



# WOOD'S

WINTER WONDERLAND CONFERENCE

1 DECEMBER 2020



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# ETALON GROUP OVERVIEW

3





# ETALON GROUP AT A GLANCE

ONE OF THE  
LONGEST-ESTABLISHED

>30 years

FOUNDED IN 1987 IN  
ST PETERSBURG, WE HAVE  
A LONG TRACK RECORD FOR  
RELIABILITY AND QUALITY

PROVEN TRACK  
RECORD

7<sup>mn</sup>  
sq m

COMPLETED IN CORE  
REGIONS SINCE  
INCEPTION

ONE OF THE MOST  
RELIABLE DEVELOPERS

#2

ACCORDING TO THE  
FORBES RUSSIA  
RANKING IN 2019

HIGHEST QUALITY  
SCORE

5 out  
of 5

ACCORDING TO RUSSIAN  
UNIFIED REGISTER OF  
RESIDENTIAL REAL  
ESTATE DEVELOPERS (ERZ)

STRONG REPUTATION  
IN ST PETERSBURG

#3

ETALON GROUP IS THE #3  
DEVELOPER BY BRAND  
RECOGNITION IN  
ST PETERSBURG<sup>(1)</sup>

POWERFUL BRAND  
IN MOSCOW

TOP 5

ETALON GROUP IS AMONG  
THE TOP 5 DEVELOPERS  
IN MOSCOW BY BRAND  
RECOGNITION

LARGEST REGIONAL  
SALES NETWORK

#1

57 CITIES COVERED BY ETALON  
GROUP'S OWN SALES OFFICES  
AND PARTNERSHIPS WITH  
LOCAL SALES AGENCIES

FULL-CYCLE  
VALUE CHAIN

INTEGRATED  
BUSINESS MODEL

FROM LAND ACQUISITION  
TO DEVELOPMENT AND  
PROPERTY MAINTENANCE

<sup>(1)</sup> Source: Kantar TNS survey



# INTEGRATED BUSINESS MODEL



## DESIGN

- Design bureau
- R&D centre focused on BIM integration and development

## GENERAL CONTRACTORS

- 3 general contractors in St Petersburg
- 1 general contractor in Moscow

## SUBCONTRACTORS

- Ground-works
- Monolith works
- Tower cranes
- Engineering works
- Facade works
- Fit-out works

## SALES

- 57 sales offices nationwide
- Developed partnership programme with regional brokers
- Online sales platform

## ONGOING MAINTANANCE

- c. 6 mn sq m under management
- Mobile platform for people living in Etalon Group buildings



# RESIDENTIAL DEVELOPMENT PROCESS IMPROVED

IN RESPONSE TO NEW REGULATIONS

## LANDBANK DEVELOPMENT

ZONING

24–36 months

DESIGN & PERMITTING

12 months

Moderate investments

## PROJECT EXECUTION

GROUND WORKS & PREPARATION

6 months

Limited investments

PROJECT CONSTRUCTION

18–24 months

Significant investments

TRANSFER TO SERVICE COMPANY

PRE-SALES

c. 30 %

6 MONTHS

SALES

up to 50 %

18 MONTHS

SALES POST-COMPLETION

c. 20 %

12 MONTHS

ETALON  
GROUP  
FOCUS  
TODAY

CONSTRUCTION  
PERMIT

CONSTRUCTION  
START

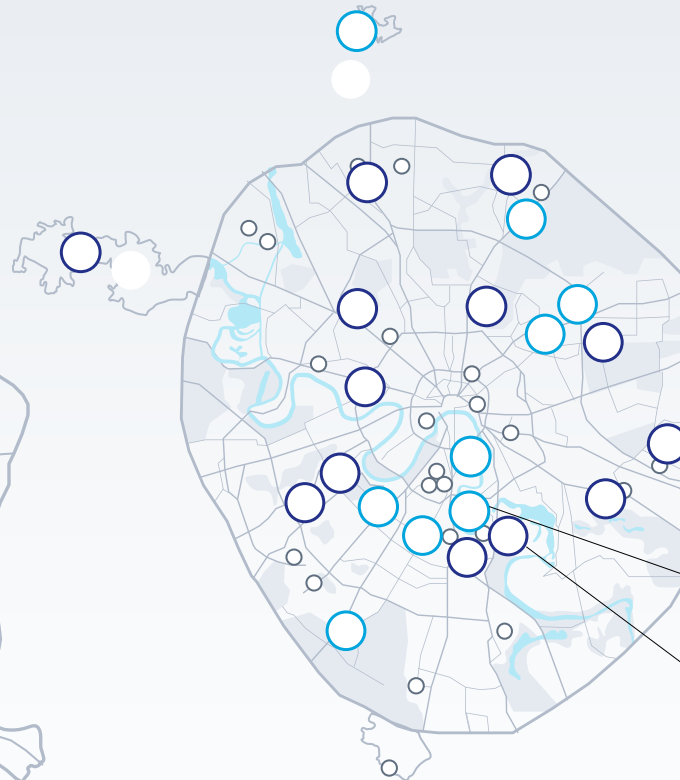
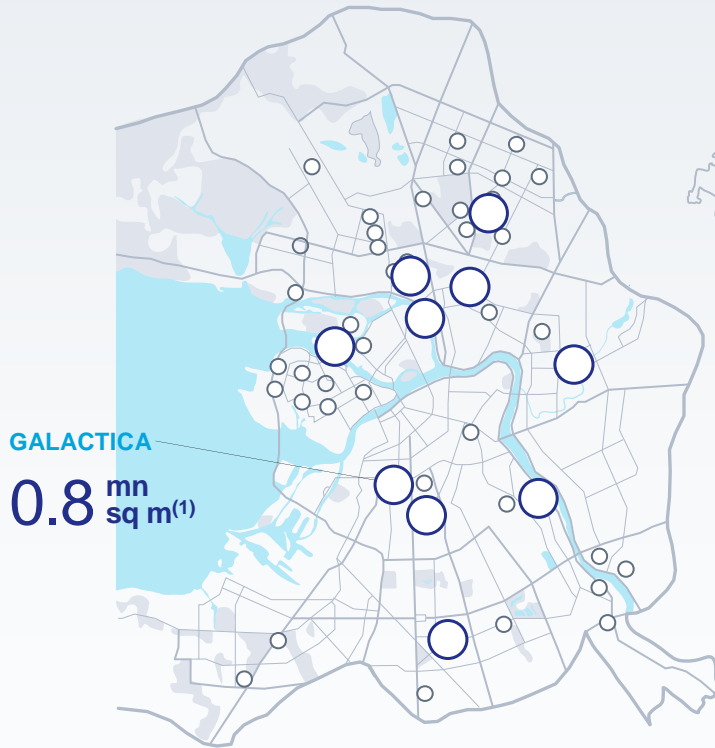
DELIVERY



# ETALON GROUP PORTFOLIO OVERVIEW

ST PETERSBURG

MOSCOW



○ Under construction    ○ Design stage    ○ Completed

LANDBANK SIZE

**3.3** mn sq m

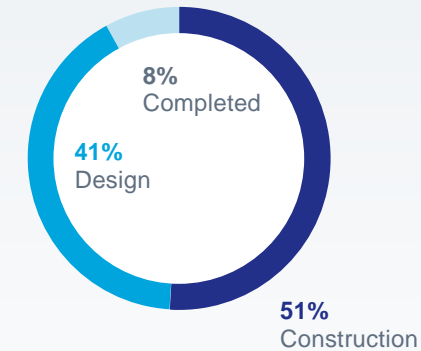
UNSOLD NSA  
AS OF 31.12.2019<sup>(2)</sup>

LANDBANK VALUE

**176** bn RUB

MARKET VALUE OF  
PROJECT PORTFOLIO  
AS OF 31.12.2019<sup>(2)</sup>

LANDBANK BY STAGE



REGIONAL BREAKDOWN



<sup>(1)</sup> Total NSA of the project according to Colliers International valuation report as of 31.12.2019

<sup>(2)</sup> Colliers International valuation report as of 31.12.2019

# OUR CUSTOMER OFFERING TODAY

## RESIDENTIAL REAL ESTATE DEVELOPMENT



### UPPER-ECONOMY

3 %

- Emerald Hills, the last upper-economy project in the portfolio with NSA of 847 thsd sq m, was launched in 2009
- Today, **94% of residential NSA at the project has been sold**



### COMFORT

49 %

- Galactica, the largest comfort-class project in St Petersburg with **NSA of 814 thsd sq m**, was launched in 2015
- Etalon City, the largest comfort-class project in Moscow, has **NSA of 366 thsd sq m** and was launched in 2013



### BUSINESS AND PREMIUM

48 %

- The first business-class project, Silver Fountain, was launched in 2017
- In monetary terms, the share of business-class projects in **NCS increased from 7% in 3Q 2017 to 52% in 3Q 2020**

## GENERAL CONTRACTING



### COMMERCIAL / INDUSTRIAL / SOCIAL

- Expoforum is one of the largest commercial construction projects in St Petersburg. Size: over 200 thsd sq m; capacity: **up to 10 thsd delegates**
- Etalon acted as a **general contractor for Nissan Motor and Ford Motor** companies and built new warehouses



# KEY DEVELOPMENTS IN LAST 12 MONTHS

## STRONG PRICE DYNAMICS

**+21 %**

AVERAGE APARTMENT PRICE  
GROWTH IN 3Q 2020 Y-O-Y, WITH  
23% AND 14% GROWTH IN  
MOSCOW AND ST PETERSBURG,  
RESPECTIVELY

## MORTGAGE SALES

**64 %**

OF TOTAL RESIDENTIAL  
PROPERTY SALES  
IN 3Q 2020

## STRONG POSITION ON MOSCOW MARKET

**7 %**

MARKET SHARE IN MOSCOW  
JUMPED AFTER LEADER-INVEST  
ACQUISITION, MAKING ETALON  
ONE OF THE TOP 5 PLAYERS

## STABLE MARKET SHARE IN ST PETERSBURG

**8 %**

DESPITE LIMITED  
LANDBANK, ETALON  
RANKS AMONG THE TOP 3  
IN ST PETERSBURG

## RECOVERY IN PROFITABILITY

**+3 p. p.**

RESIDENTIAL DEVELOPMENT  
PRE-PPA GROSS PROFIT  
REACHED 32% IN 1H 2020  
COMPARED TO 29% IN 1H 2019

## MINIMUM GUARANTEED DIVIDEND

**12 RUB  
per GDR**

UNDER NEW DIVIDEND  
POLICY APPROVED IN 2020

## ALL-TIME RECORD DELIVERIES

**622 thsd  
sq m**

COMPLETED IN KEY  
REGIONS IN 2019

## UNDISPUTED BIM LEADER

**FIRST ONLINE  
PROJECT  
CERTIFICATION**

ETALON WAS THE FIRST COMPANY  
IN RUSSIA TO COMPLETE THE  
ENTIRE PERMITTING PROCESS  
ONLINE USING BIM MODELS

# RESULTS OF 2017–2021 STRATEGY IMPLEMENTATION

## STRATEGIC GOALS STATED IN 2017

## TARGET

## STATUS

1

TO BECOME ONE OF THE LARGEST DEVELOPERS IN THE ST PETERSBURG AND MOSCOW MARKETS

15%

IN ST PETERSBURG

7%

IN MOSCOW



Successfully achieved in Moscow with 7% market share  
Failed in St Petersburg due to lack of appropriate landbank

2

TO BECOME ONE OF THE MOST PROFITABLE PLAYERS IN THE RUSSIAN RESIDENTIAL DEVELOPMENT MARKET

20%

CAGR FOR  
NET INCOME



Failed to achieve due to weaker profitability and numerous accounting adjustments

3

TO MAINTAIN A STRONG FINANCIAL POSITION

2.0×

NET DEBT/  
EBITDA RATIO



1.8× net corporate debt/pre-PPA EBITDA despite large scale M&A transaction in 2019

4

TO CONTINUOUSLY INCREASE DIVIDEND DISTRIBUTION

40% ► 70%

OF IFRS NET PROFIT



Despite low net profit base, Etalon adopted adjustments to its dividend policy, introducing guaranteed minimum dividend of RUB 12 per GDR/share

5

TO MAINTAIN A DISCIPLINED APPROACH TO REGIONAL EXPANSION AND ACHIEVE FURTHER DIVERSIFICATION OF PORTFOLIO

ONLY VALUE  
ACCRETIVE  
EXPANSION



Successful entry into business and premium class segments with higher profit margins  
Avoided expansion into new regions, with current product focused on Moscow and St Petersburg



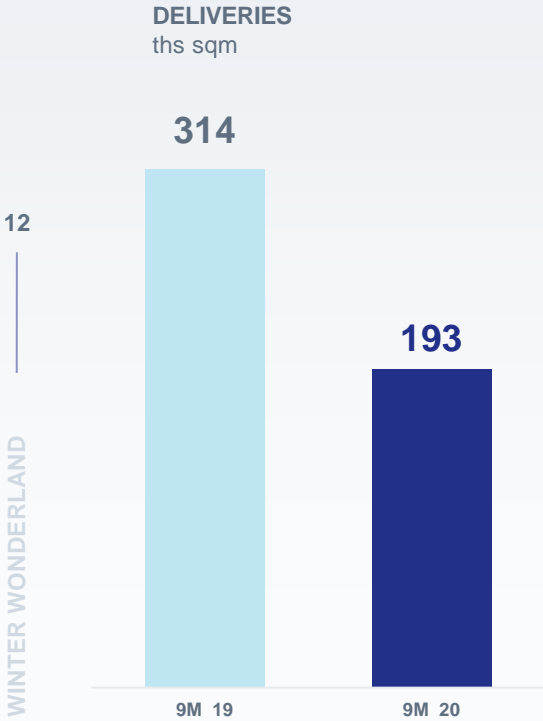
# OPERATING RESULTS

11

WOOD'S WINTER WONDERLAND



# DELIVERIES IN 9M 2020



9M 2020 DELIVERIES BREAKDOWN  
ths sqm

PROJECT	NSA, ths sqm
Normandy	89
Botanica	47
House on Kosmonavtov	26
Schastye v Kuzminkakh	9
Schastye na Sokole	9
Schastye v Sadovnikakh	7
Schastye v Kuskovo	6
TOTAL	193

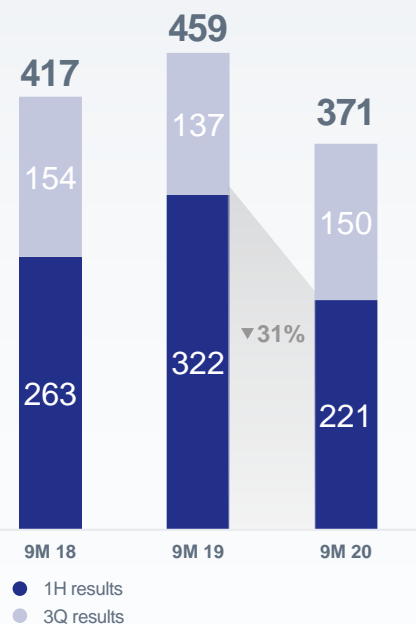


# 9M 2020

## OPERATING RESULTS

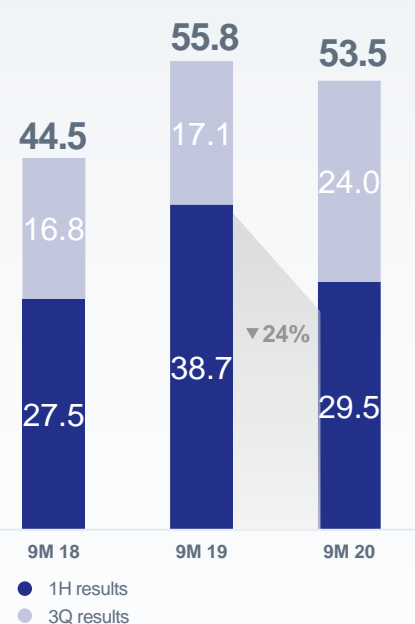
NEW CONTRACT SALES  
ths sqm

▲ +10% ▼ -19%



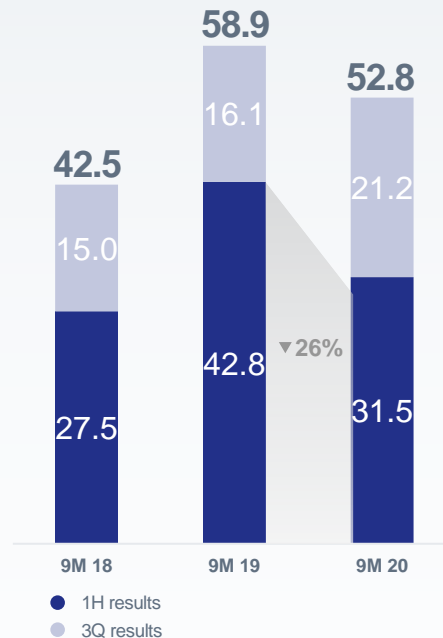
NEW CONTRACT SALES  
RUB bln

▲ +26% ▼ -4%



TOTAL CASH COLLECTIONS  
RUB bln

▲ +39% ▼ -10%

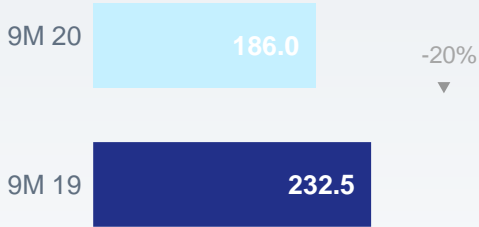


- Despite a COVID-19 related slowdown in 1H 2020, 9M 2020 results are nearly in line with the previous year's performance
- The number of new contracts reached **6,588 in 9M 2020**
- Cash collections in escrow accounts **reached RUB 13.8 bln** in 9M 2020, making it possible to reduce the cost of project financing to preferential interest rates ranging from 3% to 4%

