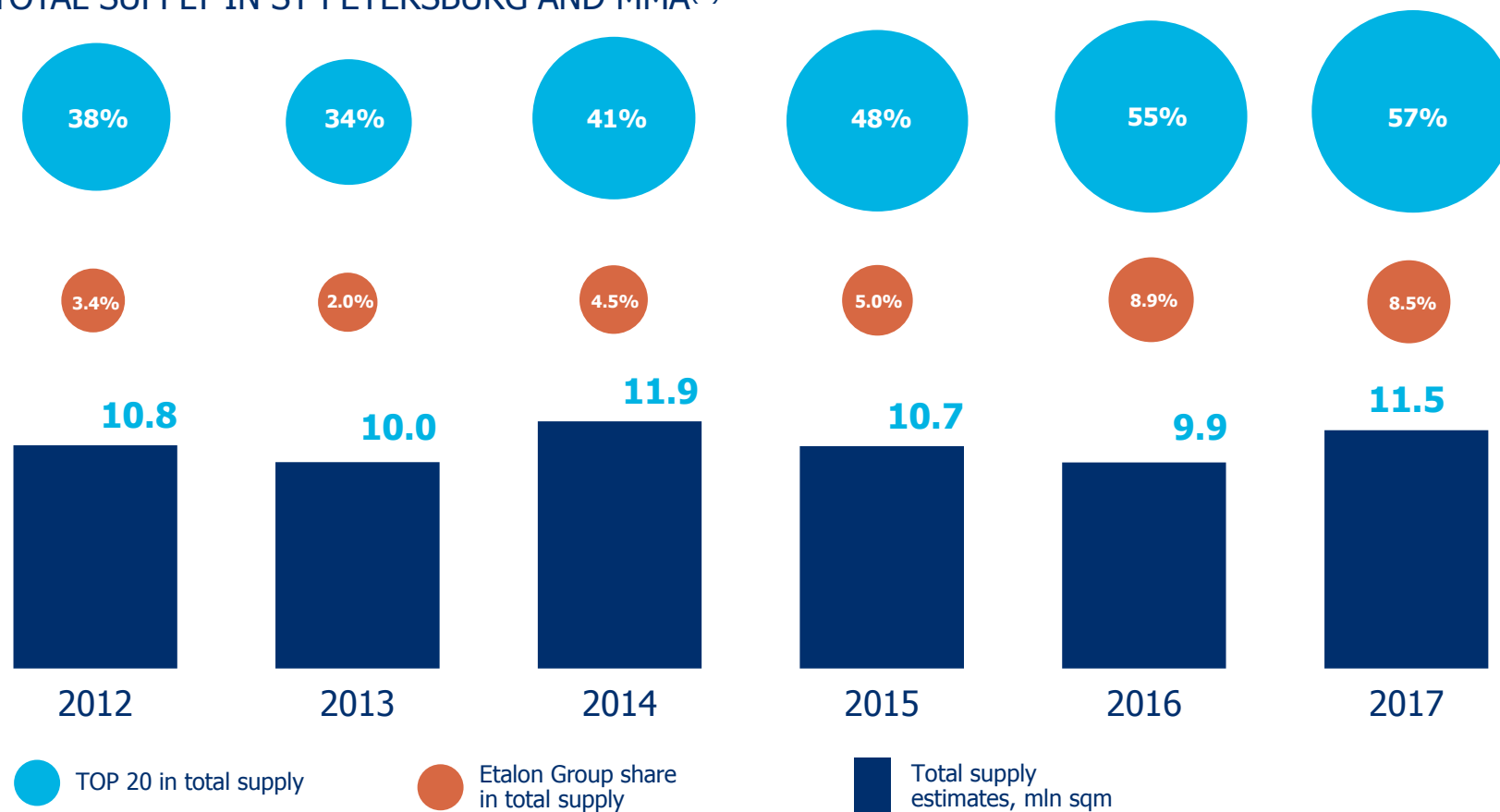
⁽¹⁾ In 2017

RESIDENTIAL REAL ESTATE SUPPLY



ETALON IS WELL-POSITIONED
TO GROW MARKET SHARE IN
CORE MARKETS

TOTAL SUPPLY IN ST PETERSBURG AND MMA⁽¹⁾



Source:
Knight Frank, IRN, Company data

⁽¹⁾ Moscow, New Moscow and Moscow region within 30 km from Moscow Ring Road

2017 ASSETS VALUATION



2017 ASSET VALUATION SUMMARY

OPEN MARKET VALUE OF PROJECT PORTFOLIO

127

Bln RUB

The market value of Etalon Group's portfolio grew by 10% year-on-year in rouble terms and reached RUB 127 bln

VALUE OF CONSTRUCTION AND MAINTENANCE DIVISION

8.3

Bln RUB

In 2017, Knight Frank valued newly created construction and maintenance division and its assets at 8.3 bln RUB

TOTAL ASSETS VALUE⁽¹⁾

135

Bln RUB

Knight Frank valued the Company's total assets at RUB 135 bln in 2017

TOTAL ASSETS VALUE PER SHARE/GDR

8

USD per GDR

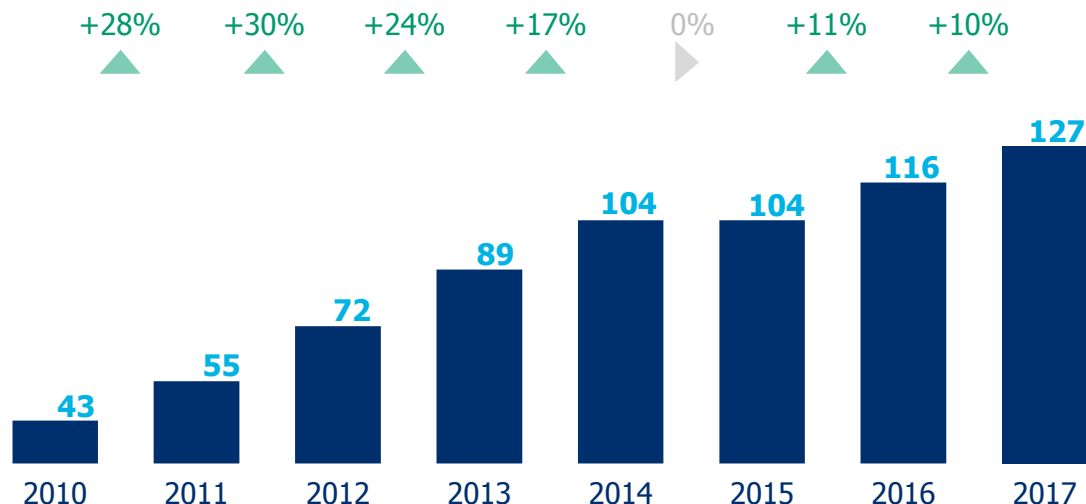
The total assets value of the Group amounted to USD 2.3 bln⁽²⁾, or USD 8 per share/GDR

⁽¹⁾ Including joint construction and maintenance business

⁽²⁾ Exchange rate as of 31.12.2017

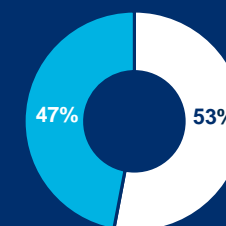
PROJECT PORTFOLIO OPEN MARKET VALUE

PROJECT PORTFOLIO OPEN MARKET VALUE Bln RUB

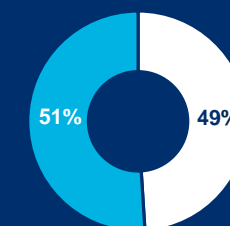


BREAKDOWN BY REGION⁽¹⁾

ALL PROJECTS



CURRENT PROJECTS



 Moscow  St Petersburg

> Projects are well diversified by locations within both St Petersburg and Moscow