# 9M 2020 OPERATING RESULTS: BREAKDOWN BY REGIONS

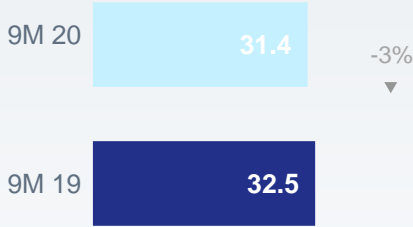
## NEW CONTRACT SALES ths sqm

MOSCOW



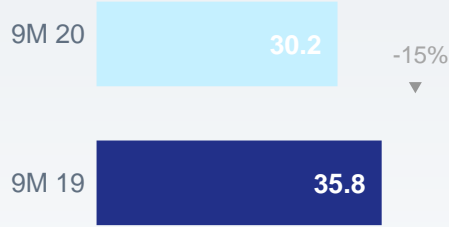
## NEW CONTRACT SALES RUB bln

MOSCOW



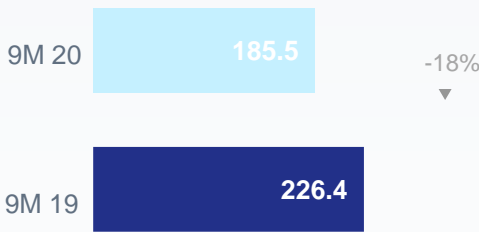
## TOTAL CASH COLLECTIONS RUB bln

MOSCOW



- A recovery in demand balanced out the decline in sales caused by covid-19
- **New contract sales in monetary terms nearly reached last year's performance** despite tough Covid-19 restrictions in **both key regions** in 1H 2020

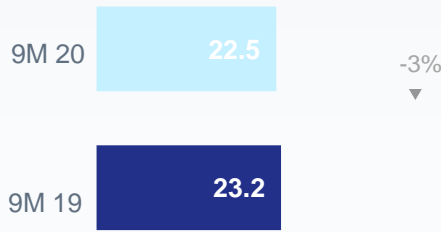
ST PETERSBURG



ST PETERSBURG



ST PETERSBURG

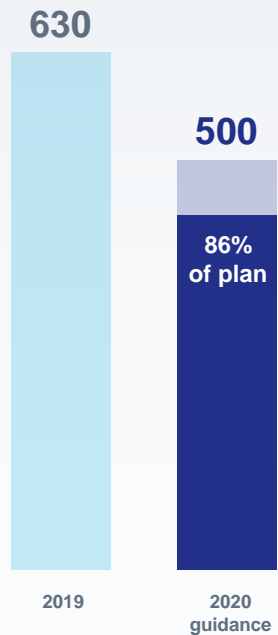


Source: Company data; change was calculated without rounding

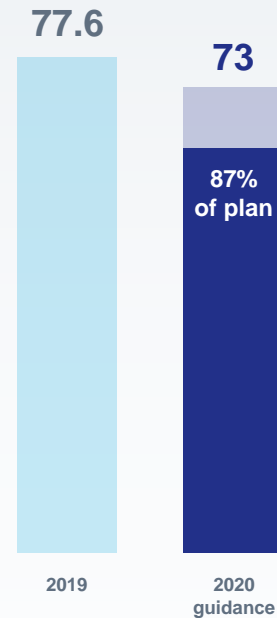


# ON TRACK TO OUTPERFORM FY 2020 GUIDANCE AFTER 10 MONTHS

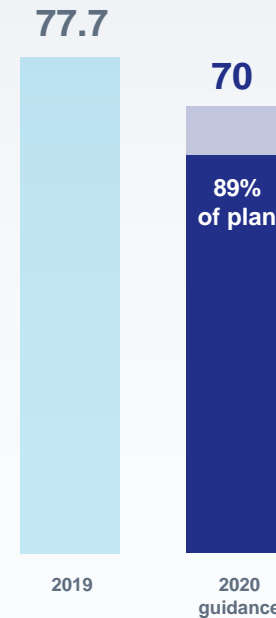
NEW CONTRACT SALES  
thsqm



NEW CONTRACT SALES  
RUB bln



CASH COLLECTIONS  
RUB bln



- In October 2020, Etalon sold 60.7 thsd sq m of various types of property for RUB 9.8 bn
- Average apartment price in October reached RUB 191.6 thsd per sq m
- Average downpayment remained at historically high level of 93%
- Barring any additional strict quarantine measures, FY 2020 results may be on par with FY 2019 performance in terms of new contract sales in monetary terms and cash collections

# 3Q 2020

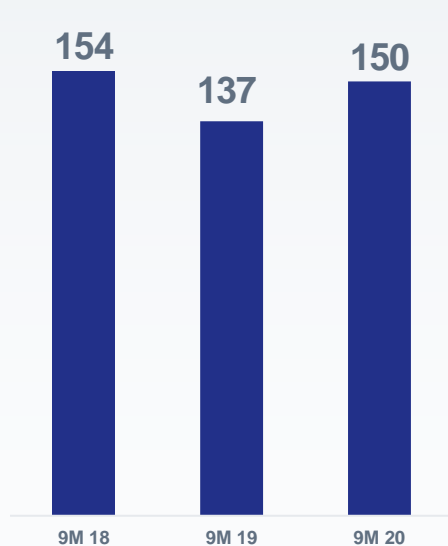
## OPERATING RESULTS

NEW CONTRACT SALES  
ths sqm

▼ -11%   ▲ +10%

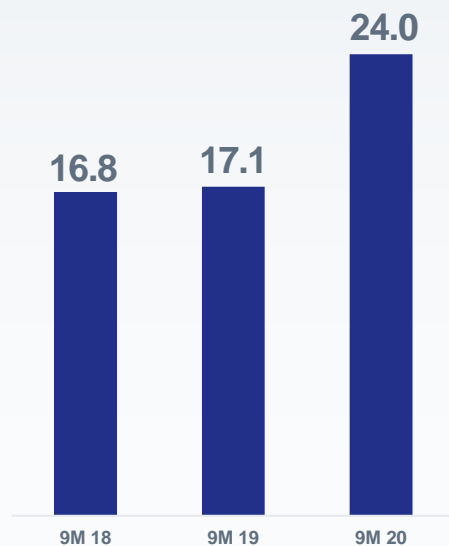
16

WOOD'S WINTER WONDERLAND



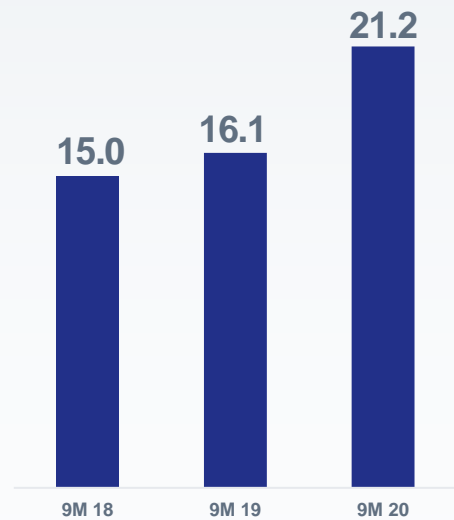
NEW CONTRACT SALES  
RUB bln

▲ +2%   ▲ +40%



TOTAL CASH COLLECTIONS  
RUB bln

▲ +7%   ▲ +32%



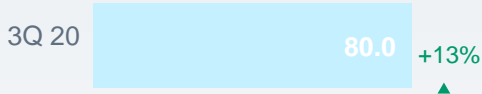
- Etalon Group delivered **one of its strongest quarterly results**
- The number of new contracts amounted to **2,706** in 3Q 2020, **up by 5% compared to 3Q 2019**
- Cash collections in escrow accounts reached **RUB 5.7 bln** in 3Q 2020, making it possible to reduce the cost of project financing to preferential interest rates ranging from 3% to 4%

# 3Q 2020 OPERATING RESULTS:

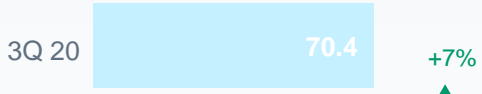
## BREAKDOWN BY REGIONS

### NEW CONTRACT SALES ths sqm

#### MOSCOW

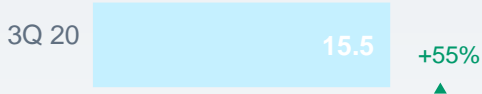


#### ST PETERSBURG

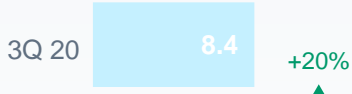


### NEW CONTRACT SALES RUB bln

#### MOSCOW

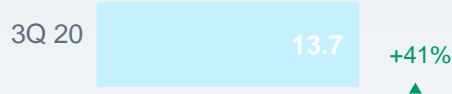


#### ST PETERSBURG

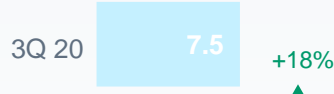


### TOTAL CASH COLLECTIONS RUB bln

#### MOSCOW



#### ST PETERSBURG

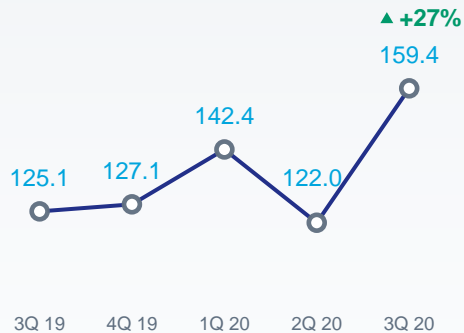


- New contract sales increased by 55% **to an all-time high of rub 15.5 bln in Moscow**
- Limited supply in St Petersburg is holding back further growth in sales volumes in this region

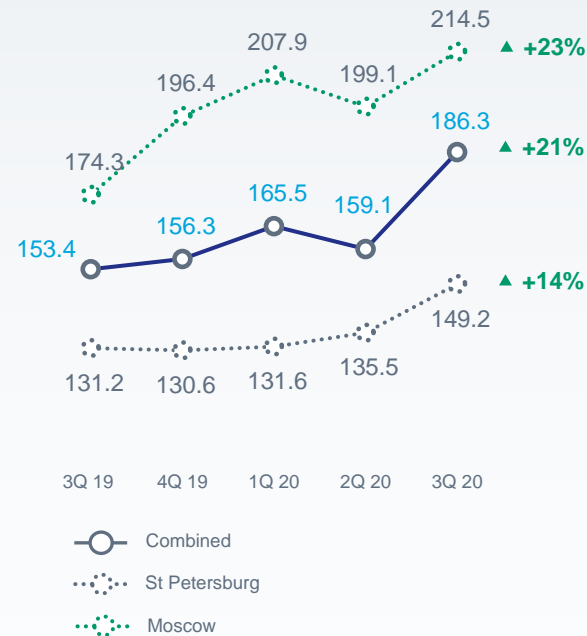
Source: Company data; change was calculated without rounding

# AVERAGE PRICE AND DOWN PAYMENT PERFORMANCE

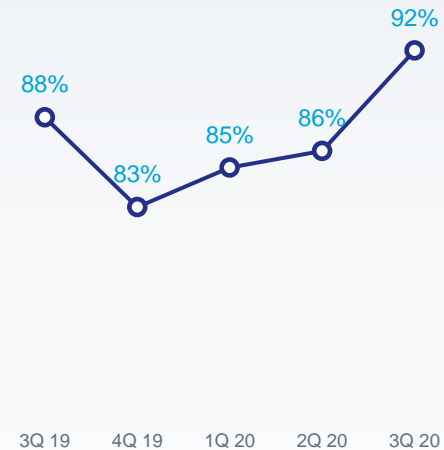
AVERAGE PRICE  
RUB ths/sqm



AVERAGE PRICE APARTMENTS  
RUB ths/sqm



AVERAGE DOWN PAYMENT  
%

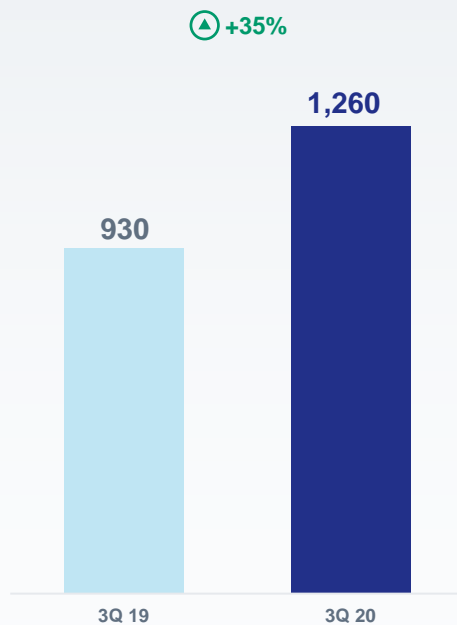


- Average price for apartments **increased by 21% year-on-year to a record high rub 186.3 ths**
- Roll-out of dynamic pricing in St Petersburg after a successful pilot in Moscow supported like-for-like price growth of 14%
- The record-high average down payment was driven by higher mortgage financing, investment demand and a higher share of segments in which 100% payments are made

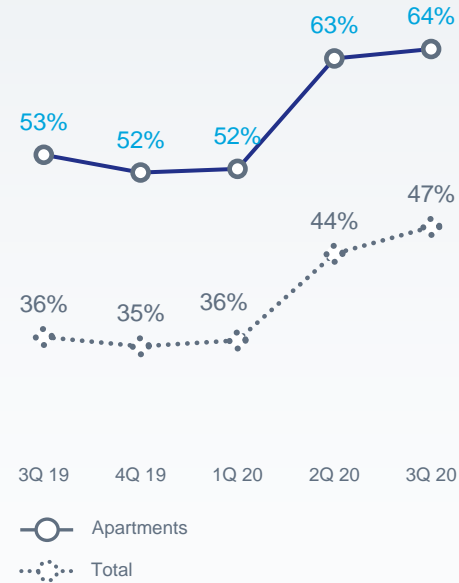


# MORTGAGE SALES

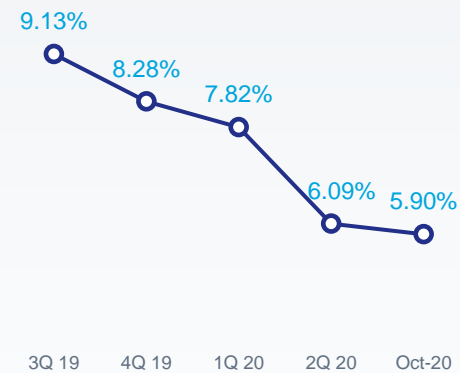
NUMBER OF MORTGAGE CONTRACTS SIGNED



MORTGAGE CONTRACTS AS A SHARE OF SALES



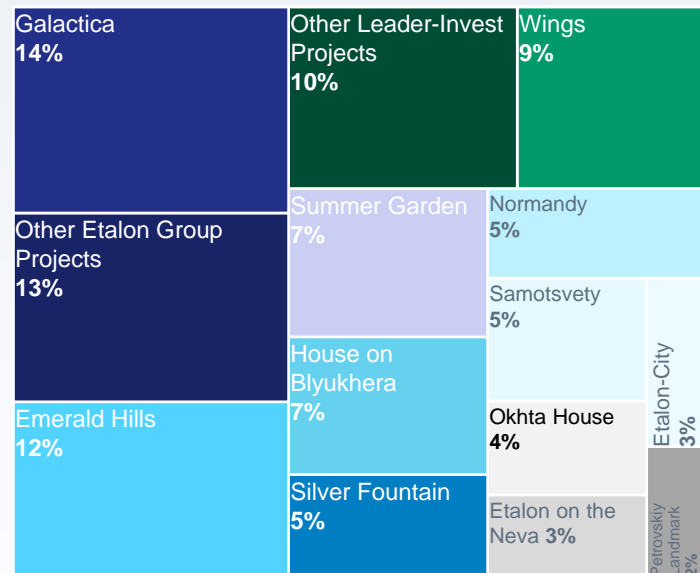
AVERAGE MORTGAGE RATE IN RUSSIA<sup>(1)</sup>



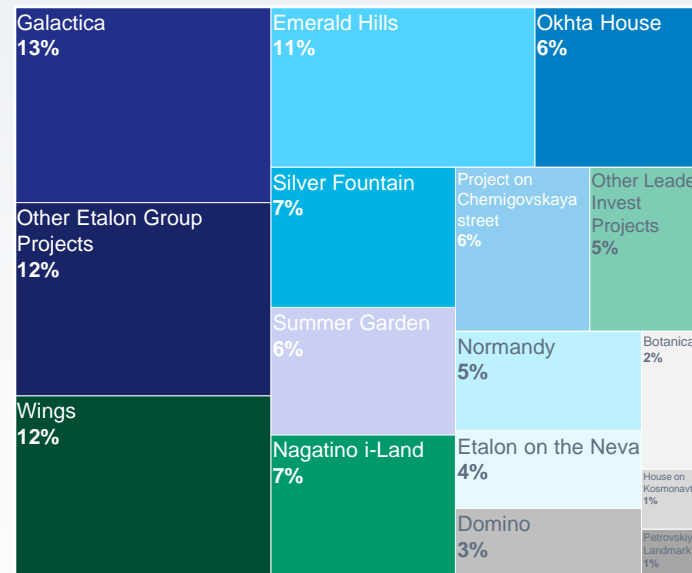
- Mortgage contracts as a share of apartment sales reached a record high 64% amid declining mortgage rates
- The share of sales financed with mortgages continues to grow both as a share of contracts signed for apartments and as a share of total contracts signed

# SALES PORTFOLIO

3Q 2019 NEW CONTRACT SALES BY PROJECT  
sqm



3Q 2020 NEW CONTRACT SALES BY PROJECT  
sqm



- **Wings and Nagatino i-Land projects reached a 19% share of sales volume**
- Galactica remains the largest project in terms of new contract sales with a 13% share of total NCS
- Nagatino i-Land reached 7% of total sales due to an acceleration of construction work after the presale period and the lifting of Covid-19 restrictions
- The share of business class projects reached 35% and 52% in sqm and monetary terms, respectively
- Leader-Invest projects amounted to 24% and 37% in sqm and monetary terms, respectively
- New contract sales in St Petersburg and Moscow respectively amounted to 47% and 53% in sqm terms, and 35% and 65% in monetary terms

## 21

Quarter	Percentage
3Q 19	31%
4Q 19	32%
1Q 20	31%
2Q 20	34%
3Q 20	36%

REGION	SHARE OF TOTAL CONTRACTS
Leningrad region	2.5%
Yamalo-Nenets AD	1.6%
Krasnoyarsk Krai	1.5%
Krasnodar Krai	1.2%
Buryat Republic	1.2%
Murmansk region	1.0%
Saratov region	1.0%
Khanty-Mansi AD	0.9%
Khabarovskiy Krai	0.8%
Other Russian regions	23.4%
Foreigners	0.9%
<b>TOTAL</b>	<b>36%</b>

**REGIONAL POPULATION ACTIVELY BUYS APARTMENTS IN MOSCOW AND ST PETERSBURG**

SPMA

MMA

Etalon Group's sales offices / representatives

Legend: Blue dots represent Etalon Group's sales offices / representatives.