COMPLETED AND AVAILABLE FOR SALE PROPERTY

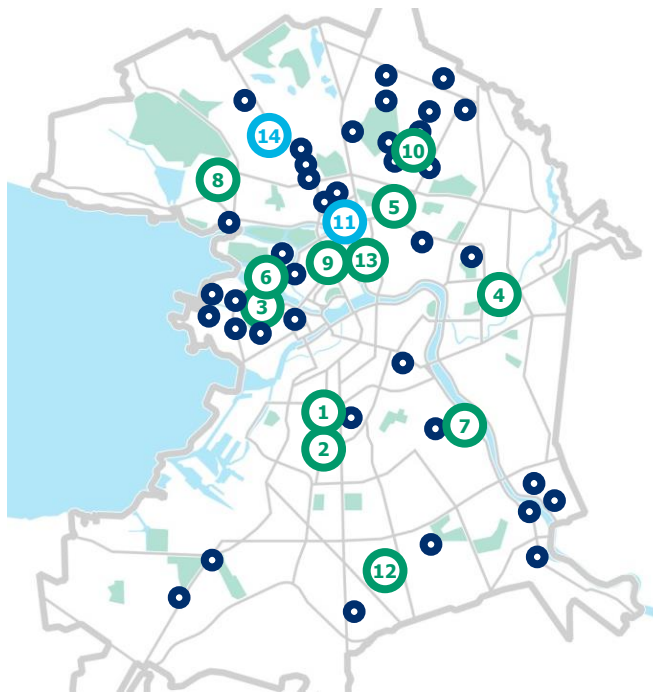
- > The current portfolio includes 475 thousand sqm of completed and available for sale property at projects that are completed or still underway, out of which completed and available for sale apartments account for 210 thousand sqm
- > Knight Frank estimates potential income from the sale of all completed and available for sale property at RUB 36,939 million, including RUB 25,381 million from the sale of completed and available for sale apartments

Source:
Knight Frank estimate as of 31.12.2017

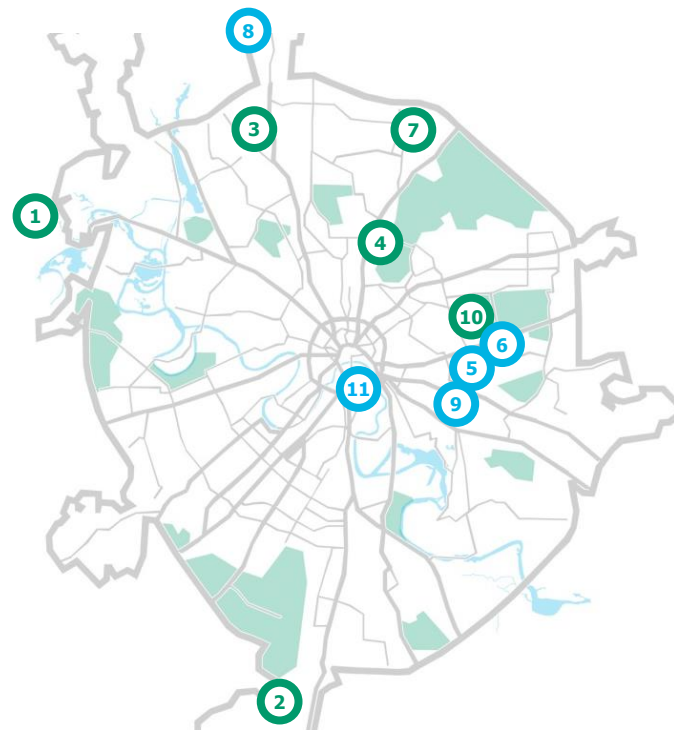
⁽¹⁾ As % of Unsold NSA, in sqm terms

OPERATIONS IN ST PETERSBURG AND MOSCOW

PROJECTS IN ST PETERSBURG



PROJECTS IN MOSCOW



-  UNDER CONSTRUCTION
-  DESIGN STAGE
-  COMPLETED

ETALON GROUP ASSETS VALUE

PROJECT	STATUS	TOTAL NSA (‘000 SQM)	UNSOLD NSA (ETALON’S SHARE) (‘000 SQM) ⁽¹⁾	UNSOLD PARKING (LOTS),#	OMV (MLN RUB)	INCOME FROM SALES (MLN RUB) ⁽²⁾	CONSTRUCTION BUDGET (MLN RUB) ⁽³⁾	OUTSTANDING BUDGET (MLN RUB) ⁽³⁾
CURRENT PROJECTS								
ST PETERSBURG								
1 Galactica	Construction	797	564	3,888	18,425	70,712	48,125	36,995
2 Moscow Gates	Construction	235	52	740	4,268	21,733	11,068	1,052
3 Samotsvety	Construction	212	79	1,332	5,670	20,104	9,703	1,322
4 Okhta House (Krasnogvardeiskiy District)	Construction	141	138	80	4,431	18,254	6,195	6,169
5 House on Blyukhera (Kalininskiy district)	Construction	107	92	338	2,014	9,761	5,235	4,825
6 Project on Petrovskiy Island	Construction	77	75	395	6,454	15,032	5,083	4,933
7 Etalon on the Neva (Nevsky district)	Construction	76	74	501	1,868	7,153	4,105	4,105
8 Morskaya zvezda	Construction	61	31	148	286	3,167	2,351	2,325
9 Botanica	Construction	47	45	363	1,564	6,670	2,894	2,705
10 House on Obruchevykh street	Construction	42	28	440	1,634	4,967	2,845	1,633
11 Beloostrovskaya	Design stage	29	28	235	646	4,166	1,684	1,666
12 House on Kosmonavtov	Construction	27	22	198	947	2,560	1,356	1,250
13 Fusion (Project on Krapivniy Pereulok)	Construction	14	12	83	607	1,756	985	813
14 Korolyova prospect	Design stage	6	6	47	222	556	372	340
TOTAL ST PETERSBURG		1,872	1,247	8,788	49,037	186,591	102,003	70,132
MOSCOW METROPOLITAN AREA (MMA)⁽⁴⁾								
1 Emerald Hills	Construction	850	227	1,607	12,497	62,040	40,427	6,447
2 Etalon-City	Construction	356	94	902	6,041	29,607	20,146	6,039
3 Summer Garden (Dmitrovskoe shosse)	Construction	294	177	1,177	7,425	30,491	17,426	11,880
4 Silver Fountain (Alekseevskiy District)	Construction	225	206	2,071	10,790	44,227	21,223	19,660
5 Perovo Region	Design stage	162	130	1,063	2,729	17,770	9,030	9,030
6 Ryazanskiy Prospect	Design stage	145	119	732	2,745	18,576	8,572	8,572
7 Normandy (Losinoostrovskiy District)	Construction	131	113	706	4,544	15,691	7,765	6,861
8 Mytishinskiy District	Design stage	93	82	322	722	6,864	4,469	4,376
9 Nizhegorodskiy Region	Design stage	86	72	734	1,529	9,446	4,821	4,821
10 Golden Star (Budennogo)	Construction	85	20	168	1,978	10,536	6,020	680
11 Letnikovskaya Street	Design stage	75	75	511	8,188	24,478	7,026	7,005
TOTAL MMA		2,502	1,314	9,993	59,189	269,726	146,925	85,370
TOTAL CURRENT PROJECTS		4,374	2,562	18,781	108,226	456,316	248,927	155,502
COMPLETED PROJECTS								
Residential property in completed projects		2,005	237	4,803	17,775	141,022		
Completed stand-alone commercial properties		24	19	55	924	-		
TOTAL COMPLETED PROJECTS		2,030	257	4,858	18,699	141,022		
TOTAL ETALON GROUP PROJECT PORTFOLIO		6,403	2,818	23,639	126,925	597,338	248,927	155,502
PRODUCTION UNIT								
Construction and Maintenance Division					8,272			
TOTAL ASSETS VALUE		6,403	2,818	23,639	135,197	597,338	248,927	155,502

(1) Including parking. Parking area in launched projects with partially sold parking lots is calculated as 30 sqm per 1 parking place.

(2) Income from sales includes potential and received incomes as of 31.12.2017

(3) Excluding land acquisition costs
(4) Moscow, New Moscow and Moscow region within 30 km from Moscow Ring Road

Source:
Knight Frank valuation report as of 31.12.2017

APPROACH TO PORTFOLIO EXPANSION



STRICT RULES FOR ACQUISITION OF NEW
PROJECTS TO ENSURE FURTHER
SUCCESSFUL BUSINESS DEVELOPMENT

PROJECT ACQUISITION CRITERIA

QUANTITATIVE:

- > Size
 - Large-scale (>300 ths sqm) and medium-sized (30 - 300 ths sqm) projects
- > Return
 - Target IRR exceeds 15%

QUALITATIVE:

- > Focus segments
 - Upper-economy
 - Comfort
 - Business
- > Location
 - Prime locations and outskirts with well-developed public transport access and social infrastructure

NON-ORGANIC GROWTH OPPORTUNITIES

Value creation and further strengthening of market position through M&A with companies that meet the following criteria:

- > Focus on the same regions and segments
- > Complementary portfolio and value chain
- > Considerable operating synergies due to elimination of duplicate functions and monetisation of sales network
- > Attractive profitability across project portfolio and significant return on investments

UNIFIED CONSTRUCTION AND MAINTENANCE DIVISION OVERVIEW

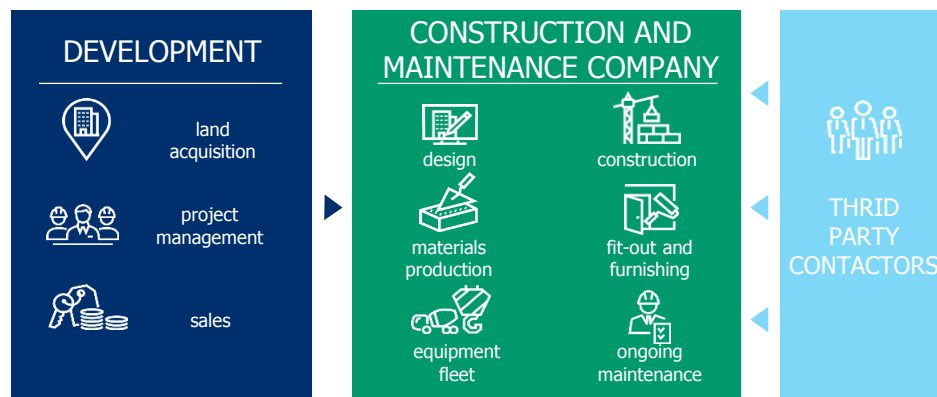


REORGANISATION OF CONSTRUCTION AND MAINTENANCE UNITS

MULTIPLE GENERAL AND SUB-CONTRACTORS



UNIFIED DIVISION



OVERVIEW OF UNIFIED DIVISION



1.5 mln sqm currently under construction, with potential capacity up to **2.4 mln sqm**



4.3 mln sqm of residential & commercial area and **17.1 ths** parking places under maintenance as of 31.12.2017



The brick plant's production capacity is **42 mln** bricks per year



The concrete plant production capacity is over **180 ths m3** of ready-mix concrete and **40 ths m3** of concrete products per year



62 Liebherr and Wolff tower cranes



4 office buildings with total area of **20 ths sqm**

UNIFIED CONSTRUCTION AND MAINTENANCE DIVISION VALUATION



VALUATION HIGHLIGHTS

8.3

Bln RUB

Knight Frank valued the Company's newly created construction and maintenance division for the first time in 2017. This valuation included the following assets:

- > 21 legal entities including general contractors, subcontractors, brick and concrete structures production facilities, a real estate broker, ongoing maintenance and service companies, office premises
- > Completed reorganisation and finished transition to new business model with a unified construction and maintenance division will improve efficiency and decrease costs, and is expected to boost the division's financial performance

CONSTRUCTION AND MAINTENANCE DIVISION KEY FINANCIAL ESTIMATES⁽¹⁾

MLN RUB

	2018E	→	2023E
Total revenue	27,756	→	38,122
<i>External revenue</i> ⁽²⁾	12,488	→	15,682
Gross profit	2,020	→	2,918
<i>External gross profit</i> ⁽²⁾	1,153	→	1,644
Gross margin	7%	→	8%
Net profit	742	→	1,276

⁽¹⁾ Knight Frank estimate as of 31.12.2017

⁽²⁾ Not related to Etalon Group projects

FY 2017 FINANCIAL RESULTS



IFRS 15 ADOPTION



FINANCIAL RESULTS NOW BETTER ALIGNED WITH
ETALON GROUP'S ACTUAL OPERATING PERFORMANCE

In line with global IFRS practice, Etalon Group adopted IFRS 15 "Revenue from Contracts with Customers", and has applied the new rule starting from 1 January 2017

ILLUSTRATIVE EFFECT FROM IFRS 15 ADOPTION

PERCENTAGE OF
COMPLETION

20%



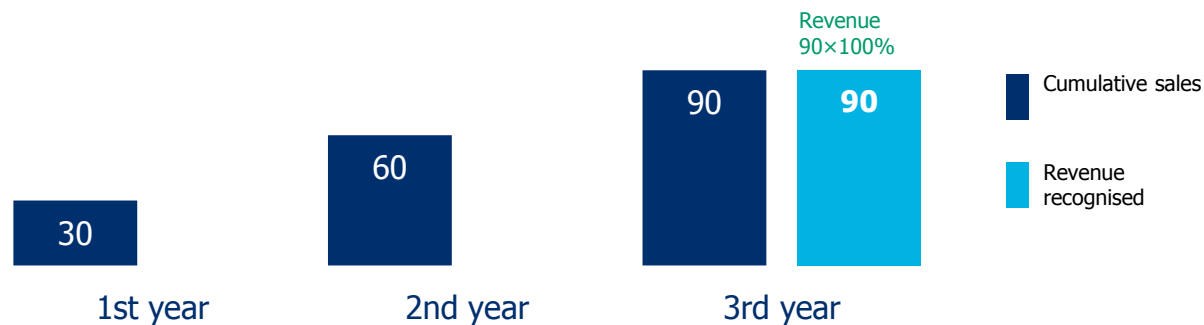
60%



100%

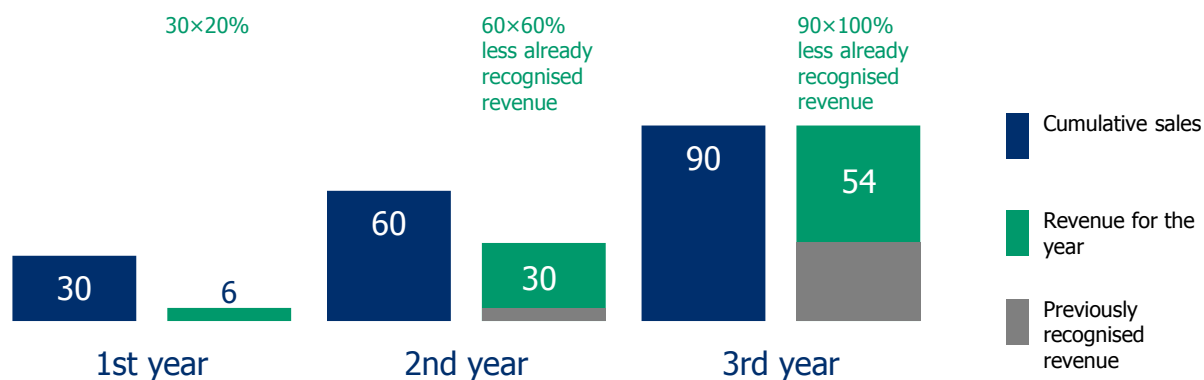
BEFORE IMPLEMENTATION

Revenue from pre-sales of apartments and other contracted premises before construction completion was only recognised upon completion



AFTER IMPLEMENTATION

Revenue from sales of apartments and other contracted premises will be recognised as a percentage of completion (PoC) while construction is ongoing