Map showing regional population actively buying apartments in Moscow and St. Petersburg. The map highlights the SPMA (Special Purpose Marketing Agency) and MMA (Moscow Metropolitan Market Agency) areas. Numerous cities are marked with blue dots, indicating active apartment buyers. A legend at the bottom indicates that blue dots represent 'Etalon Group's sales offices / representatives'.

- (1) Company data for 3Q 2020 (2)Including Leader-Invest sales

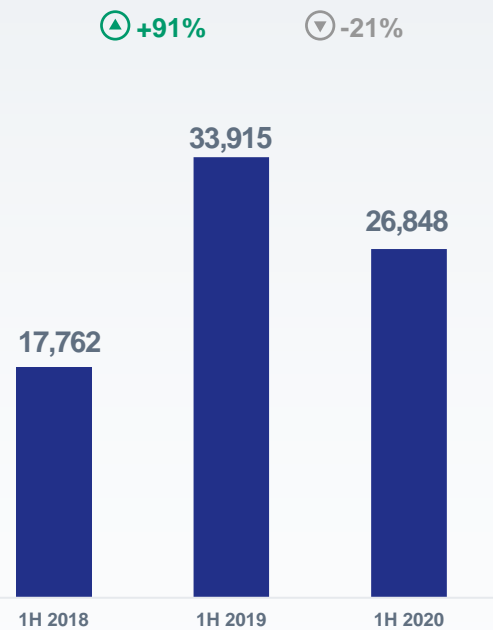
# FINANCIAL RESULTS



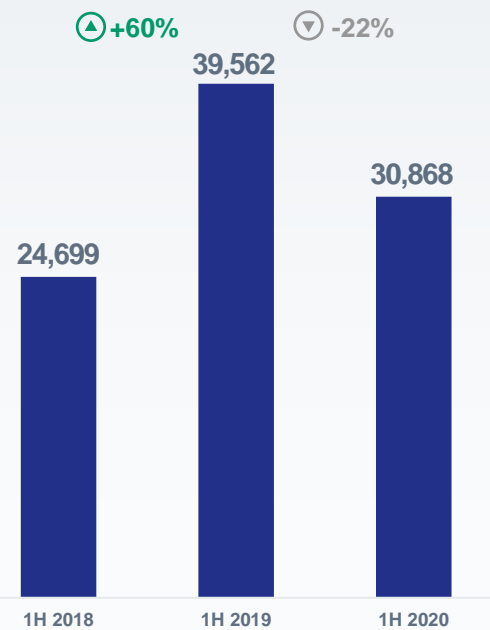


# REVENUE ANALYSIS

RESIDENTIAL DEVELOPMENT REVENUE  
RUB mln



CONSOLIDATED REVENUE  
RUB mln

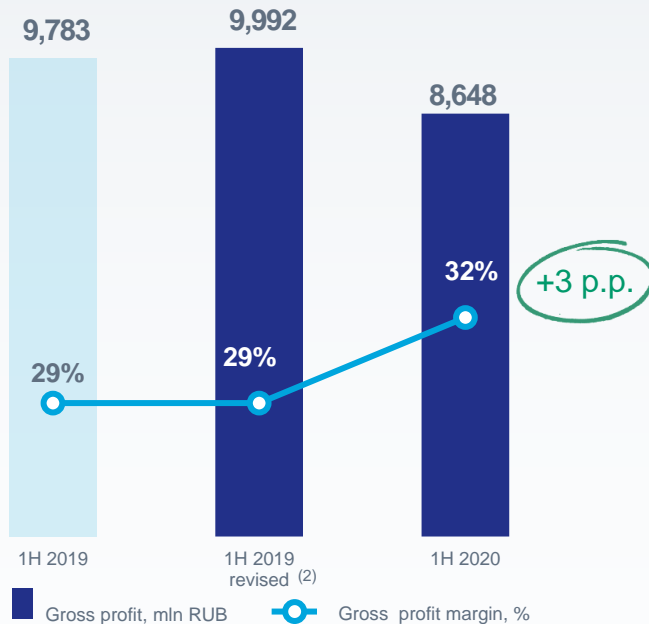


## REASONS FOR DECREASE IN REVENUE

- Lower sales volumes (NCS in 1H 2020 were down 24% y-o-y) due to the COVID-19 restrictions
- Temporary construction ban in Moscow
- Lower share of revenue recognised in the first half of the year as certificates of acceptance for construction work are normally signed in the second half of the year
- **Combined effect on revenue:** around RUB 9 bln forgone

# GROSS PROFIT ANALYSIS

PRE-PPA<sup>(1)</sup> RESIDENTIAL DEVELOPMENT  
GROSS PROFIT  
RUB mln



PRE-PPA<sup>(1)</sup> CONSOLIDATED  
GROSS PROFIT  
RUB mln



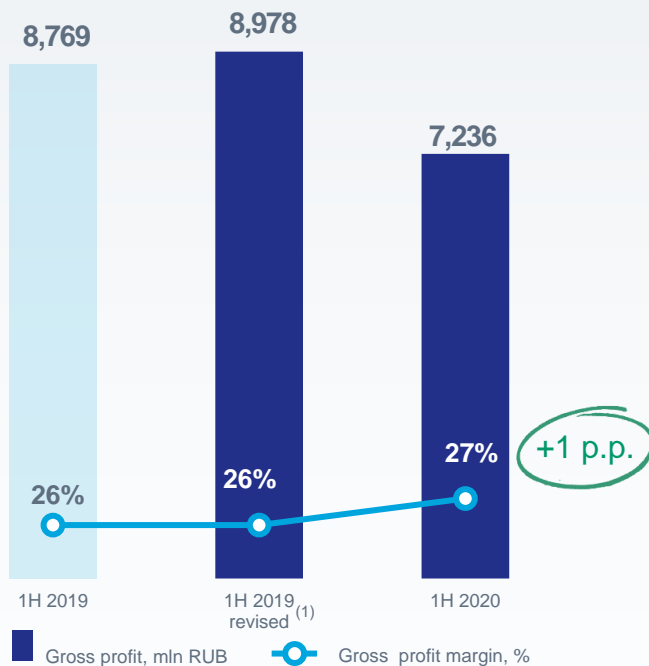
- Strong increase in margins in 1H 2020 due to efficiency measures undertaken by Etalon Group
- Gross profit margins improved in 1H 2020: pre-PPA residential development gross margin **increased by 3 p.p. and reached 33%**, consolidated gross profit margin **increased by 3 p.p. and reached 29%**
- Purchase price allocation in the amount of **RUB 1,412 million was recognised in cost of sales (PPA)**
- Etalon Group's 1H 2020 financial statements have been revised due to adjustments to the provisional amount of Leader-Invest's assets and representation of other taxes from cost of sales to other expenses

Source: IFRS financial statements <sup>(1)</sup> Purchase price allocation <sup>(2)</sup> Revised due to adjustments to the provisional amount of Leader-Invest's assets and representation of other taxes from cost of sales to other expenses.

# GROSS PROFIT ANALYSIS ADJUSTED FOR PPA

## RESIDENTIAL DEVELOPMENT GROSS PROFIT

RUB mln



## CONSOLIDATED GROSS PROFIT

RUB mln



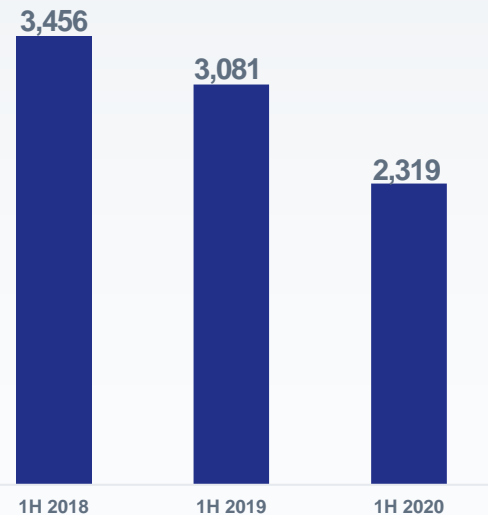
- Residential development gross margin increased by 1 p.p. to 27%
- Etalon Group's stand-alone residential development gross profit margin increased by 3 p.p. year-on-year to 32%
- Leader-Invest's stand-alone residential development gross profit margin amounted to 9%, or 32% on a pre-PPA basis

Source: IFRS financial statements <sup>(1)</sup> Revised due to adjustments to the provisional amount of Leader-Invest's assets and representation of other taxes from cost of sales to other expenses.

# SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

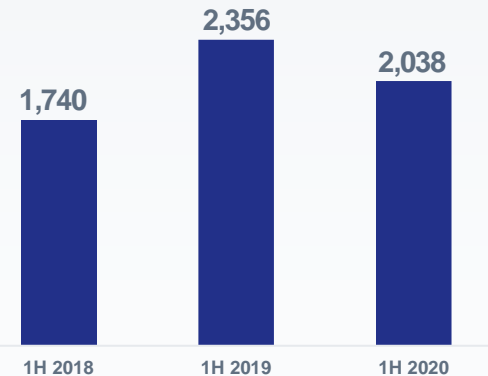
GENERAL AND ADMINISTRATIVE EXPENSES  
RUB mln

▼ -25%



SELLING EXPENSES  
RUB mln

▼ -13%



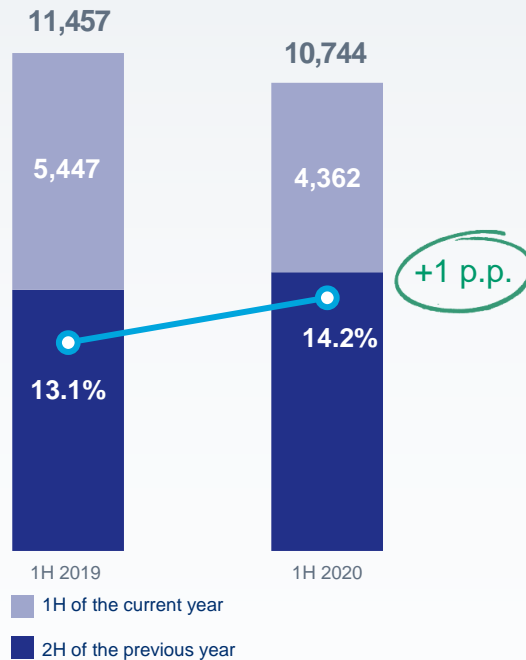
## SG&A OPTIMISATION

- G&A expenses **decreased by RUB 762 million** y-o-y thanks to stricter cost control
- Selling expenses declined at a slower pace due to the higher share of fixed marketing and advertising expenses frontloaded in 1H 2020
- Initiatives like dynamic pricing and online sales will improve SG&A efficiency going forward

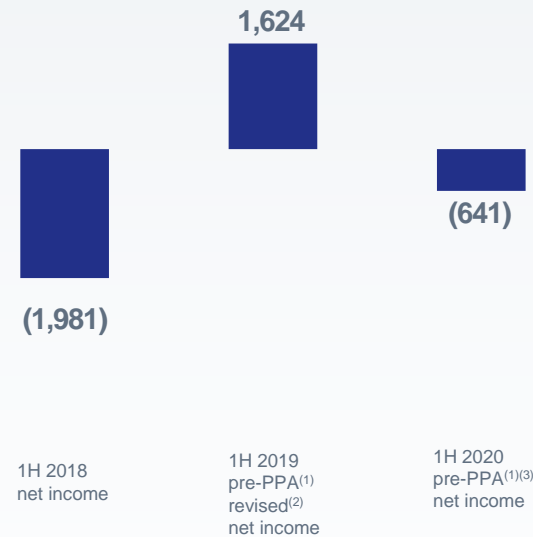


# EBITDA AND NET INCOME ANALYSIS

GENERAL AND ADMINISTRATIVE EXPENSES  
RUB mln



SELLING EXPENSES  
RUB mln

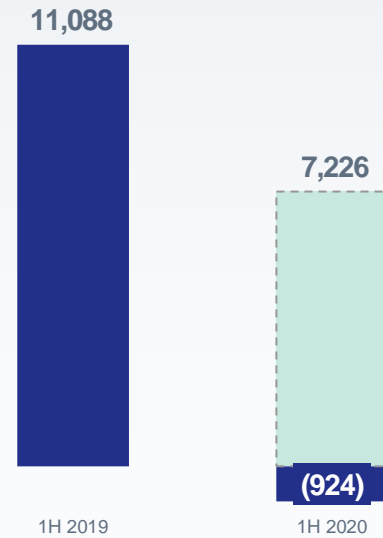


IMPACT ON 1H 2020 NET INCOME

- Fixed financial and commercial expenses amplified the impact of foregone revenue on bottom line performance
- Finance income declined by RUB 0.4 bln due to forgone interest from deposits: cash collections in escrow accounts reached RUB 8.8 bln as of 30.06.2020
- Finance costs increased by RUB 0.5 bln due to higher amount of total debt
- A part of gross profit was still taxed despite the pre-tax loss

# CASH FLOW ANALYSIS

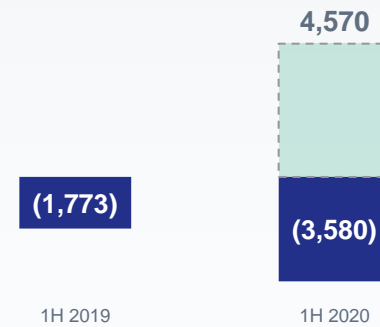
**OPERATING CASH FLOW<sup>(1)</sup>**  
RUB mln



■ Operating cash flow (OCF), mln RUB

■ OCF, incl. 1H 2020 cash collections in escrow accounts, mln RUB

**FREE CASH FLOW<sup>(2)</sup>**  
RUB mln



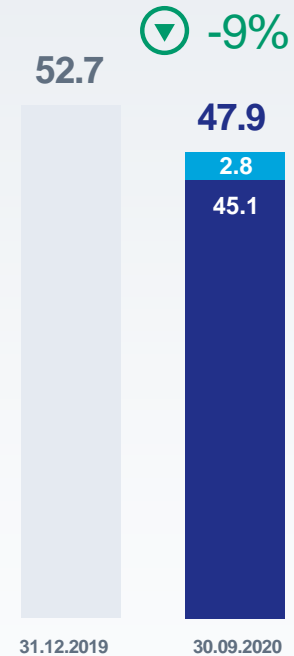
■ Free-cash flow (FCF), mln RUB

■ FCF, incl. 1H 2020 cash collections in escrow accounts, mln RUB

- 1H 2020 operating cash flow declined due to the increased cash inflow to escrow accounts
- Cash collections in escrow accounts reached **RUB 8,842 mln** as of 30 June 2020
- 1H 2020 Cash collections amounted to **RUB 8,150 mln**

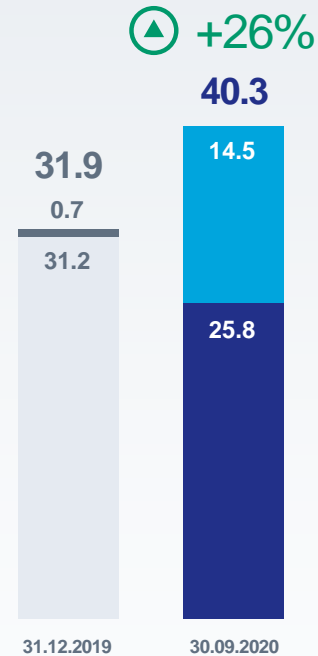
# ROBUST FINANCIAL POSITION AFTER 9M 2020