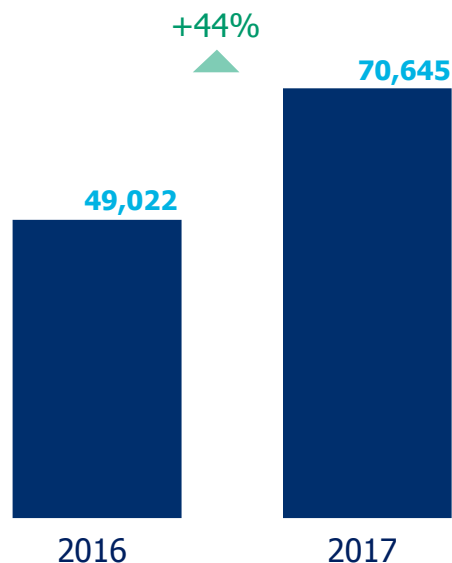


P&L ANALYSIS

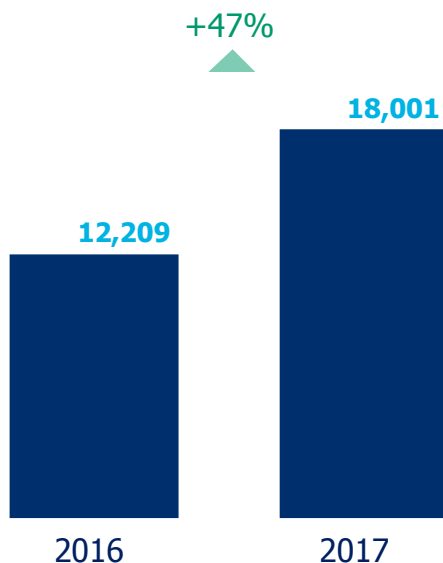


REVENUE AND GROSS PROFIT UP BY MORE
THAN 40%, AND EBITDA UP BY 81% IN 2017

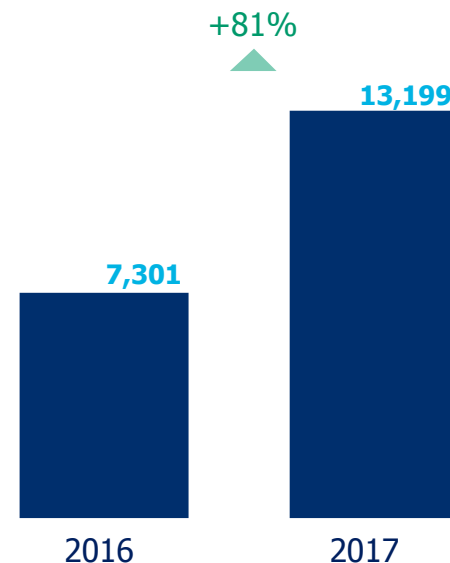
CONSOLIDATED REVENUE
mln RUB



GROSS PROFIT
mln RUB



EBITDA
mln RUB

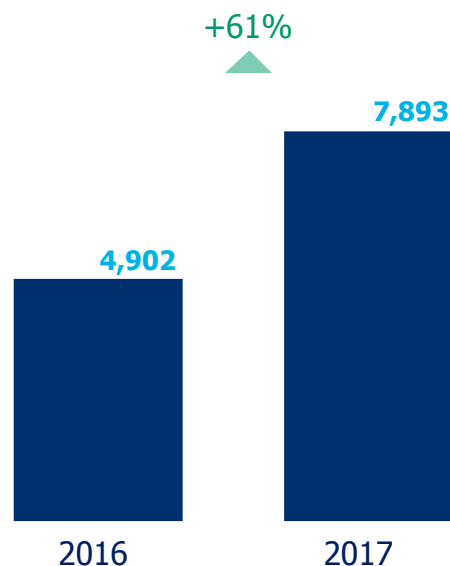


EBITDA AND NET INCOME ANALYSIS

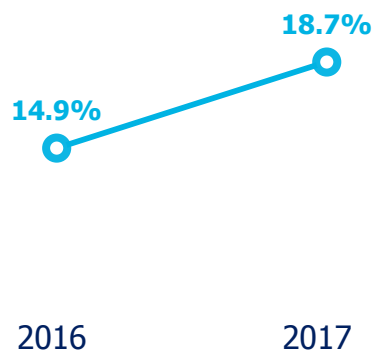


PROFITABILITY RECOVERED IN 2017, WITH EBITDA MARGIN UP BY 4 P.P. AND NET MARGIN INCREASING BY MORE THAN 1 P.P.

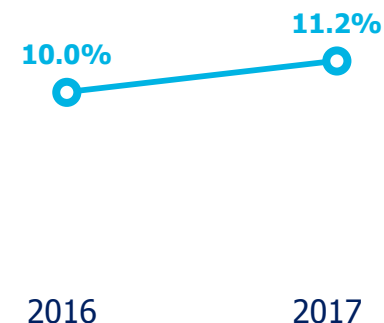
NET INCOME
mln RUB



EBITDA MARGIN



NET MARGIN

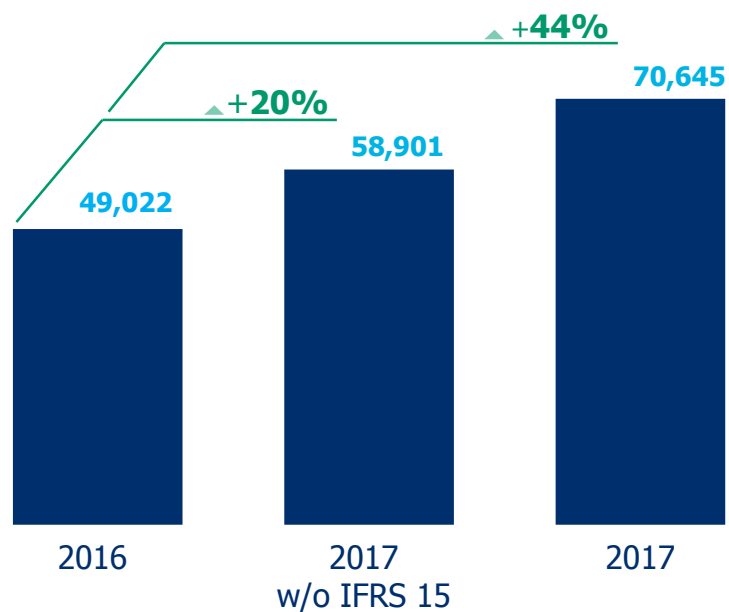


IMPACT OF IFRS 15

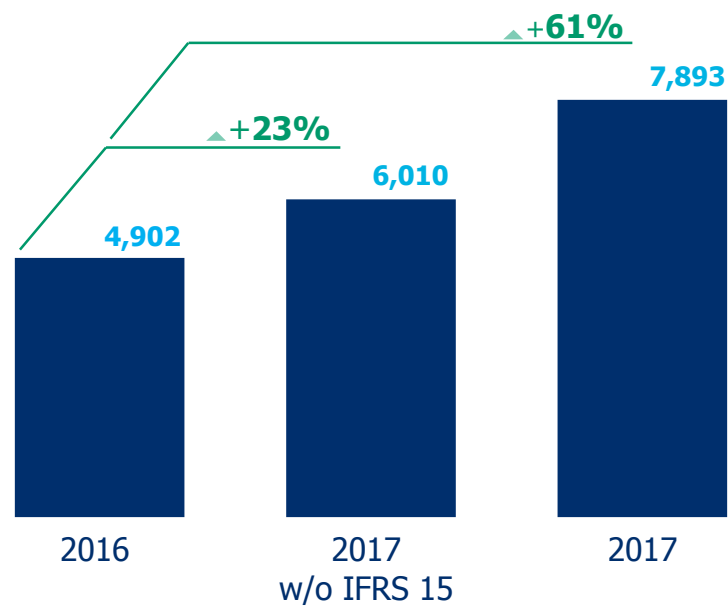


TOP AND BOTTOM-LINE GROWTH WERE STRONG IN 2017 EVEN WITHOUT ADOPTION OF THE NEW IFRS 15 STANDARD

REVENUE
mln RUB



NET INCOME
mln RUB

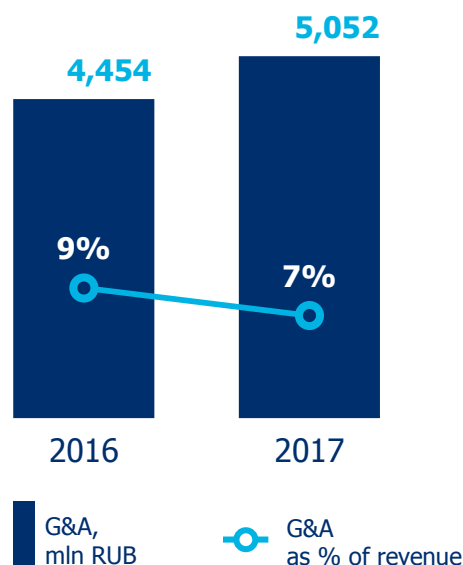


SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

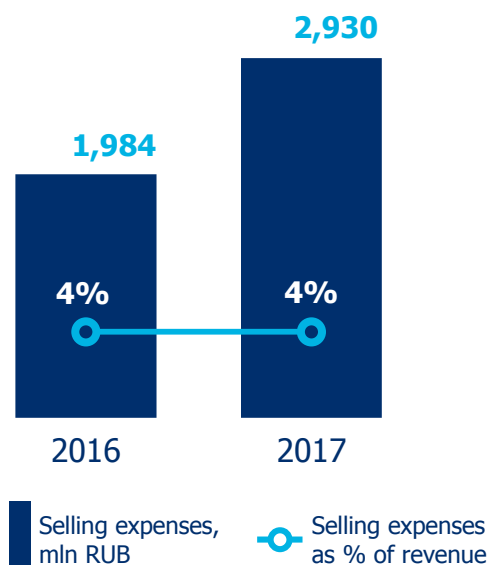


STRICT COST CONTROLS HELPED
DECREASE SG&A AND OTHER
EXPENSES AS A SHARE OF REVENUE

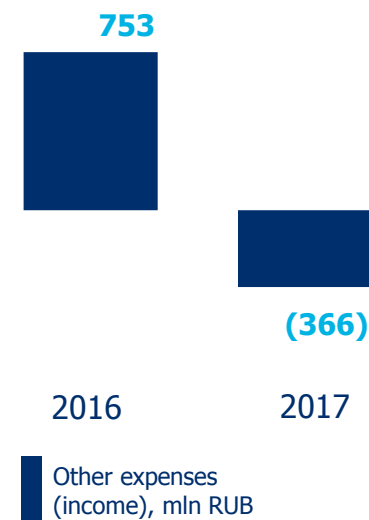
GENERAL AND ADMINISTRATIVE EXPENSES



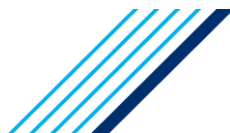
SELLING EXPENSES



OTHER EXPENSES (INCOME)

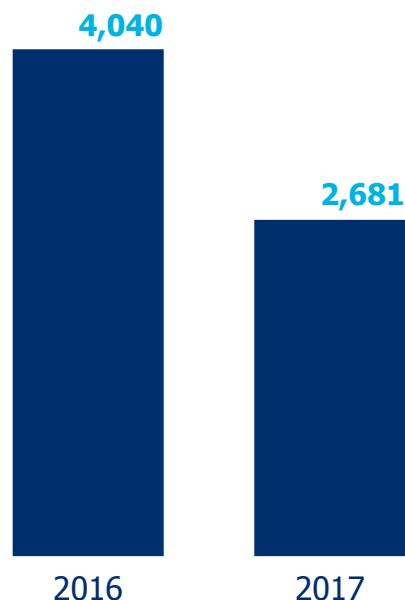


OPERATING CASH FLOW ANALYSIS



POSITIVE OPERATING CASH FLOW FOR SECOND CONSECUTIVE YEAR DESPITE FOUR ACQUISITIONS IN 2017

OPERATING CASH FLOW⁽¹⁾
mln RUB



HIGH-END PROJECTS ACQUIRED IN 2017

In 2017 we acquired four new projects in Moscow and St Petersburg, including three business class developments, thus increasing the Company's presence in this higher-price segment

PROJECT ON PETROVSKIY ISLAND



Location: St Petersburg
Class: business
Total NSA: 77 ths sqm
Income from sales:
RUB 15 bln⁽²⁾
Planned launch: 2018

BOTANICA



Location: St Petersburg
Class: business
Total NSA: 47 ths sqm
Income from sales:
RUB 6.7 bln⁽²⁾
Launched: October 2017

PROJECT ON LETNIKOVSKAYA STREET



Location: Moscow
Class: business
Total NSA: 75 ths sqm
Income from sales:
RUB 24.5 bln⁽²⁾
Planned launch: 2018

ETALON ON THE NEVA



Location: St Petersburg
Class: comfort
Total NSA: 76 ths sqm
Income from sales:
RUB 7.2 bln⁽²⁾
Planned launch: 2018

Source:
IFRS financial statements

⁽¹⁾ Operating cash flow less interest paid

⁽²⁾ Knight Frank estimate as of 31.12.2017

APPENDIX



AT A GLANCE

PRESENCE IN RUSSIA'S LARGEST MARKETS

- > Focus on middle class residential real estate in Moscow metropolitan area (MMA) and St Petersburg
- > 11% CAGR for deliveries over 2010-2017⁽¹⁾

STRONG DELIVERY TRACK RECORD

- > Over 30 years of construction & development experience
- > 5.8 mln sqm commissioned

TRUE VERTICAL INTEGRATION

- > Strategic vertical integration in key value-added segments of property development enables the Company to control costs, quality and timing
- > 5 ths employees
- > Country-wide sales network covering 52 cities

DIVERSIFIED PROJECTS PORTFOLIO

- > Land bank of 2.82 mln sqm⁽²⁾
- > Land bank sufficient until 2022
- > Projects well diversified by locations within both St Petersburg and MMA

LIQUIDITY AND CREDIT RATINGS

- > Secure liquidity position supported by pre-sales cash collections model
- > Low leverage: 0.28x net debt / EBITDA⁽³⁾
- > Credit rating by S&P: B+⁽⁴⁾

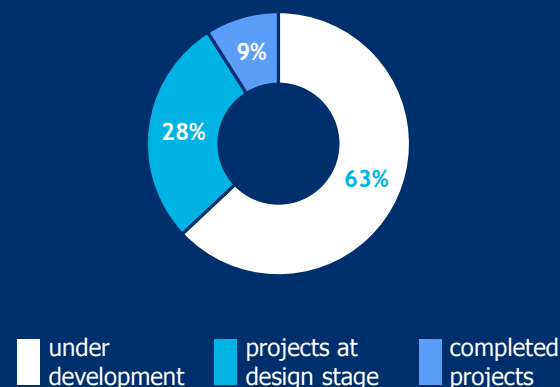
CORPORATE GOVERNANCE

- > 9 BoD members, 6 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 40% to 70% of IFRS net profit semi-annually

LSE ticker	ETLN:LI
Current share price	2.22 (24.08.2018)
Market Capitalisation	USD 654.8 mln

Total Assets Value (by Knight Frank) ⁽²⁾	RUB 135,197 mln (31.12.2017)
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PROJECT PORTFOLIO COMPOSITION⁽²⁾



⁽¹⁾ Company operating results

⁽²⁾ Knight Frank valuation report as of 31.12.2017

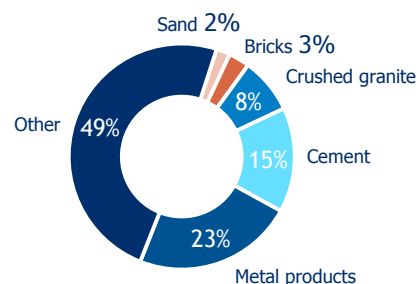
⁽³⁾ FY 2017 EBITDA, Net Debt of 30.06.2018

⁽⁴⁾ 'B+' long-term corporate credit rating of Etalon LenSpetsSMU (last reconfirmed on 26.06.2018)