**TOTAL DEBT**  
bn RUB



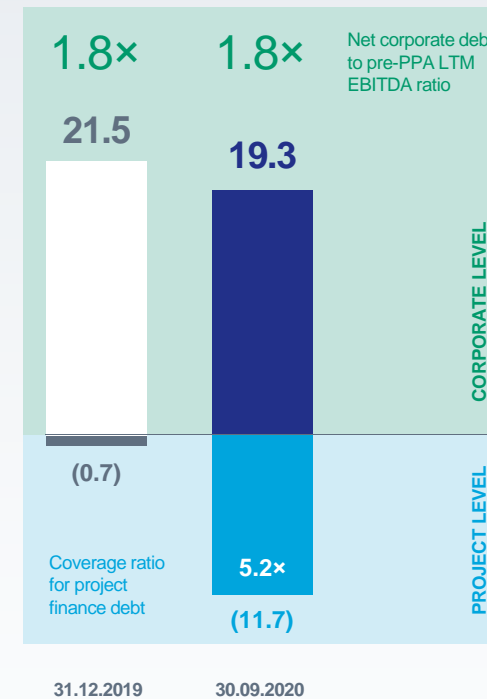
● Project debt, bn RUB  
● Corporate debt, bn RUB

**CASH AND CASH EQUIVALENTS**  
bn RUB



● Cash in escrow accounts, bn RUB  
● Cash & cash equiv.<sup>(1)</sup>, bn RUB

**NET DEBT (CASH)**  
bn RUB



● Net project debt (cash)<sup>(3)</sup>, bn RUB  
● Net corporate debt<sup>(2)</sup>, bn RUB  
● Net corporate debt to pre-PPA LTM EBITDA  
● X.Xx Coverage ratio for project finance debt

- **Continuously decreasing corporate gross debt level** even after RUB 30 bn M&A in 2019 supported by strong cash flow generation from projects realised under previous rules and instalments received for previously sold property
- **Net corporate debt to pre-PPA LTM EBITDA stood at a comfortable level of 1.8x**
- **Net debt**, adjusted for net project finance cash, **under previous rules would amount to just RUB 7.6 bn**
- All **project finance obligations are well covered** to get reduced interest rate from 0% to 3.5%

Source: IFRS financial statements <sup>(1)</sup> Including bank deposits over 3 months; excluding cash collections in escrow accounts <sup>(2)</sup> Excluding project finance loans and cash on escrow accounts <sup>(3)</sup> Project finance debt less cash on escrow account

# ETALON GROUP'S ACTIONS TO IMPROVE FINANCIAL PERFORMANCE

ETALON GROUP IS TAKING A NUMBER OF MEASURES TO FURTHER IMPROVE ITS FINANCIAL PERFORMANCE

1

Acceleration of sales combined with increase in average prices, driven by more affordable mortgages and implementation of strategic initiatives on dynamic pricing and online sales

2

Acceleration of the pace of construction, making it possible to recognise a larger volume of already-contracted space as revenue by the end of 2020

3

Further control and optimisation of administrative costs

4

Lower commercial expenses in 2H 2020 due to frontloaded marketing expenses in 1H 2020

5

Revised strategy that takes into account COVID-19 restriction will be presented by the end of the year



# DIVIDENDS

## UPDATED DIVIDEND POLICY HAS ENABLED THE COMPANY TO IMPROVE APPEAL FOR INVESTORS



### One of the highest dividend yields in the sector: 10%

- ✓ Best dividend policy in the sector
- ✓ Payout ratio of 40%-70%
- ✓ Guaranteed minimum dividend of RUB 12 per share/GDR



### Well-positioned to continue dividend payouts

- ✓ Strong recovery in 9M 2020 after decline in 1H 2020 related to COVID-19
- ✓ Margin growth due to operating efficiency improvement



### Sufficient liquidity for further business growth while continuing to pay out dividends at current levels<sup>(1)</sup>

- ✓ Unsold NSA without escrow of 0.9 mln sqm
- ✓ Outstanding installment payments of RUB 25.6 bln
- ✓ Cash and cash equivalents without escrow of RUB 24.5 bln
- ✓ Cash on escrow of RUB 15 bln

# MARKET TRENDS

32

WOOD'S WINTER WONDERLAND



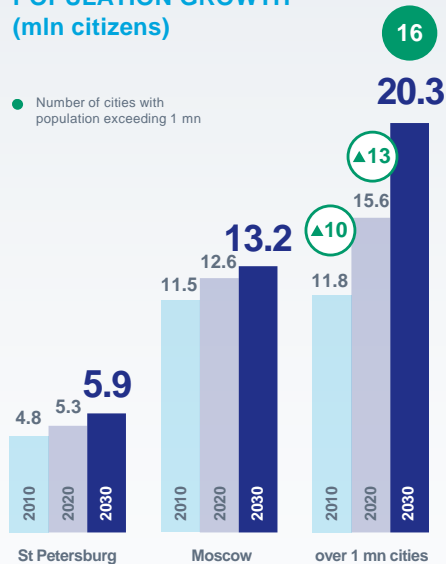
# REAL ESTATE DEMAND DRIVEN BY CONSUMERS SEEKING BETTER HOUSING



## URBANISATION

POPULATION GROWTH  
(mln citizens)

● Number of cities with population exceeding 1 mn



The population of Moscow and St Petersburg, as well as cities with over 1 million residents will continue to grow in the next decade.



## LIVING CONDITIONS

HOUSING STOCK PER CAPITA (sq m)

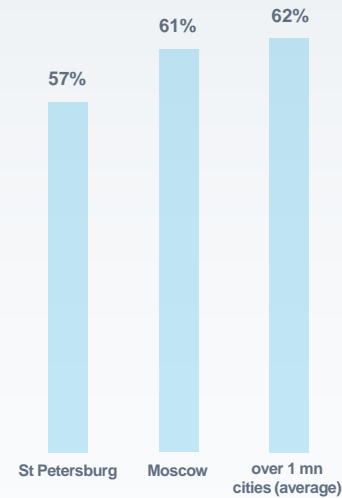


Russia still needs to improve living conditions; average living space per person is 23 sq m in cities with populations over 1 mn.



## HOUSING STOCK

OLDER THAN 1990 (%)

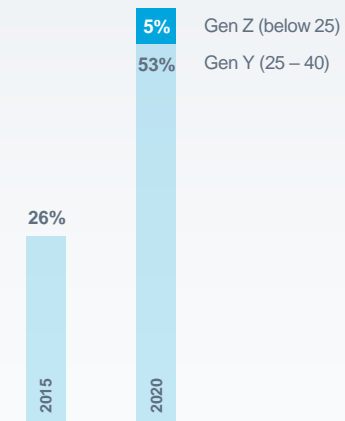


62% of the housing stock in Russia was built before 1990 and does not meet modern standards in terms of comfort, quality of the living environment and infrastructure.



## GENERATIONAL CHANGES

SHARE OF GENERATION Y AND Z (UNDER 40)



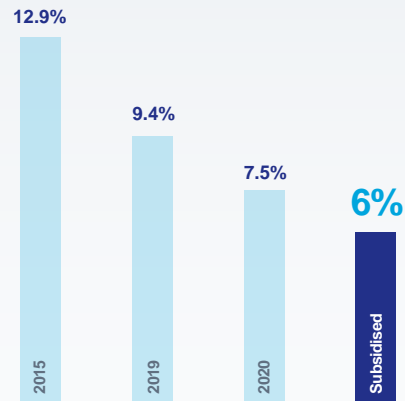
Share of young people without privatised property increased more than two-fold. Millennials are becoming first-time buyers. Even the oldest segment of generation Z has started buying property.

# HOUSING AFFORDABILITY IS AT RECORD HIGH LEVEL



## RECORD LOW MORTGAGE RATES

NATIONAL AVERAGE (%)

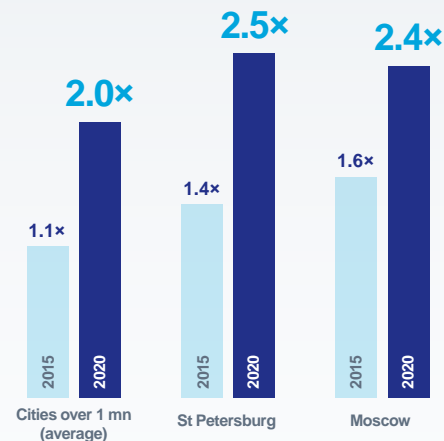


Mortgage rates decreased to a record low on the back of record low Central Bank key rate and subsidised mortgage programme active through July 2021.



## IMPROVED AFFORDABILITY

WAGE TO ANNUITY PMT<sup>(1)</sup>

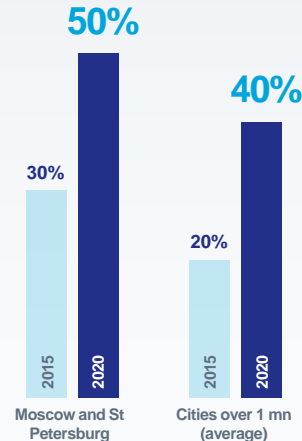


Record high affordability even without the subsidised rate: in St Petersburg and Moscow it reached 2.3x and 2.1x, respectively.



## AFFORDABILITY LEVEL

SHARE OF HOUSEHOLDS THAT CAN AFFORD TO PURCHASE REAL ESTATE



Number of people who can afford a purchase increased almost two-fold: more than 50% of the residents of St Petersburg and Moscow and more than 40% of people in cities with a population over 1 mn can afford it.



## WIDE PROGRAMME OF STATE SUPPORT

State support for families with children: from RUB 470 thsd to RUB 1 mn



Tax subsidies for mortgage interest payment: up to RUB 390 thsd

Tax subsidies for property purchase: up to RUB 520 thsd

Regional family support: up to RUB 436 thsd

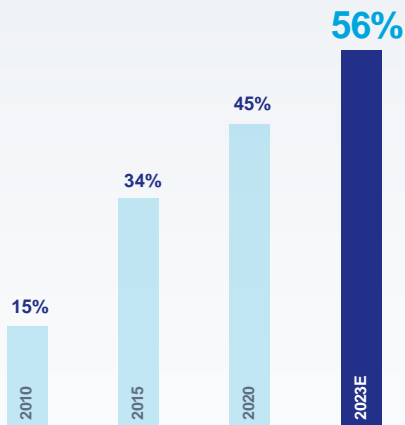
<sup>(1)</sup> Ratio of average salary to average annuity payment under mortgage loans, including with a subsidised rate of 6.5% for 2020. Source: Rosstat, Bank of Russia

# RAPIDLY CHANGING COMPETITIVE LANDSCAPE IN KEY REGIONS



## INDUSTRY CONSOLIDATION

SHARE OF TOP 20 PLAYERS IN MOSCOW AND ST PETERSBURG<sup>(1)</sup>



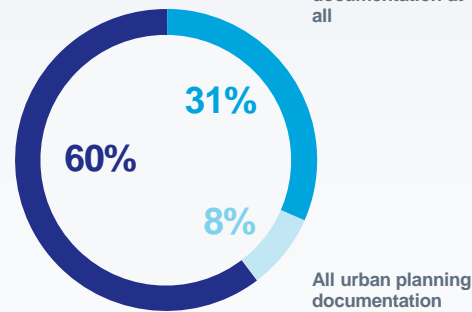
Over the past five years, the share of the 20 largest players in Moscow and St Petersburg **grew from 34% to 45%**.

The transition to escrow accounts and project financing is forcing small players out of the market.



## LACK OF APPROPRIATE PERMITTED LAND

Only a part of required urban planning documentation



Out of available land plots for sale, in terms of sq m, 49% are large plots located in suburban areas.

**Only 8% of all available plots have complete urban planning documentation<sup>(2)</sup>**

<sup>(1)</sup> Source: Rosstat, ERZ, Dom.rf; data on Etalon Group's key regions: Moscow, Moscow region and St Petersburg

<sup>(2)</sup> Source: Real estate and Construction journal



## RENOVATION PROGRAMME

## SIGNIFICANT PRESSURE ON THE MASS-MARKET SEGMENT IN MOSCOW

The Moscow housing renovation programme, which is aimed at a class of buildings constructed in the 1950s and 1960s, will **create additional pressure for players operating in the lower price segment.**



## GROWING COMPETITION AMONG TOP PLAYERS

## LARGE PLAYERS WILL START TO COMPETE ON EFFICIENCY

Given limited economic growth, the absence of real disposable income growth, a **constant double-digit increase in the price of residential real estate is not sustainable.** Along with rising customer sophistication and expectations, this will result in competition on efficiency among top players.



# DEVELOPMENT AND CONSTRUCTION SECTOR WORLDWIDE FACES SIGNIFICANT TRANSFORMATION



## INDUSTRIALISATION AND STANDARDISATION

IN EUROPE OVER 50% OF DEVELOPERS HAVE USED OR PLAN TO USE PREFAB

New production technologies, a shift toward off-site production and increasing customer sophistication are triggering **change in the industry.**

In 2020, overall new prefab housing in Europe is assessed at **100.7 thsd units**, with a 2020–2023F **CAGR of 7%.**<sup>(1)</sup>



## VALUE CHAIN DIGITALISATION

CONSTRUCTION WORKERS DEVOTE ONLY 30%<sup>(2)</sup> OF TIME TO CONSTRUCTION

93% of construction industry players agree that digitalisation will affect every process <sup>(2)</sup> :

- **DATA:** Electronic collection and analysis
- **AUTOMATION:** Use of new technologies to create self-organising systems
- **OPTIMISATION:** Connection and synchronisation of previously separate activities
- **DIGITAL ACCESS:** Product and services promotion



## CUSTOMER-CENTRIC APPROACH

CUSTOMER-CENTRIC COMPANIES ARE 60% MORE PROFITABLE<sup>(3)</sup>

Customers are looking for greater value for money and prefer to live in neighbourhoods where they have easy access **to everyday urban services.** In response to this demand, the concepts of a **15-minute city** and **walkability approaches** are developing.

And it is paying off: customer-centric companies are **60% more profitable** compared to companies that were not focused on the customer.<sup>(3)</sup>



## SUSTAINABLE DEVELOPMENT

NEW GENERATIONS ARE WILLING TO PAY MORE FOR SUSTAINABLE PRODUCTS

Builders are incorporating zero-energy techniques to design more efficient, **durable and sustainable structures at a competitive cost.**

Millennials and Generation Z will be the first generations **willing to pay more for sustainable products** (72% <sup>(4)</sup> already do so or say they would).

Companies continue to make investments in their **local communities** as a sustainable and strategic business practice.

<sup>(1)</sup> Source: EY

<sup>(2)</sup> Source: Roland Berger, The remaining 70% is taken up by running errands, transporting materials, cleaning up, rearranging the building site and looking for materials and equipment

<sup>(3)</sup> Source: Deloitte

<sup>(4)</sup> Source: Nielsen

# ETALON GROUP STRATEGY TO 2024

37



# CHANGING BUSINESS LANDSCAPE

REQUIRES RETHINKING THE  
DEVELOPMENT STRATEGY

1

EXPENSIVE LAND IS THE  
NEW NORMAL, WITH A  
LIMITED PIPELINE OF  
GOOD QUALITY  
PROJECTS

2

GROWING SOCIAL  
OBLIGATIONS ARE  
THE NEW NORMAL

3

REDUCTION IN THE NUMBER OF  
SMALL PLAYERS, BUT GREATER  
COMPETITION AMONG THE  
TOP 20 IN MOSCOW AND  
ST PETERSBURG

4

RENOVATION PROGRAMME  
IN MOSCOW MAKES THE  
MASS MARKET SEGMENT  
THERE LESS ATTRACTIVE

5

LIMITED UPSIDE POTENTIAL  
FOR HOUSEHOLD INCOME  
IN THE MEDIUM TERM,  
ALTHOUGH AFFORDABILITY  
IS AT RECORD HIGH

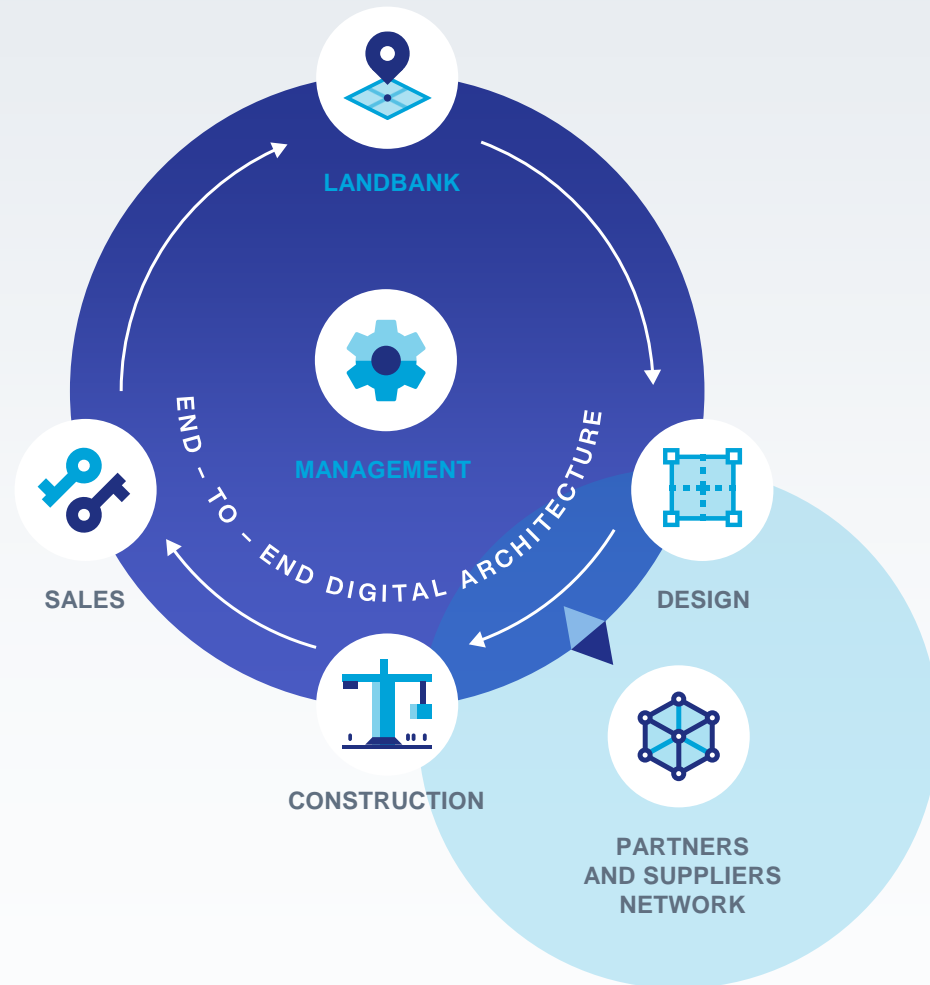
6

GROWING CUSTOMER  
EXPECTATIONS

7

GROWING INDUSTRY  
DIGITALISATION

# THE STRATEGY TO 2024 AIMS TO REINVENT EACH STEP OF THE VALUE CHAIN



1

EASY TO SCALE FULLY-DIGITAL  
END-TO-END ARCHITECTURE

2

LESS CAPITAL-INTENSIVE APPROACH BASED  
ON ESTABLISHED RELATIONSHIPS WITH  
PARTNERS AND SUPPLIERS

3

LONG-TERM FOCUS ON LANDBANK REPLENISHMENT TO  
ACHIEVE LEADERSHIP IN CORE REGIONS (MOSCOW AND  
ST PETERSBURG) AND EXPAND BUSINESS TO NEW REGIONS

4

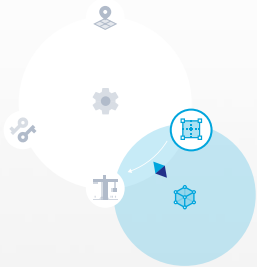
LEADERSHIP IN THE USE OF NEW DESIGN AND  
HOUSEBUILDING TECHNOLOGIES TO SUPPORT  
PROFITABILITY AND CASH FLOW GENERATION

5

CUSTOMER-CENTRIC APPROACH  
TO PRODUCT, SALES AND SERVICES



# END-TO-END DIGITAL ARCHITECTURE SAVES TIME, MONEY AND MATERIALS



## PARTNERS

- 1 Joint ventures
- 2 Share participation
- 3 Long-term exclusive agreements



## UNIFIED CLOUD-BASED DIGITAL PLATFORM

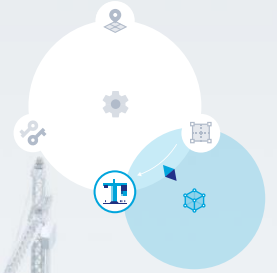
End-to-end data transfer  
across the entire value chain

40

WOOD'S WINTER WONDERLAND



# ETALON AIMS TO BE A LEADER IN NEW CONSTRUCTION TECHNOLOGIES



## CAST-ON-SITE 2.0

- Monolithic buildings to be standardised based on segment in Etalon Group's new product offering
- First building to be launched in 2021
- Development and improvement of own expertise

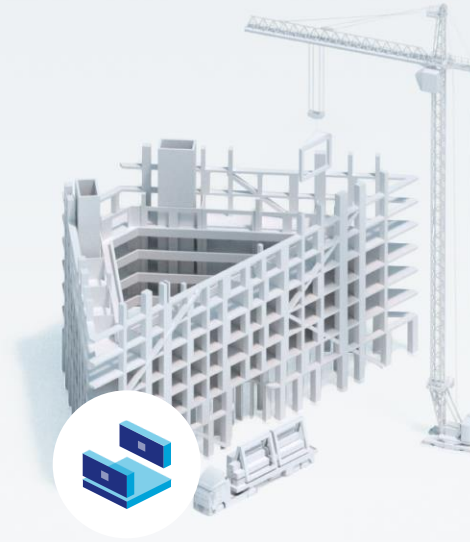
## TRADITIONAL ON-SITE



## MODULAR

- Fully-finished prefabricated modules in new Etalon Group product offering
- In cooperation with UK-based Q. B. Technology
- First QBT building already completed / first Etalon Group project to be launched in 2022

## PLUS NEW INDUSTRIAL



## CLT

- Hybrid and fully cross-laminated timber (CLT) buildings
- First building to be launched by the end of 2021
- In cooperation with Segezha Group

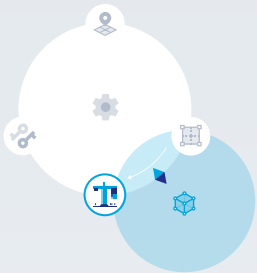


## MODERN PREFABRICATION

- Modern prefabrication technology
- First building to be launched around 2022
- Etalon is considering different partnership options to implement this technique



# REINVENTED RESIDENTIAL DEVELOPMENT PROJECT LIFECYCLE



## TECHNOLOGY

## PROJECT IMPLEMENTATION

<div>CAST-ON-SITE</div> 	<div>GROUND WORKS &amp; PREPARATION</div> <div>Same</div>	<div>ON-SITE CONSTRUCTION</div> <div>  3 months shorter                 </div>	<div>TRANSFER TO SERVICE COMPANY</div>
<div>INDUSTRIAL</div> 	<div>GROUND WORKS &amp; PREPARATION</div> <div>1–2 months longer</div>	<div>ON-SITE CONSTRUCTION</div> <div>  6 months shorter                 </div> <div> <div>PRODUCTION</div> <div>up to 9 months</div> </div>	<div>TRANSFER TO SERVICE COMPANY</div>
	<div>PRE-SALES</div> <div>                     up to 50 %                                              3–6 months longer                 </div>	<div>SALES</div> <div>                     c. 30–40%                                              3–6 months shorter                 </div>	<div>SALES POST-COMPLETION</div> <div>c. 20 %</div>
	CONSTRUCTION PERMIT GRANTED		BUILDING COMPLETION AND DELIVERY

- Longer presale period of up to 12 months
- On-site construction time decreased by 3 months for traditional cast-on-site technology thanks to standardisation
- Construction time decreased by 6 months due to new industrial construction methods
- Simultaneous on-site construction and production of elements for industrial housing construction
- Higher level of funding on escrow accounts before construction starts will make it possible to secure the lowest project finance rate of c. 0%, lowering overall finance costs
- Faster release of funds from escrow

# LANDBANK STRATEGY

WILL SHIFT TO LONG-TERM PLANNING TO ENSURE SUSTAINABLE NEW SALES GROWTH



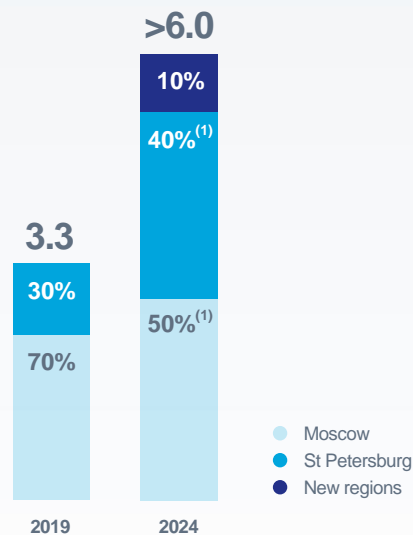
	NOW	STRATEGY
1	FOCUS	Moscow, St Petersburg
2	PERMITTING STAGE	Moscow, St Petersburg <b>plus new regions</b>
3	TIME TO LAUNCH SALES	<b>Unzoned</b> with and without landlord guarantee of receipt of planning permission, plus <b>zoned to compensate for deficit</b> in core regions
4	PERMITTING RISK	6–12 months
5	INVESTMENT HORIZON	<b>24–36 months</b>
6	ACQUISITION COST	Low
7	IMPACT ON PROFITABILITY	<b>Moderate</b>
		<b>Long</b>
		<b>Moderate</b>
		<b>Positive</b>

# LANDBANK STRUCTURE

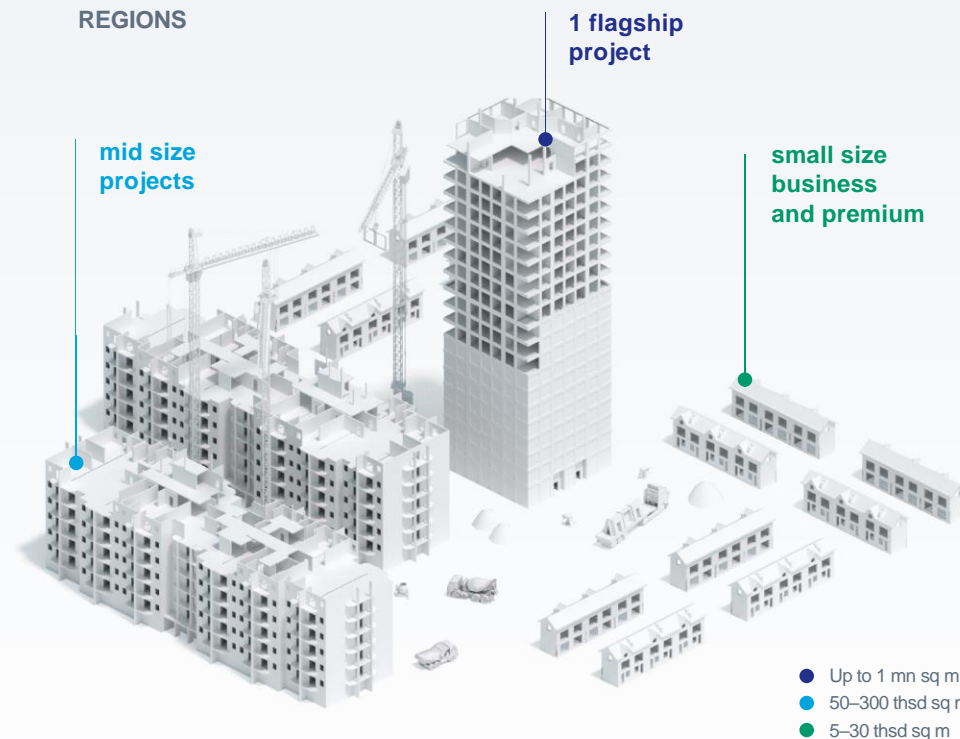
BALANCED BY REGION AND PROJECT SIZE



REGIONAL BREAKDOWN OF  
LANDBANK  
mn sq m



LANDBANK STRUCTURE BY  
PROJECT SIZE IN CORE  
REGIONS



## REPLENISHMENT PRINCIPLES

**Deficit compensation** in St Petersburg of **c. 1 mn sq m**, including up to 0.8 mn by the end of 2021

**Annual landbank replenishment** by at least the same amount as Etalon Group plans to sell during the period

**Acquisition of new unzoned land** in Moscow and St Petersburg to ensure market share growth by 2023–2024

**Only value-creative regional expansion** with limited entry cost

Targeting presence in at least **5 regions** by 2024

Target balanced portfolio of large-scale, mid- and small-sized projects to ensure diversified product offering

<sup>(1)</sup> Including 20%-30% of unzoned land for potential development

# MOST COMPETITIVE IN LAND ACQUISITION DUE TO COST LEADERSHIP STRATEGY



## LANDBANK REPLENISHMENT PRICE CALCULATION

**UPPER LIMIT  
FIXED**  
for each location



**FIXED**  
by new strategy  
commitment to  
shareholders



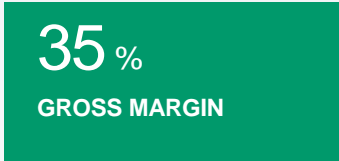
**MANAGEABLE**  
component: key focus  
area



**OFFER BEST  
PRICE**  
for land vs competitors



APARTMENT  
SELLING PRICE



REQUIRED  
GROSS MARGIN

Higher construction cost with  
same land acquisition cost  
makes the Company less  
profitable than competitors



Higher construction cost with  
same profitability makes the  
Company less competitive for  
land acquisition

CONSTRUCTION  
COST

ACCEPTABLE COST



LAND COST

- Cost leadership strategy enables Etalon to be more competitive for new land acquisition while also earning a higher profit margin
- A lower purchasing price for unzoned land creates additional upside potential for profitability
- Automated land screening system provides Etalon faster access to attractive new land for potential development
- Offer a variety of instalment and profit-sharing schemes to decrease pressure on the balance sheet

# BALANCED APPROACH TO REGIONAL EXPANSION

SUPPORTED BY LONG TRACK RECORD WORKING IN RUSSIAN REGIONS

## REGION POPULATION

c. **1** mln people

Or candidates with strong population growth trends backed by both natural growth and migration

## AFFORDABILITY

At least  
**20–30** %

Of a region's population who can afford at least Etalon.Start product (mass-market) using mortgage financing to ensure sustainable demand

## TARGET PROFITABILITY

**SAME AS CORE REGIONS**

Backed by lower land acquisition price and appropriate market conditions to guarantee reasonable selling price

## ENTRY STRATEGY

**PARTNERSHIP OR PILOT WITH FURTHER EXPANSION**

Cooperation with local player or limited size pilot project with option for further expansion if successful

## ESTABLISHED TRACK RECORD IN REGIONAL MARKETS



**57**  
CITIES COVERED

**>19**  
YEARS ON THE REGIONAL MARKET

**c. 35 %**  
OF ANNUAL SALES FROM REGIONAL BUYERS

# VALUE CREATING, ARMS-LENGTH ACQUISITIONS TO ACCELERATE BUSINESS GROWTH



## RATIONALE

- **Deficit compensation** in St Petersburg
- **Expansion** into new regions

## FUNDING

- **Own cash**
- **LBO** if it allows maintaining a robust financial position (net corporate debt to pre-PPA EBITDA not exceeding 2x–3x)
- **New equity**
- **Combination** of cash and equity

## CRITERIA

- Landbank size **c.1 mn sq m**
- **Only value-accretive transactions** (gross profit of 35%; ROIC > 20%)
- **Limited overlap** for project portfolio in core regions
- **High transparency** of both business and ownership structure
- **Considerable operating synergies**
- **Ability to implement new design and construction solutions** that are aligned with the Company's target offering

## SUCCESSFUL TRACK RECORD

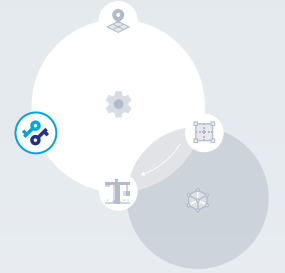
- **Full integration** of Leader-Invest with a portfolio of 1.9 mn sq m completed within 8 months of acquisition
- Etalon **share in Moscow reached 7%** of total annual sales in the region
- **Achieved strong operating synergies:**
  - Leader-Invest projects **price increased by 52%** on a like-for-like basis in 3Q 2020 y-o-y
  - All Leader-Invest projects delivered on time
  - ZIL-Yug is ready for a launch in 1Q 2021
  - Elimination of duplicate functions
- **Strong deleveraging trend: gross corporate debt decreased by RUB 7.6 bn for 9 months 2020**, supported by cash flow generation from Leader-Invest projects





# SEAMLESS CUSTOMER JOURNEY TO INCREASE ENGAGEMENT

TARGETING INCREASED CUSTOMER LIFETIME VALUE AND NPS



## SEARCH

Lead

## PURCHASE

Customer

## WAITING

Owner

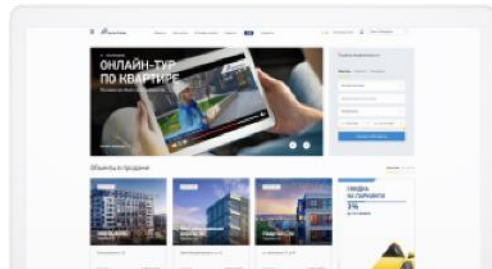
## RESIDENCE

Resident

### FULL CYCLE ONLINE SALES

- Facility information
- Information on lots
- Option to schedule site visit
- Option to choose
- Documents, requisites, promotions
- Option to buy online

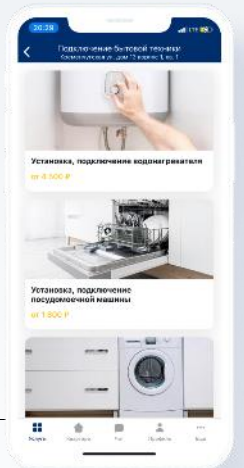
- Post-sale service
- Payment schedule
- Push notification of keys availability
- Order design project, calculating cost of repairs, interior items



WEB PLATFORM WITH  
PERSONAL ACCOUNT

### B2C SERVICES TO CUSTOMERS LOYALTY

- Communal services payments
- Additional services
- Chat with service company
- Surveys and meetings
- Feedback



MY ETALON  
HOME APP

## ONE INTERFACE MY ETALON HOME APP 2.0.

**MORE SERVICES:** platform with large partner network  
**BONUS PROGRAMME** for real estate purchase and service  
**USE OF BONUSES** to pay for additional services

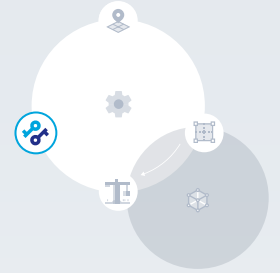
**Creating higher value for clients during their lifetime:** from first purchase to use of additional services and repeat purchase

**Leading NPS** backed by best-in-class customers loyalty

**Online feedback** on product and other areas



# NEW CUSTOMER OFFERING DRIVEN BY DIGITAL TRANSFORMATION



## RESIDENTIAL REAL ESTATE DEVELOPMENT

### ETALON. START

- Standardised product for mass-market residential housing (economy)
- **20%** of new residential property offering
- St Petersburg, regions



### ETALON. COMFORT

- Standardised product for mid-market segment (comfort and business)
- **70%** of new residential property offering
- Moscow, St Petersburg, regions



### ETALON. PLUS

- Standardised product for hi-end property (premium and above)
- **10%** of new residential property offering
- Moscow, St Petersburg