TYPICAL PROJECT COST STRUCTURE

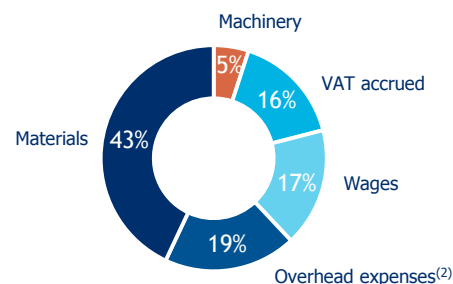
MATERIALS COST STRUCTURE⁽¹⁾

RUB 12,000-18,000 per sqm of NSA



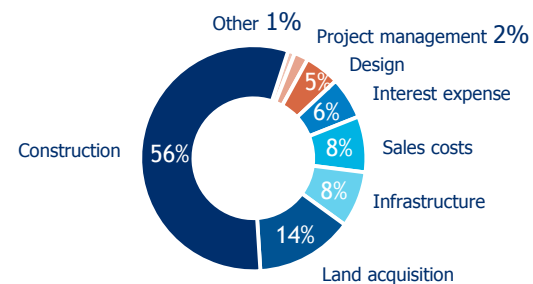
CONSTRUCTION COST STRUCTURE⁽¹⁾

RUB 29,000-39,000 per sqm of NSA



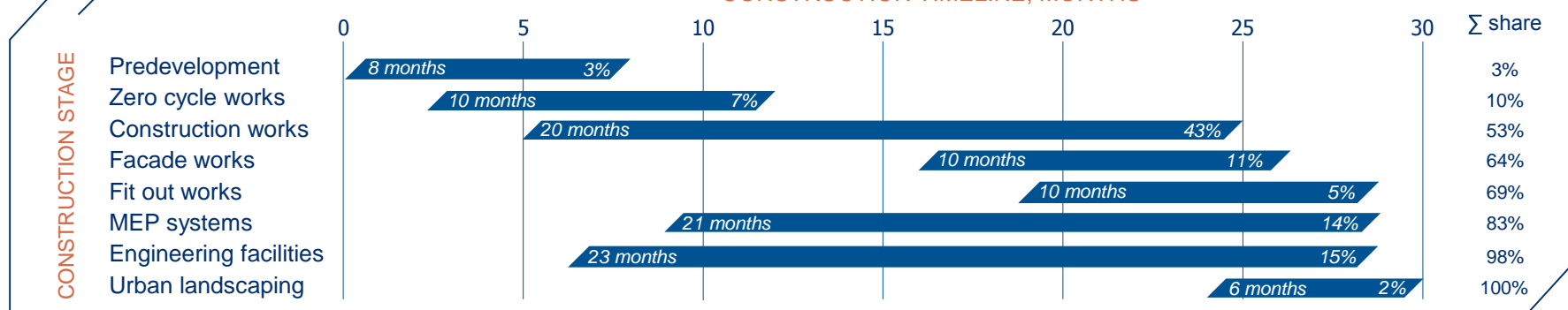
TOTAL COST STRUCTURE⁽¹⁾

RUB 59,000-72,000 per sqm of NSA



TYPICAL PROJECT LIFECYCLE

CONSTRUCTION TIMELINE, MONTHS

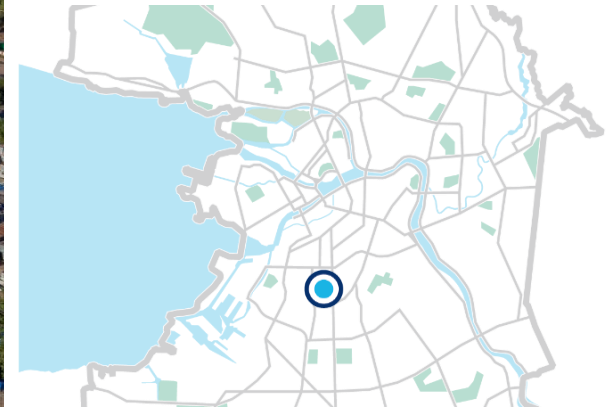


⁽¹⁾ Source: Company estimates for typical project based on current portfolio average.
Actual breakdown per project is subject to significant variation due to a number of factors.

⁽²⁾ Including payroll tax

AUGUST 2018

DECEMBER 2017



Total NSA
797 ths sqm

Open Market Value⁽¹⁾
RUB 18,425 mln

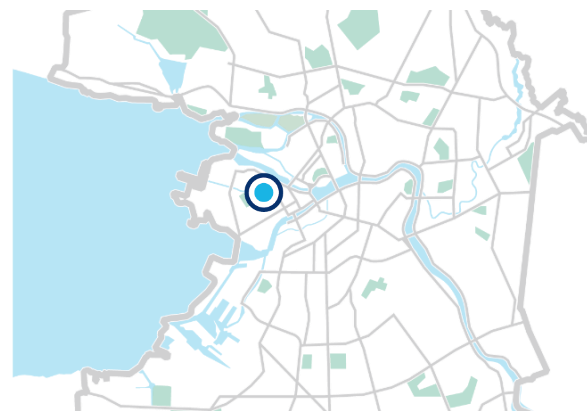
Income from sales⁽¹⁾
RUB 70,712 mln

St Petersburg

⁽¹⁾ Knight Frank estimate as of 31.12.2017

AUGUST 2018

DECEMBER 2017



Total NSA
212 ths sqm

Open Market Value⁽¹⁾
RUB 5,670 mln

Income from sales⁽¹⁾
RUB 20,104 mln

St Petersburg

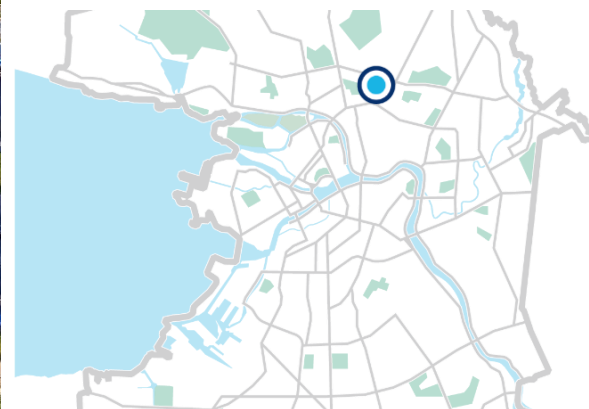
⁽¹⁾ Knight Frank estimate as of 31.12.2017