## B2B AND B2C SERVICES

### ETALON. B2B

Services for business customers

#### **Additional cash inflow to cover R&D costs**

- Analytics
- Architecture and design
- Fee-development
- Access to new building construction technologies
- Project management and construction control

### ETALON. SERVICE

Services for Etalon Group projects residents

#### **Value-added services to improve loyalty**

- Further increase in number of available services via My Etalon Home mobile app
- Creating a unified app for buyers and current residents at Etalon Group properties (My Etalon Home App 2.0)

# STRENGTHENING LEADERSHIP THROUGH TRANSFORMATION

## VISION 2024

## RESULTS

1

### Easy to scale business model

backed by end-to-end digital transformation

2X INCREASE IN VOLUMES  
UNDER CONSTRUCTION

2

**Leadership through partnership**, limiting  
capex while creating a best-in-class residential  
development platform

MAJOR FEDERAL  
PLAYER

3

**Long-term land bank focus** supported by  
acquisition of un-zoned land and strong experience  
in zoning procedures, as well as wider geographical  
footprint

HIGHEST NPS  
AND CLV LEVELS

4

**Cost and speed leadership** backed by product  
standardisation throughout entire product offering  
and leadership in new construction technologies

STRONG DOUBLE-DIGIT  
GROWTH IN SALES

5

**Best-in-class customer experience** driven by  
development of B2C services and further improvement  
of communication at all steps of the customer journey

INDUSTRY LEADING  
PROFITABILITY: GROSS  
PROFIT MARGIN OF 35%

# EVOLUTION OF DESIGN AND **CONSTRUCTION TECHNOLOGY**

51

WOOD'S WINTER WONDERLAND



# PRODUCT DIVERSIFICATION AND STANDARDISATION IN RESPONSE TO NEW DEMANDS

## STANDARDISED SOLUTIONS FOR EACH CLASS:

- Facades
- Common areas
- First floor and parking
- Engineering facilities

## THREE CLASSES OF REAL ESTATE



MASS-MARKET

**ETALON.  
START**



MID-MARKET

**ETALON.  
COMFORT**



HIGH-END

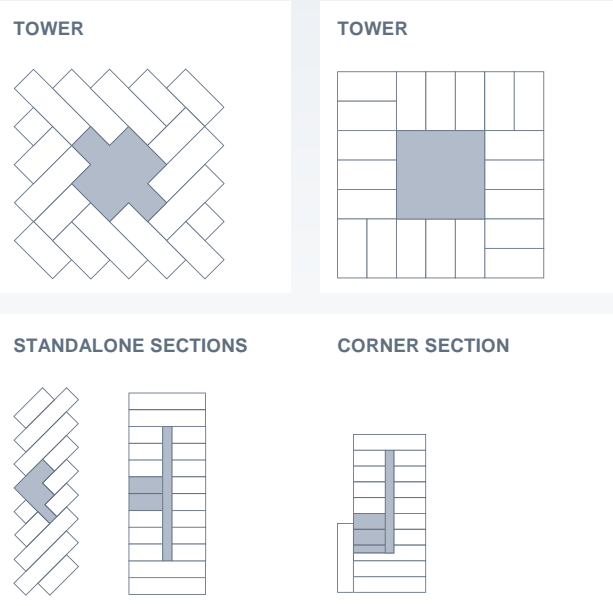
**ETALON.  
PLUS**

## 385 STANDARD LAYOUTS

STUDIO						27
1 BEDROOM						164
2 BEDROOM						136
3 BEDROOM						34
4+ BEDROOM						24
	XS	S	M	L	XL	

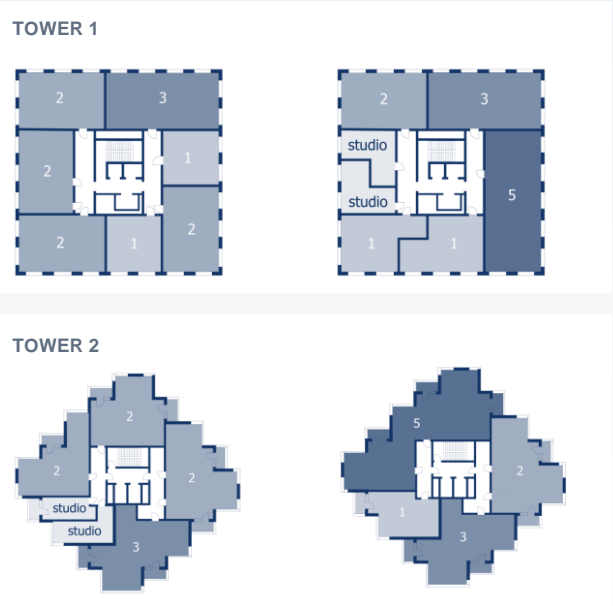
# MAINTAINING DIVERSITY OF OFFERING WHILE STANDARDISING PRODUCT

MULTIPLE COMBINATIONS  
OF REPEATING ELEMENTS



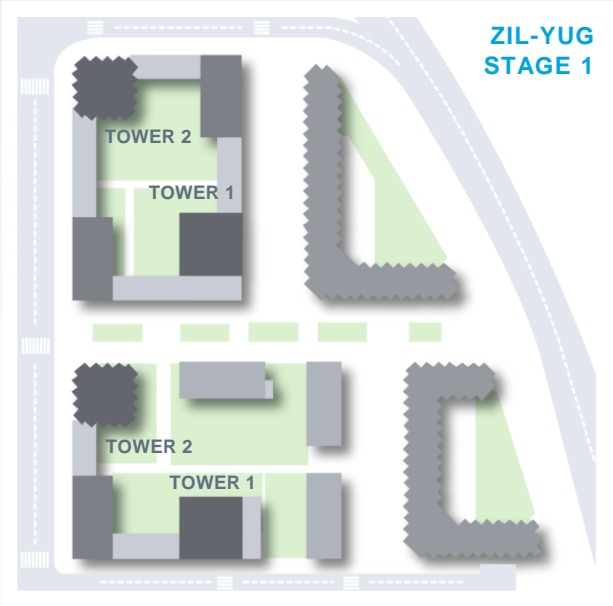
MULTIPLE COMBINATIONS  
BASED ON STANDARDISED  
ELEMENTS

STANDARDISED  
SECTION LAYOUTS



DIFFERENT BUILDINGS—SAME APPROACH  
SAME BUILDING—DIFFERENT APARTMENT  
LAYOUTS FOR EACH FLOOR

STANDARDISED  
MASTERPLAN LAYOUT



FITTED TO FORM OF EACH  
LAND PLOT



# DESIGN STAGE AUTOMATION

ETALON.  
PARTNERSHIP

parametric

## INPUTS

- Library of standardised apartments layouts
- Target mixture of studios, 1-, 2- and 3+ bedroom apartments
- Library of standardised build-in commercial layouts
- Facade and engineering solutions for each residential property class (Etalon.Start, Etalon.Comfort and Etalon.Plus)
- Different housing construction technologies (cast-on-site, modular, CLT and prefabrication)
- Standardised social infrastructure layouts

## RESULTS

- Go/No go decision-making before land acquisition backed by detailed information on potential project (99% accuracy)
- One-day master planning stage
- Full design stage automation by 2022 (incl. project and working documentation)

## AUTOMATION

- Automated master plan for each construction technology and property class
- Detailed budget and output for RFP to suppliers
- Full integration with BIM Revit system
- Online project certification
- Automated project and working documentation underway



# MODULAR BUILDING CONSTRUCTION

ETALON.  
PARTNERSHIP

QB.technology

## TECHNOLOGY OVERVIEW

Modular construction of multi-storey buildings with finished and ready-to-assemble modules prepared at the factory.

## EXPECTED IMPACT

40%

SHORTER  
CONSTRUCTION  
CYCLE

>20%

LOWER  
CONSTRUCTION  
COSTS

LIMITED  
CAPEX

FULLY  
FIT-OUT

BETTER  
QUALITY

ZERO  
WASTE

## PARTNERSHIP HIGHLIGHTS

- Etalon Group has exclusive right to develop and use the technology in Russia
- Etalon to certify the technology in Russia for residential building construction
- Etalon to build a production plant for modular construction

## FOCUS AREA

### Short-term

- Apartments (as developer)
- Hotels (as general contractor)

### Mid-term

- Etalon.Start and Etalon.Comfort residential buildings for mass- and mid-market segment





# MODULAR CONSTRUCTION PRODUCTION

ETALON.  
PARTNERSHIP

QB.technology



**METAL FRAME  
PRODUCTION**

**2 WEEKS**



**FINISHED MODULE  
PRODUCTION**

**3 WEEKS**



**FIT-OUT  
WORK**

**1 WEEK**

# MODULAR CONSTRUCTION ON SITE

ETALON.  
PARTNERSHIP

QB.technology



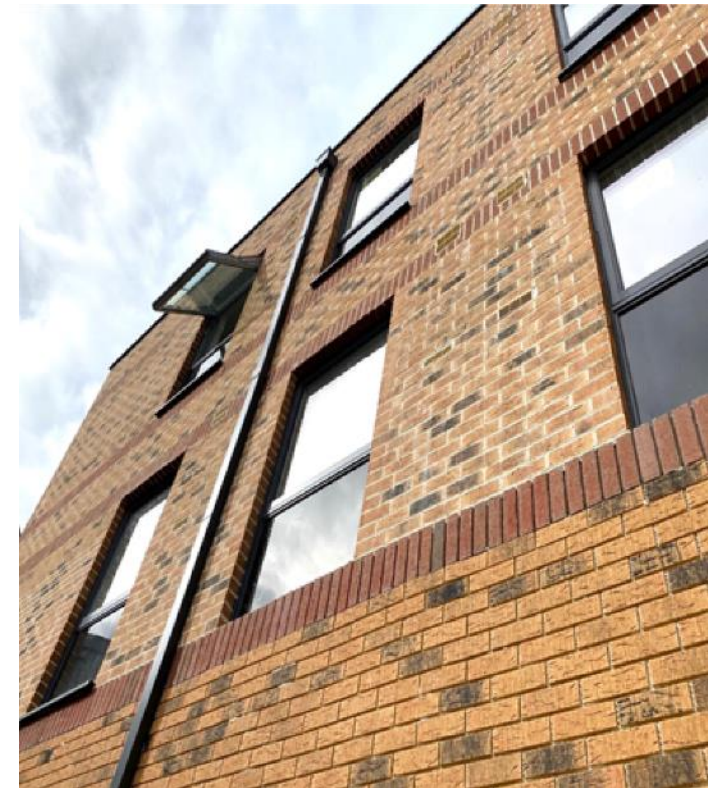
**CAST-IN-PLACE  
CORE**

6 TO 20 WEEKS



**FINISHED MODULE  
INSTALLATION**

6 TO 18 WEEKS



**FACADE  
WORKS**

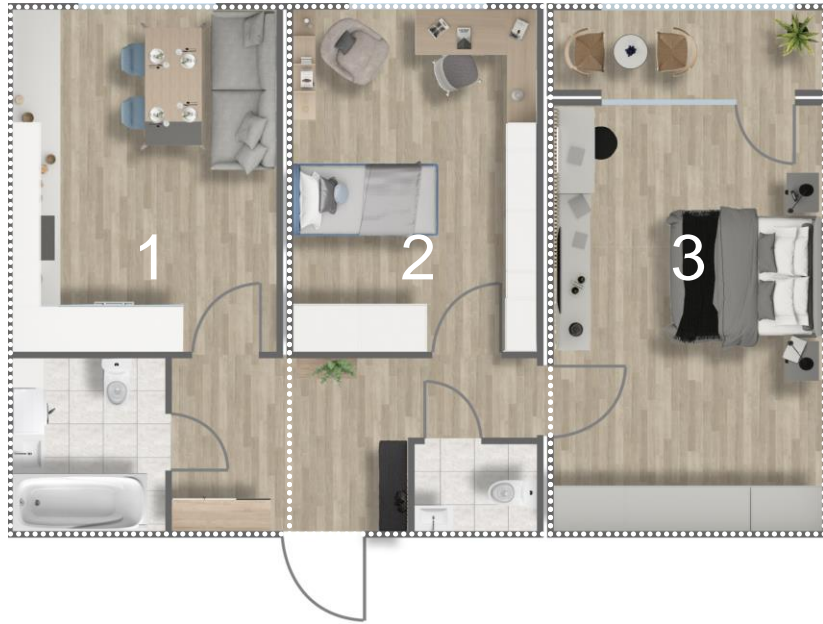
4 WEEKS



# MODULAR BUILDINGS LAYOUTS

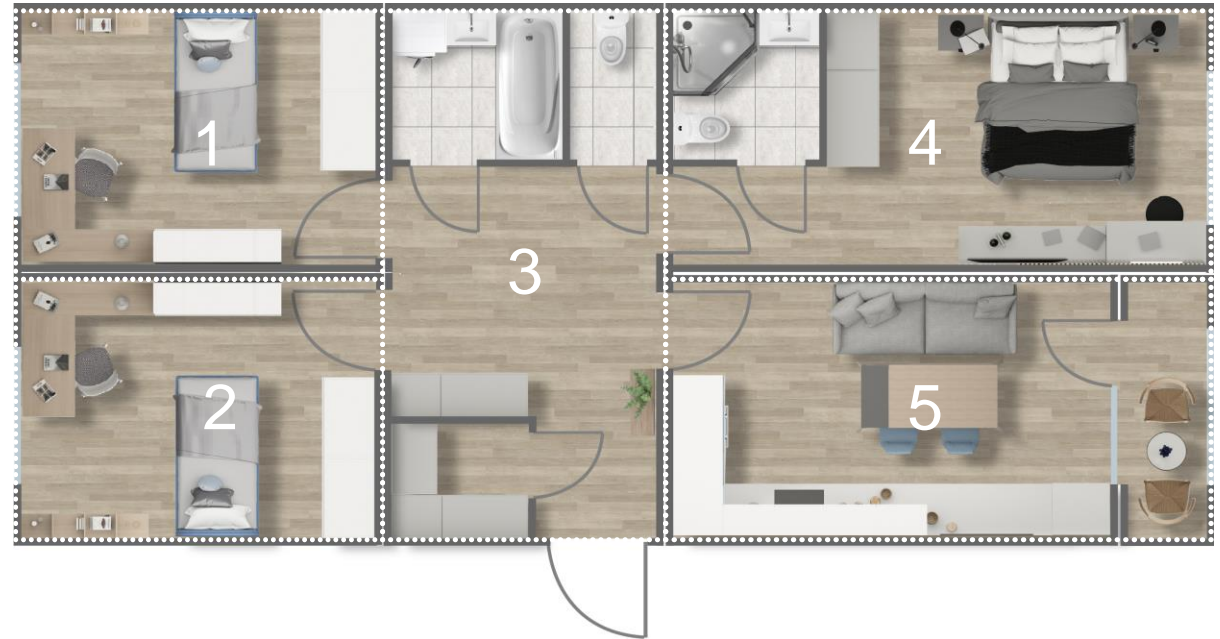
ETALON.  
PARTNERSHIP

QB.technology



2-BEDROOM  
LAYOUT

54 sq m



3-BEDROOM  
LAYOUT

78 sq m

# CLT BUILDING CONSTRUCTION

ETALON.  
PARTNERSHIP



## TECHNOLOGY OVERVIEW

Construction of multi-storey buildings using pre-fabricated cross-laminated timber (CLT) panels. Depending on the type of building, construction of both hybrid buildings (combining a poured concrete core covered by CLT columns) and buildings constructed entirely of CLT with a poured-concrete core is possible.