HOUSE ON BLYUKHERA

AUGUST 2018



DECEMBER 2017



Total NSA
107 ths sqm

Open Market Value⁽¹⁾
RUB 2,014 mln

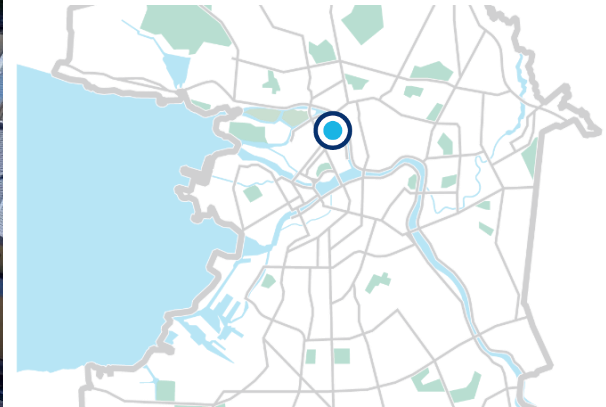
Income from sales⁽¹⁾
RUB 9,761 mln

St Petersburg

⁽¹⁾ Knight Frank estimate as of 31.12.2017

AUGUST 2018

VISUALISATION



Total NSA
47 ths sqm

Open Market Value⁽¹⁾
RUB 1,564 mln

Income from sales⁽¹⁾
RUB 6,670 mln

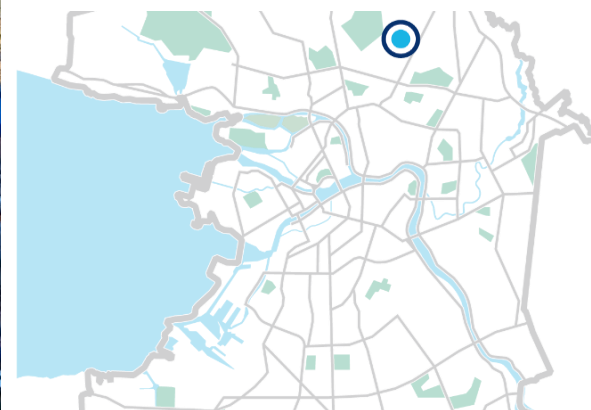
St Petersburg

⁽¹⁾ Knight Frank estimate as of 31.12.2017

HOUSE ON OBRUCHEVYKH STREET

AUGUST 2018

DECEMBER 2017



Total NSA
42 ths sqm

Open Market Value⁽¹⁾
RUB 1,634 mln

Income from sales⁽¹⁾
RUB 4,967 mln

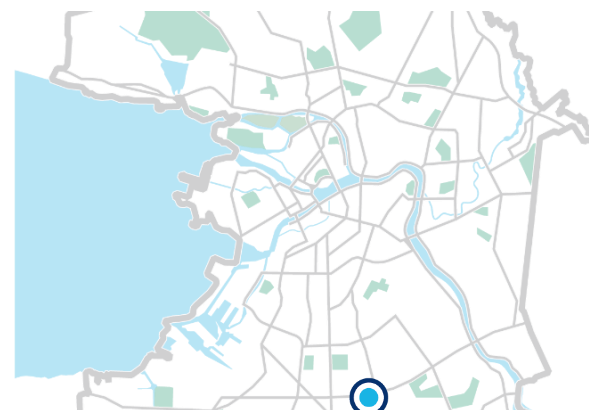
St Petersburg

⁽¹⁾ Knight Frank estimate as of 31.12.2017

HOUSE ON KOSMONAVTOV

AUGUST 2018

VISUALISATION



Total NSA
27 ths sqm

Open Market Value⁽¹⁾
RUB 947 mln

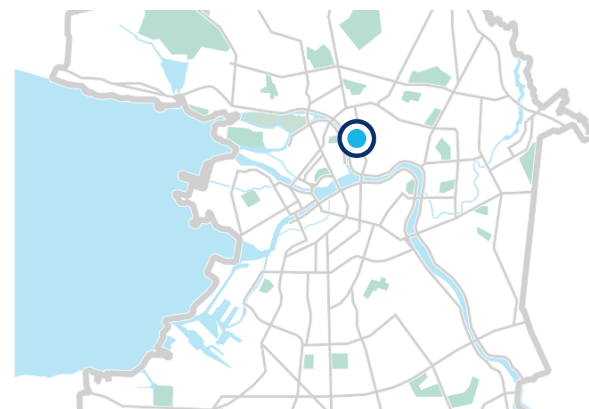
Income from sales⁽¹⁾
RUB 2,560 mln

St Petersburg

⁽¹⁾ Knight Frank estimate as of 31.12.2017

AUGUST 2018

VISUALISATION



Total NSA
14 ths sqm

Open Market Value⁽¹⁾
RUB 607 mln

Income from sales⁽¹⁾
RUB 1,756 mln

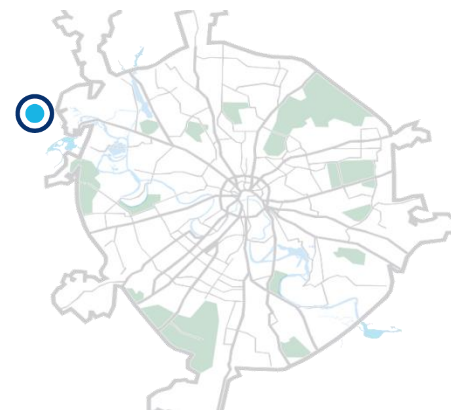
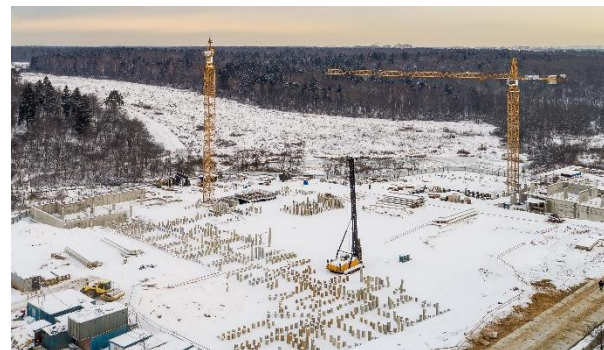
St Petersburg

⁽¹⁾ Knight Frank estimate as of 31.12.2017

EMERALD HILLS

AUGUST 2018

DECEMBER 2017



Total NSA
850 ths sqm

Open Market Value⁽¹⁾
RUB 12,497 mln

Income from sales⁽¹⁾
RUB 62,040 mln

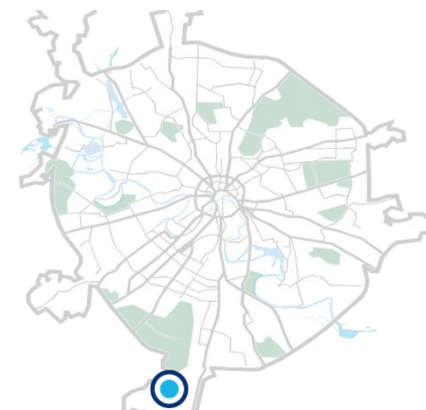
Moscow region

⁽¹⁾ Knight Frank estimate as of 31.12.2017

ETALON CITY

AUGUST 2018

DECEMBER 2017



Total NSA
356 ths sqm

Open Market Value⁽¹⁾
RUB 6,041 mln

Income from sales⁽¹⁾
RUB 29,607 mln

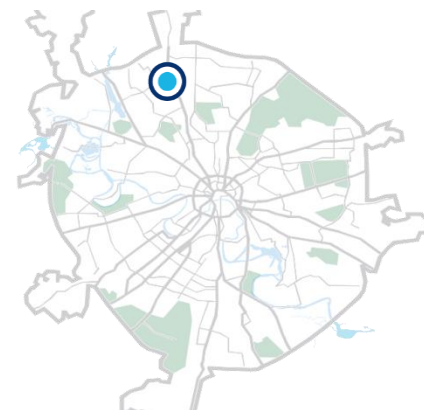
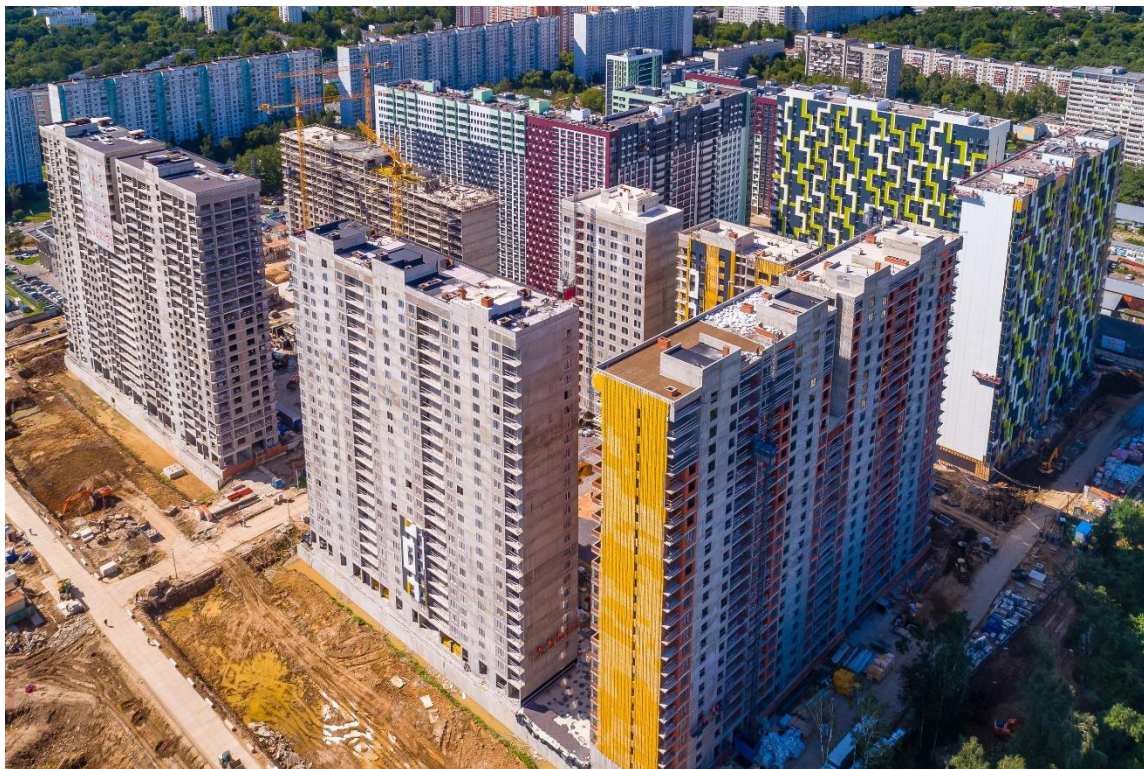
Moscow

⁽¹⁾ Knight Frank estimate as of 31.12.2017

SUMMER GARDEN

AUGUST 2018

DECEMBER 2017



Total NSA
294 ths sqm

Open Market Value⁽¹⁾
RUB 7,425 mln

Income from sales⁽¹⁾
RUB 30,491 mln

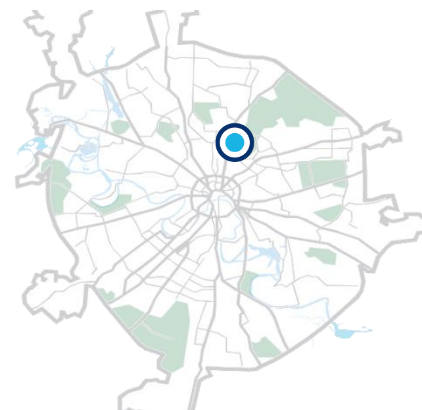
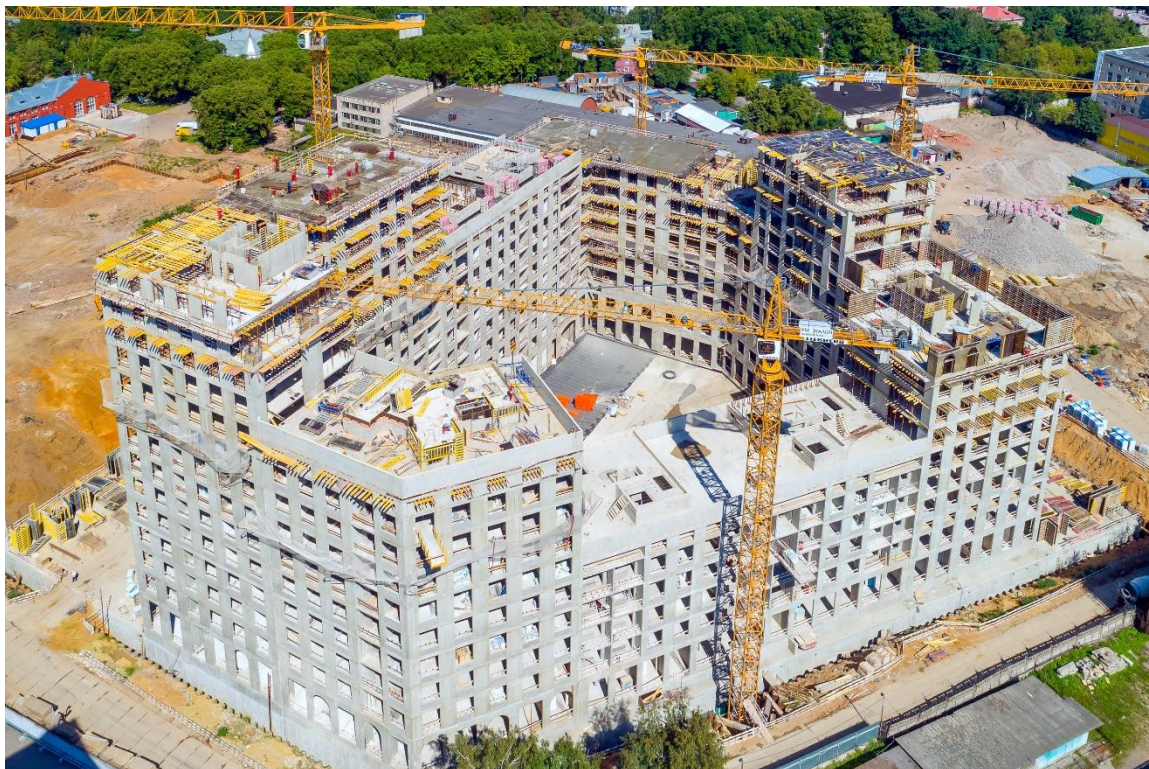
Moscow

⁽¹⁾ Knight Frank estimate as of 31.12.2017

SILVER FOUNTAIN

AUGUST 2018

DECEMBER 2017



Total NSA
225 ths sqm

Open Market Value⁽¹⁾
RUB 10,790 mln

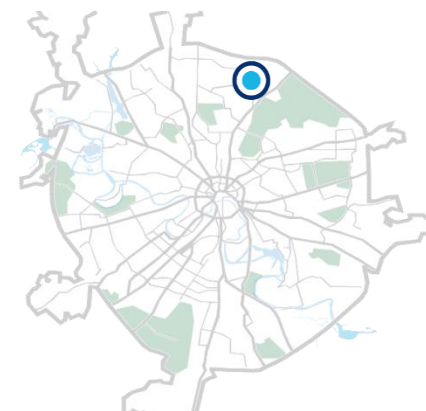
Income from sales⁽¹⁾
RUB 44,227 mln

Moscow

⁽¹⁾ Knight Frank estimate as of 31.12.2017

AUGUST 2018

DECEMBER 2017



Total NSA
131 ths sqm

Open Market Value⁽¹⁾
RUB 4,544 mln

Income from sales⁽¹⁾
RUB 15,691 mln

Moscow

⁽¹⁾ Knight Frank estimate as of 31.12.2017

INCOME STATEMENT

MLN RUB	2015	2016	2017
Revenue	42,404	49,022	70,645
Cost of sales	(29,405)	(36,813)	(52,644)
Gross profit	12,999	12,209	18,001
General and administrative expenses	(4,348)	(4,454)	(5,052)
Selling expenses	(1,411)	(1,984)	(2,930)
Other expenses, net	(991)	(753)	366
Results from operating activities	6,249	5,018	10,385
Finance income	1,686	1,857	1,712
Finance costs	(504)	(319)	(1,680)
Net finance income	1,182	1,538	32
Profit before income tax	7,431	6,556	10,417
Income tax expense	(2,002)	(1,654)	(2,524)
Profit for the period	5,429	4,902	7,893
<i>Profit attributable to:</i>			
Owners of the Company	5,399	4,902	7,890
Non-controlling interest	30	-	3
Profit for the period	5,429	4,902	7,893

BALANCE SHEET

MLN RUB	2015	2016	2017
ASSETS			
Non-current assets			
PP&E	2,479	2,889	3,085
Investment property	538	561	333
Other long-term investments	578	545	739
Trade and other receivables	3,303	5,063	5,867
Deferred tax assets	1,159	1,414	2,173
Other non-current assets	5	-	-
TOTAL NON-CURRENT ASSETS	8,062	10,472	12,197
Current assets			
Inventories	67,722	71,261	78,122
Contract assets, trade and other receivables	18,227	21,409	30,184
Short-term investments	733	793	185
Cash and cash equivalents	11,532	10,206	14,125
Other current assets	7	-	-
TOTAL CURRENT ASSETS	98,221	103,669	122,616
TOTAL ASSETS	106,283	114,141	134,813
EQUITY AND LIABILITIES			
Equity			
Share capital	14,999	15,070	14,103
Retained earnings	39,697	43,052	48,702
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	54,696	58,122	62,805
Non-controlling interest	147	28	-
TOTAL EQUITY	54,843	58,150	62,805
Non-current liabilities			
Loans and borrowings	13,138	12,415	21,418
Trade and other payables	923	859	2,546
Provision	117	107	102
Deferred tax liabilities	1,810	1,557	2,941
TOTAL NON-CURRENT LIABILITIES	15,988	14,938	27,007
Current liabilities			
Loans and borrowings	6,276	5,639	2,569
Contract liabilities, trade and other payables	25,630	33,666	40,569
Provisions	3,546	1,748	1,863
TOTAL CURRENT LIABILITIES	35,452	41,053	45,001
TOTAL EQUITY AND LIABILITIES	106,283	114,141	134,813

CASH FLOW STATEMENT

MLN RUB	2015	2016	2017
OPERATING ACTIVITIES			
Profit for the period	5,429	4,902	7,893
Adjustments for:			
Depreciation	406	434	340
Gain on disposal of PP&E	(65)	(52)	(113)
Gain on disposal of investment property	-	(267)	(27)
Impairment gain/(loss) on investment property	215	(41)	-
Impairment loss on inventories	514	430	819
Equity-settled share-based payment transactions	-	-	221
Finance income, net	(1,182)	(1,538)	(32)
Income tax expense	2,002	1,654	2,524
CASH FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	7,319	5,522	11,625
Change in inventories	(8,255)	(1,780)	(1,009)
Change in accounts receivables	(3,958)	(3,746)	(6,953)
Change in accounts payable	2,369	7,812	161
Change in provisions	1,315	(1,808)	112
Change in other current assets	59	-	-
Change in contract assets	-	-	(203)
Change in contract liabilities	-	-	1,329
Income tax paid	(2,146)	(1,960)	(2,381)
Interest paid	(2,516)	(2,603)	(2,257)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	(5,813)	1,437	424
INVESTING ACTIVITIES			
Proceeds from disposal of non-current assets	188	93	294
Proceeds from disposal of investment property	-	-	232
Interest received	1,311	1,153	918
Acquisition of PP&E	(369)	(711)	(707)
Loans given	(123)	(435)	(60)
Loans repaid	66	25	93
(Acquisition)/disposal of other investments	1,155	242	122
NET CASH FROM /(USED IN) INVESTING ACTIVITIES	2,228	367	892
FINANCING ACTIVITIES			
Acquisition of non-controlling interest	(20)	(94)	(29)
Proceeds from borrowings	9,480	9,016	15,889
Repayments of borrowings	(6,281)	(10,404)	(10,009)
Acquisition of own shares	16	-	(628)
Dividends paid	(2,452)	(1,504)	(2,542)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	743	(2,986)	(2,681)
Net increase/(decrease) in cash and cash equivalents	(2,842)	(1,182)	3,997
Effect of FX rate fluctuations	(257)	(144)	(78)
Cash & cash equivalents at the end of the period	11,532	10,206	14,125

Source:
IFRS financial statements

EBITDA CALCULATION

MLN RUB	2015	2016	2017
Comprehensive income	5,429	4,902	7,893
Income tax expense	2,002	1,654	2,524
Interest expense on loans and finance lease	19	12	912
Net foreign exchange loss	138	78	79
Interest income on bank deposits	(1,089)	(839)	(505)
Interest income on loans and receivables	(222)	(314)	(413)
Net foreign exchange gain	-	-	-
Bank fees and commissions	95	133	122
Interest in cost of sales	897	1,241	2,247
DEPRECIATION:	406	434	340
Depreciation in cost of goods sold (Note 13 PP&E)	284	321	261
Depreciation to selling expenses (Note 13 PP& E)	6	4	10
Depreciation to general and administrative expenses (Note 13 PP&E)	63	62	47
Depreciation to investment property (Note 14 Investment property)	48	42	22
Depreciation to other non-current assets	5	5	-
EBITDA	7,675	7,301	13,199



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