## EXPECTED IMPACT

25%

SHORTER  
CONSTRUCTION  
CYCLE

SAME  
COSTS

AS CAST-ON-SITE

SAME  
STRENGTH

AS MONOLITH  
TECHNOLOGY

CLIMATE  
POSITIVE

ACOUSTIC  
ADVANTAGE

NO CAPEX

## PARTNERSHIP HIGHLIGHTS

- Close cooperation with Segezha Group to develop CLT panels that meet Etalon Group product standards
- Etalon in cooperation with Segezha Group to certify the technology in Russia for residential building construction

## FOCUS AREA

### Short-term

- Facades for residential buildings
- Hybrid CLT apartments (as developer)
- Office buildings (as general contractor)

### Mid-term

- Etalon.Plus residential buildings for the high-end segment





# PILOT CLT PROJECT OVERVIEW

ETALON.  
PARTNERSHIP



## PROPERTY CLASS

### APARTMENT

DUE TO TECHNOLOGY  
AND LAND PLOT  
LIMITATIONS

## SELLABLE AREA

**15** thsd  
sq m

INCLUDING COMMERCIAL  
AREA FOR SPA AND  
FITNESS CENTRE

## LOCATION



## CONCEPT



## EXPECTED LAUNCH

**4Q 2021**

## EXPECTED COMPLETION

**2Q 2023**

## TECHNOLOGY

### HYBRID CLT

With cast-on-site core  
and floor structure and  
CLT columns and facade  
panels

## HEIGHT

**40 METRES  
10 FLOORS**

Maximum height for CLT  
buildings under new  
regulations

# NEXT STEPS

1

LAUNCH FIRST STAGE OF  
ZIL-YUG TO TEST NEW  
TECHNOLOGY DESIGN AND  
LAYOUTS (1Q 2021)

2

FULL TRANSITION TO  
NEW STANDARDIZED  
PRODUCT BY 2022

3

OPEN PRODUCTION  
PLANT FOR MODULAR  
CONSTRUCTION ON ZIL-  
YUG SITE IN 2021

4

LAUNCH PILOT CLT  
PROJECT IN MOSCOW  
(CONSTRUCTION START  
IN 4Q 2021)

5

ESTABLISH PARTNERSHIP  
TO PRODUCE PRECAST  
BUILDING ELEMENTS IN 2021

6

START CONSTRUCTION OF  
THE FIRST MODULAR  
BUILDING IN 2022

7

RECEIVE NEW TECHNOLOGY  
CERTIFICATION FOR  
RESIDENTIAL CONSTRUCTION IN  
2021–2022

8

WIDE TRANSITION TO  
NEW HOMEBUILDING  
TECHNOLOGIES FROM  
2022 ONWARDS

# ZIL-YUG DEVELOPMENT STRATEGY



# ZIL-YUG

## ACQUISITION TERMS

1.2<sup>mn</sup>  
sq m

OF NSA GRANTED UNDER  
NEW AGREEMENT, EXCLUDING  
SOCIAL INFRASTRUCTURE

100%

SHARE IN THE PROJECT  
TO BE TRANSFERRED TO  
ETALON IN ADVANCE

MASTER  
PLAN  
RECEIVED

GRANTING ABILITY TO  
LAUNCH PROJECT IN  
1Q 2021

36<sup>bn</sup>  
RUB

TO BE PAID IN  
INSTALLMENTS BY 2024  
(INCLUDING RUB 4 BN  
ALREADY PAID)

0  
RUB

TO BE PAID IN 2020 UNDER NEW  
TERMS, WITH REMAINING PART  
WELL-BALANCED WITH RELEASE OF  
FUNDS IN ESCROW ACCOUNTS

ADDITIONAL  
INFRASTRUCTURE

IS ALREADY IN THE MOSCOW CITY  
HALL BUDGET FOR THE FIRST STAGE  
OF THE PROJECT (AN EMBANKMENT  
AND A BRIDGE TO BE BUILT BY 2023)

# BUILDING A NEW CENTRE FOR MOSCOW

## WHY ZIL WILL BECOME A NEW CENTRE FOR MOSCOW:



Biggest redevelopment project in Europe  
(544 ha, 40% of the Danilovskiy district)



New business district on ZIL-Vostok plot with  
more than 500 thsd sq m of office space by  
2028 (on par in size with Moscow City)



Transport accessibility (6km from the Kremlin,  
access to Moscow Central Circle and metro)



6km long landscaped park-embankment  
(on par with length of Gorky Park embankment)



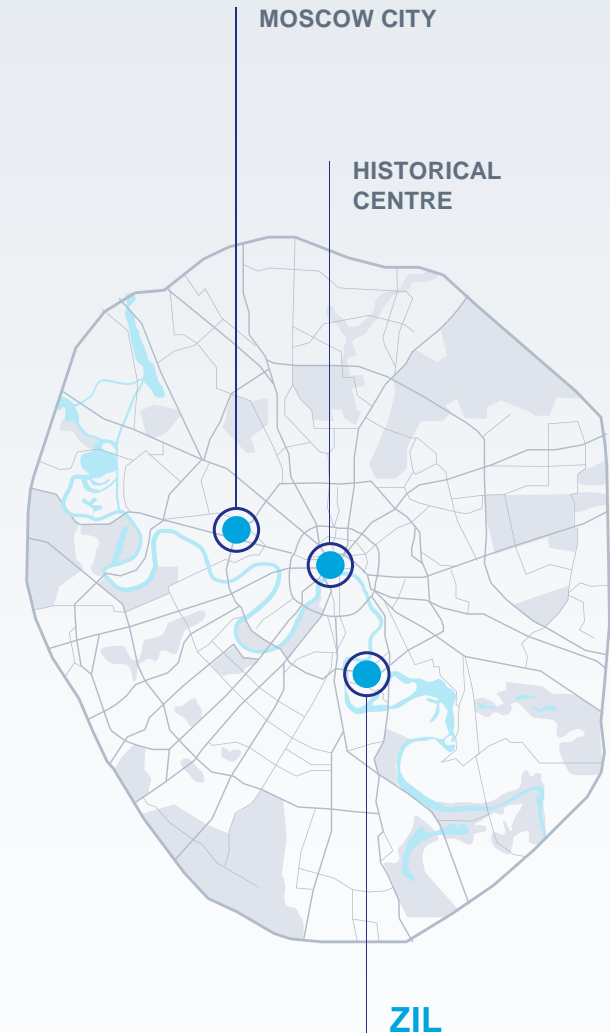
Residential area near water built to the  
highest standards for urban environment and  
quality of life is rarely found in any city



**“In 15 years Moscow will  
have three centres: a  
historical centre within the  
Garden Ring, ‘Moscow City’  
and the ZIL Southern port  
district.”**

**SERGEY KUZNETSOV**

Chief City Architect  
since 2012





# THE FIRST 15-MINUTE CITY CONCEPT IN RUSSIA

## HOW ARE WE DEVELOPING THE PROJECT?

### CONTEXT

The first 15-minute city project in both Moscow and Russia

### HIGHEST INDUSTRY STANDARDS

Applying principles like “my street”, urban environment, “master plan for happiness”

### LEADING URBAN EXPERTISE

Inputs from urbanists, urban planners, technologists, sociologists

## KEY PRINCIPLES:

### ENVIRONMENT BEFORE CONSTRUCTION

- Mixed-use strategy
- Pedestrian routes
- Public spaces
- Vehicle traffic
- Safety

### COMMUNITY AND SOCIAL INCLUSIVENESS DEVELOPMENT

- Diversity
- Density distribution
- Human scale design code
- Daily user routes design
- Separating main roads and pedestrian paths
- Many different routes
- Great variety of housing types





# ZIL-YUG—BRINGING TOGETHER COMPETENCIES

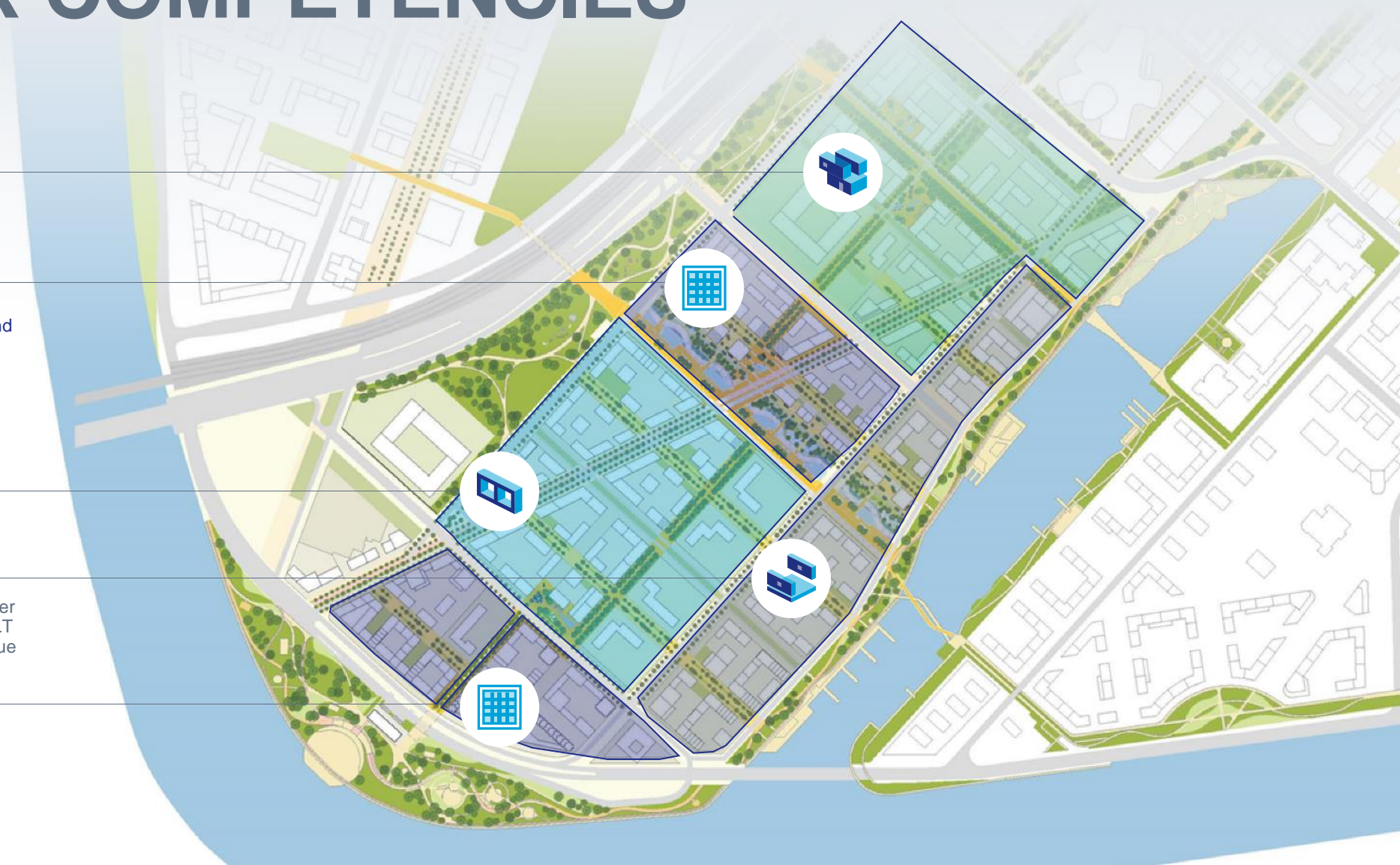
Modular buildings that can be quickly assembled and offer rental apartments next to ZIL-Vostok business district

Hybrid buildings will be erected around the central passage and square near the centre of activity for the project

Standardised offerings in pre-fabricated buildings

Buildings in backwater eco-zone will use CLT construction technique

First stage and second stage in cast-on-site to test demand for new layouts Etalon 2.0 product



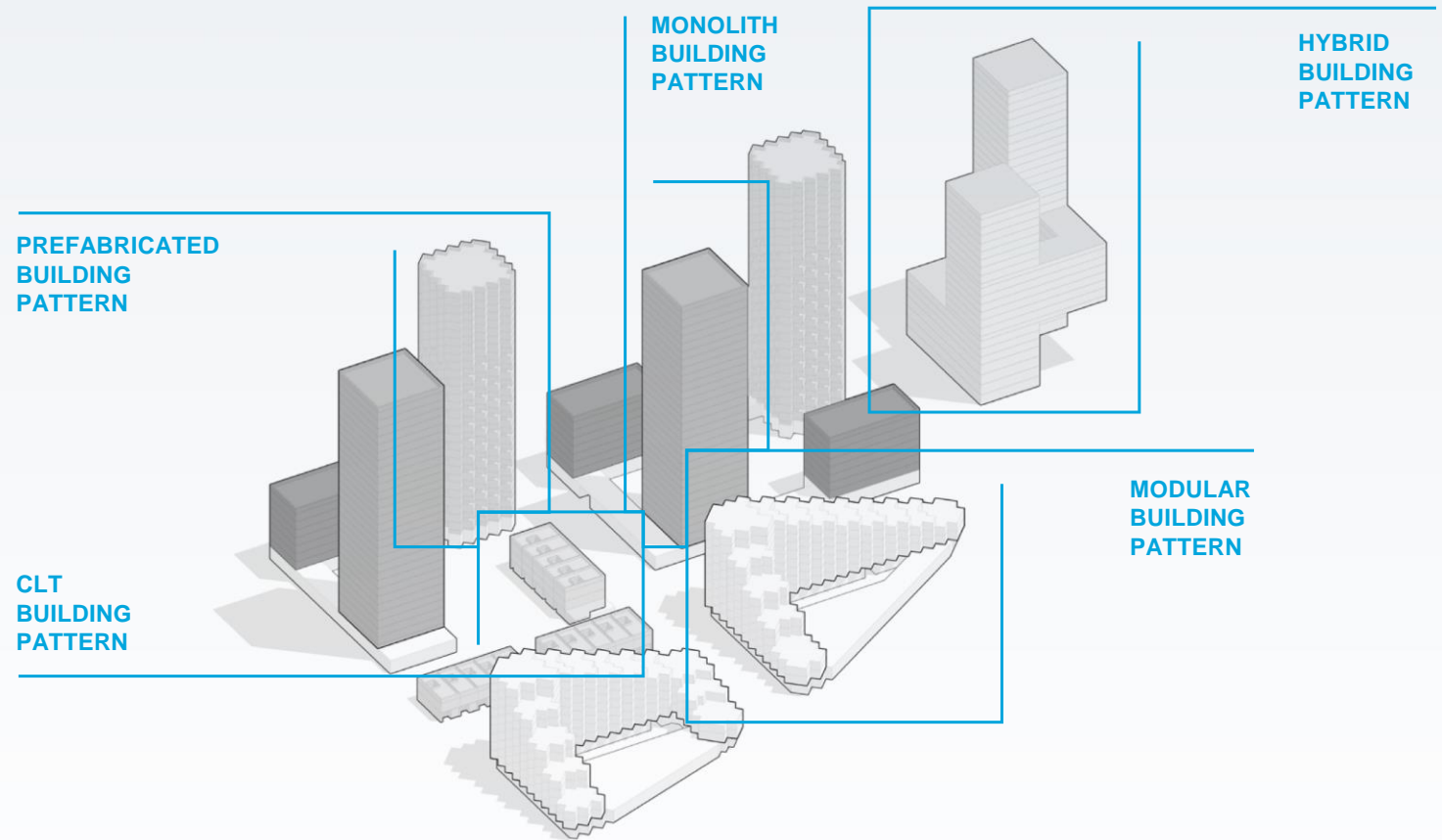
# FIRST STAGE

## KEY PROJECT DEVELOPMENT PRINCIPLES

Unlimited variability of finished  
product with full standardisation  
of technical solutions



Reduction and  
simplification of operations  
at the construction site





# NEW CONSTRUCTION TECHNOLOGY

## MODULAR BUILDING PATTERN

Modular architecture  
Testing of potential floorplans  
and module combinations





# NEW CONSTRUCTION TECHNOLOGY



## PREFABRICATED BUILDING PATTERN

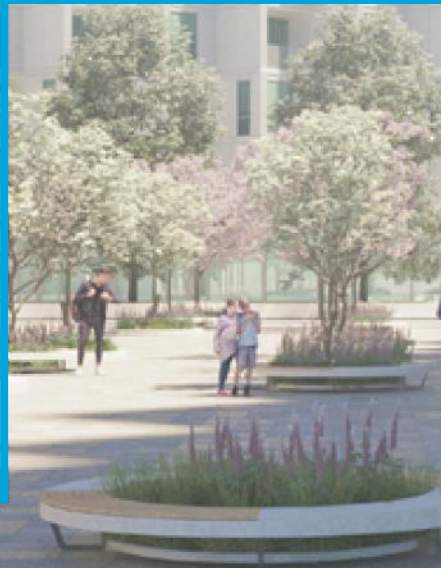
- Standardised utilities platform
- Off-the-shelf floorplans (small, medium and large)
- Unified column spacing and room depth



# NEW CONSTRUCTION TECHNOLOGY

## CLT BUILDING PATTERN

Panels for townhouses are  
made from CLT produced  
by Segezha





# NEW CONSTRUCTION TECHNOLOGY

APARTMENTS

PUBLIC GREEN  
SPACES

COMMERCIAL  
PREMISES

COMMUNITY  
SQUARE

HYBRID  
BUILDING  
PATTERN

PRIVATE OPEN  
SPACES FOR  
RESIDENTS

TWO-LEVEL  
APARTMENTS AND  
OFFICE STUDIOS





# NAGATINO I-LAND

## FIRST STAGE CASE STUDY

ZIL-YUG

1.2 <sup>mn</sup>  
sq m

NAGATINO I-LAND

0.5 <sup>mn</sup>  
sq m

### NAGATINO I-LAND PRELIMINARY RESULTS

FIRST STAGE NSA

42.4 <sup>thsd</sup>  
sq m

SEGMENT

MID-MARKET  
(BUSINESS)

SALES START

NOVEMBER  
2019

PRE-SALE PERIOD

9 months

APARTMENTS PRICE<sup>(1)</sup>

>216 <sup>thsd</sup> per  
sq m RUB

PRE-SALE RATIO

50 %



# ZIL-YUG

## UNIQUE ARCHITECTURE

FIRST 15-MINUTE CONCEPT  
PROJECTS IN RUSSIA DEVELOPED  
BY THE NETHERLANDS  
ARCHITECTURE FIRM KCAP

## MOST TECHNOLOGICALLY ADVANCED

RESIDENTIAL DEVELOPMENT  
PROJECT IN RUSSIA, USING  
EVERY MODERN HOUSING  
CONSTRUCTION METHOD

12 years

UNTIL PROJECT IS  
FULLY COMPLETED

>80 thsd  
sq m

MINIMUM ANNUAL SALES  
TARGET IN THE MIDDLE OF  
THE CONSTRUCTION CYCLE

230+ thsd RUB  
per sq m

PRICE PER SQ M FOR  
APARTMENTS AT THE START

35%+  
GROSS PROFIT  
MARGIN

SUPPORTED BY BOTH PRICE  
AND CONSTRUCTION COST

# SALES AND MARKETING

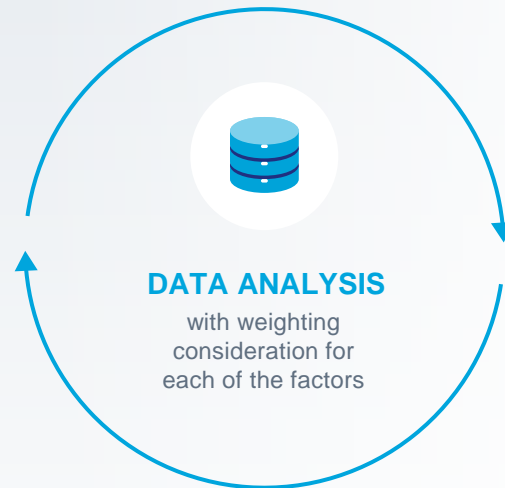




# UNIQUE AI-DRIVEN DYNAMIC PRICING SYSTEM

## DATA

24/7 ONLINE  
DATA ON PRICE  
FACTORS



## DATA ANALYSIS

with weighting  
consideration for  
each of the factors

Up  
to 5%

Increase in the  
sales price for  
each project



## LEARNING DECISION ALGORITHM

based on the following factors:

### INTERNAL

- Assortment balance and structure
- Actual sales plan
- Construction stage
- Funding requirement (escrow accounts )
- Client activity (visits, requests, site traffic)

### EXTERNAL

- Competitor sales rates
- Competitor selling prices
- Competitor promotions and discounts
- Stage of construction
- Competitor assortment

**BEST  
DAILY PRICE  
RECOMMENDATION**

**10** bn  
RUB

MONTHLY SALES TARGET

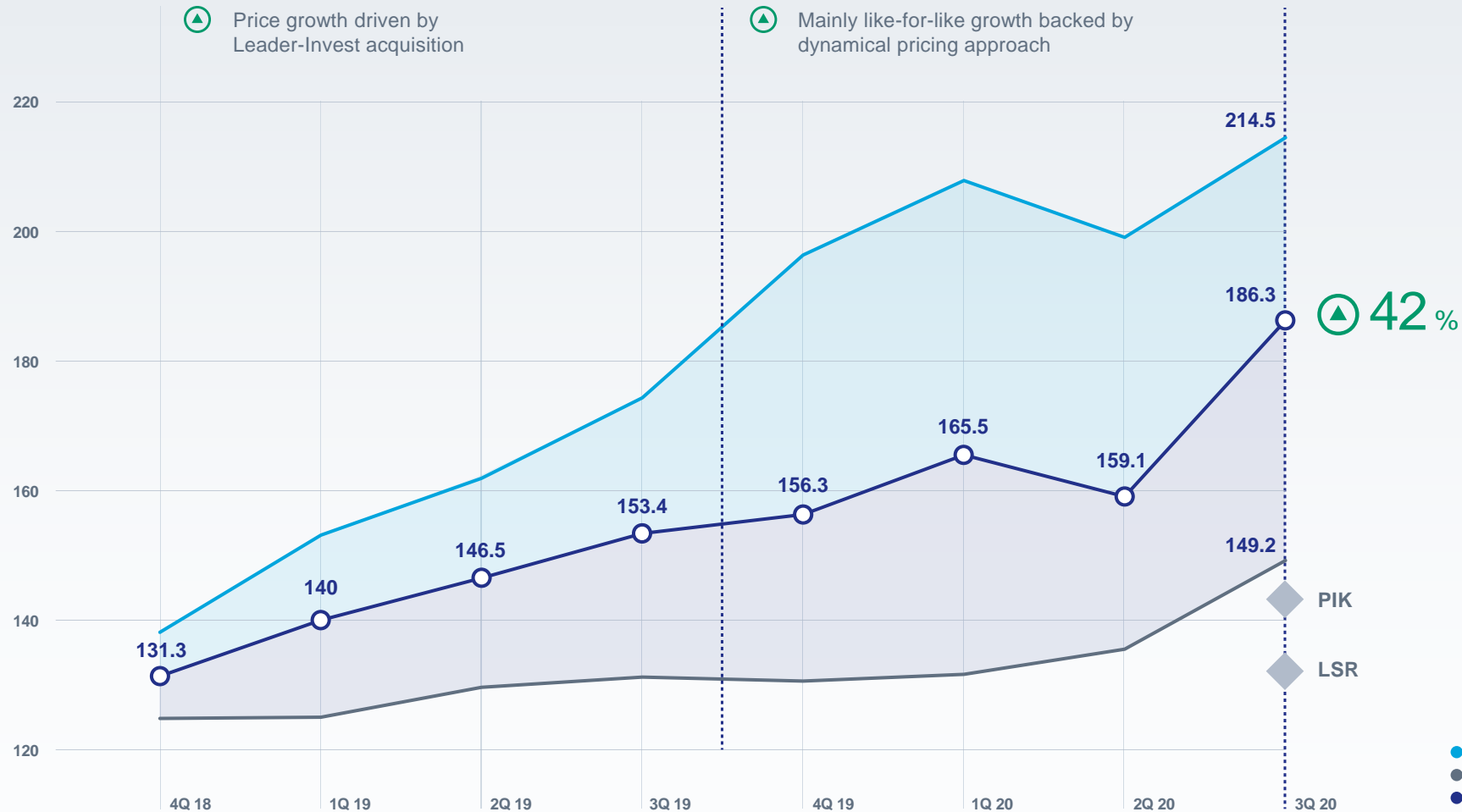
### PROFITABILITY UPSIDE

60 thsd sq m	at	170 thsd RUB per sq m
vs		
70 thsd sq m	at	145 thsd RUB per sq m

# INDUSTRY-LEADING PRICE PERFORMANCE

Price growth driven by  
Leader-Invest acquisition

Mainly like-for-like growth backed by  
dynamical pricing approach



- Use of dynamic pricing system combined with improved product offering resulted in **industry leading average apartment price dynamic since the beginning of 2019**
- Strong pricing dynamics support continued growth in new contact sales in monetary terms, while **preserving the most liquid part of landbank**
- Price over volumes strategy will support recovery in profitability** until new standardised offering is fully implemented in Etalon Group's portfolio
- Etalon Group only increased price based on a market-driven approach, without intention to overheat the market

# MORE DEMANDING YOUNGER CONSUMERS ARE DRIVING CHANGE

## “BUSINESS-TO-COMMUNITIES” FOCUS

### CONSCIENTIOUS CONSUMER

- Demand for sustainability and reduced carbon footprint
- Growing value of safety
- Urban and household health

### PANDEMIC FOOTPRINT

- Increased demand for properties: home as a space for living and working
- 15-minute city services

### CHANGE IN CONSUMER PROFILE

- Active consumption by millennials
- Generation Z entering the market

×10

### INCREASE IN POTENTIAL CUSTOMERS

From people sharing positive buying experience

84 %

### of consumers

Believe online reviews or recommendations by friends

4–8 %

### FASTER ANNUAL REVENUE GROWTH

For companies with best customer experience

10–20 %

### REVENUE INCREASE

Potential results from customer journey programmes

15–25 %

### COST REDUCTION

## CUSTOMER EXPERIENCE

### CONSUMERS BECOME SELECTIVE

- Nudging is replacing traditional advertising

### WORKING WITH THE CLIENT EXPERIENCE

- Other than production costs, new products are quickly copied by competitors

### “ONLINE” ALONE DOES NOT CREATE VALUE

- New digital services are not in demand if they are not based on behaviour





# BIG DATA-DRIVEN ANALYSIS OF TARGET AUDIENCES WILL IMPROVE INTERACTIONS

## HIGHER NPS AND NEW SALES

BACKED BY PERSONALISED ADVERTISING AND PROMOTIONS

## LOWER MARKETING EXPENCES

DUE TO INCREASE IN EFFECTIVENESS OF ADVERTISING

Placement of outdoor and indoor advertising in places visited by the target audience

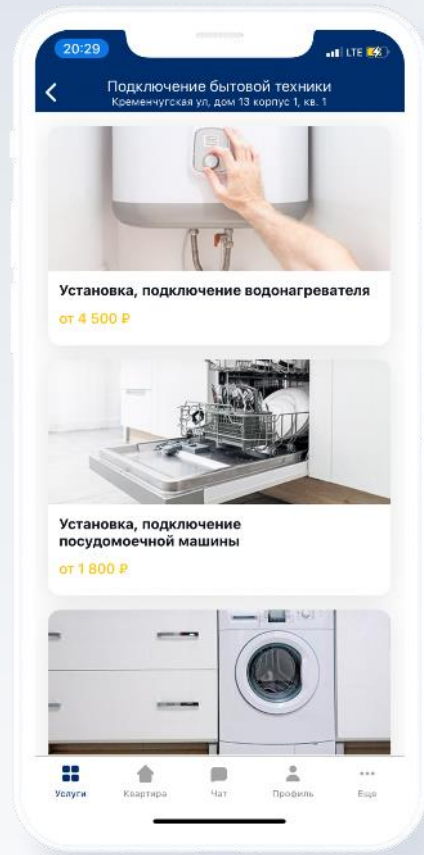
Optimised media planning taking into account the productivity of specific channels for target audience subgroups

Individual advertising, promotions and loyalty programmes for specific residential complexes

Clearer messaging, the right influencers, media plan optimisation based on "interest/message"



# DEVELOPING B2C SERVICES TO IMPROVE CUSTOMER LOYALTY



MY HOME ETALON APP

## IMPROVED TRADITIONAL OFFERING

## PLUS NEW SERVICES



COMMUNAL SERVICES PAYMENTS



HOUSEHOLD SERVICES



CHAT WITH SERVICE COMPANY



SMART HOME SYSTEM



FOOD AND ONLINE SHOPS



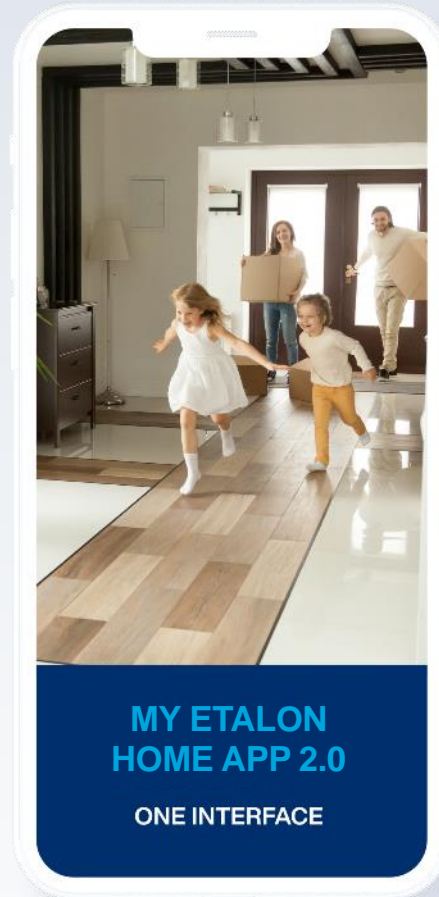
SURVEYS (CUSTOMER JOURNEY DATA)

- The large base of potential users residing in buildings constructed by Etalon Group gives access to 350 thousand residents
- Annual subscriber base growth is 10–15 thousand people after the delivery of a project
- Etalon Group seeks to convert the majority of residents into app users by expanding the range of additional services, as well as by providing high-quality feedback to residents' requests
- Development of additional services in cooperation with reliable partners will be handled by the Etalon. Partnership programme
- Promotions and cash back for additional services provided to Etalon product buyers
- Ensuring growth in service quality, increasing the level of customer loyalty and feedback

# INTERACTIONS WITH CLIENTS AT EVERY STAGE OF THE CLIENT JOURNEY

## FOR BUYERS

- Option to choose
- Option to schedule site visit
- Option to buy online
- Bonus programme for real estate purchase



## FOR RESIDENTS

- More services
- Bonus programme for real estate purchase and service
- Use of bonuses to pay for additional services

- Personalised customer communication
- Increase customer conversion for Etalon's main product (residential property)
- Net promoter score and customer lifetime value growth
- Developing communities as a new customer unit

# PREDICTIVE ANALYTICS HELP IMPROVE PRODUCT PRIOR TO LAND ACQUISITION

## DATA

- Competitors' proposals
- Competitors' sales
- Share of unsold apartments
- Portfolio of competitors' projects
- Active promotions and news
- Apartments already sold
- Current average price
- Land plots for sale
- Construction permits issued

## BIG DATA SYSTEM

REAL-TIME AND FORECASTED DATA ANALYSIS



## OUTPUTS

### SUPPORT FOR NEW PRODUCT LAUNCH

- Starting price and sales rate
- Pricing model based on wide range of apartment characteristics
- Sales plan taking into account seasonality, construction stage, apartment design and other apartment characteristics
- Dropout rate model by apartment types (predictive)

### INPUTS FOR DECISION-MAKING ABOUT NEW PROJECT ACQUISITION

- Current and potential selling price for the new project
- Competition density in a particular location at project's start date—sales pace forecast
- Targeting product segment and apartment mix
- Inputs for fair land price calculation (NPV, IRR) based on system's outputs



IDENTIFICATION OF  
FACTORS AND  
DATA COLLECTION



MODEL  
CALCULATION



DATA PREPARATION  
AND ANALYSIS



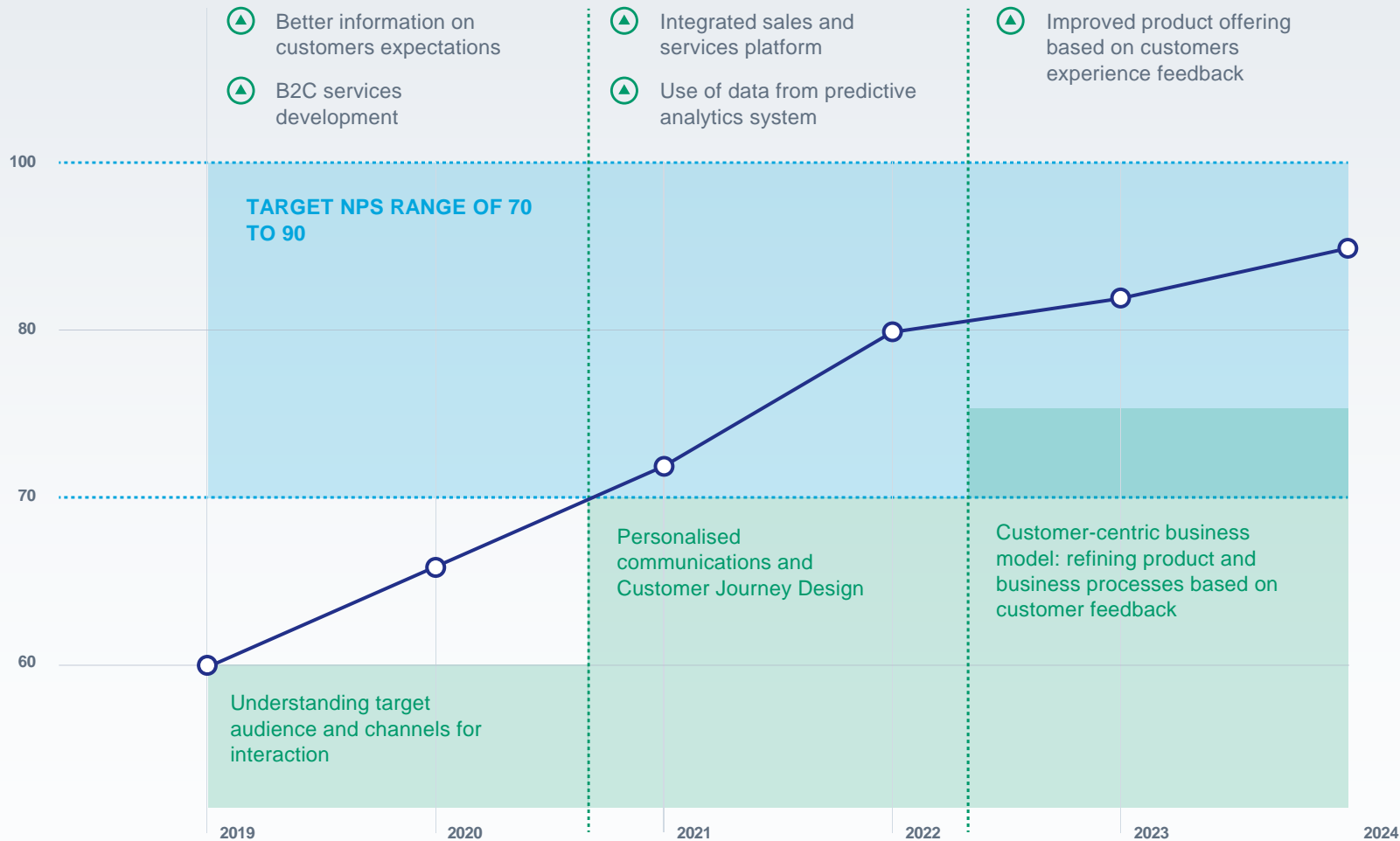
DATA  
VISUALISATION  
(DASHBOARD)



# NET PROMOTER SCORE DEVELOPMENT

82

WOOD'S WINTER WONDERLAND



- NPS assessed at all stages of the Customer Journey (online platforms, calls, visits, transactions, living in fit-out apartments) and targeting higher satisfaction levels for each stage between now and 2024
- Customers Journey Design—transformation of business processes based on analysis of customer issues, smart tools that enhance **decision making**
- Progressive growth in satisfaction driven by deep understanding of the customer experience and creating value for customers
- Increasing the life cycle of interaction with a client as a tool for increasing revenue **(full understanding of the client's expectations from the moment the Etalon Group acquires a new project to purchase, residence and use of services)**

● Net promoter score index development (range—100 to 100)

# IMPLEMENTATION RESULTS

+5 %

## FURTHER INCREASE IN SALES PRICE

at each project powered by AI-driven dynamic pricing system and the best product range

## DEMAND SUPPORTED BY MORE ATTRACTIVE PRODUCT

due to better understanding of competitive environment together with integration of additional partner services to a digital platform

70–90

## NPS TARGET LEVEL

backed by deep understanding of customer experience and value created for customers. Business processes to be transformed based on analysis of customer feedback

c. 40 %

## RATE OF RETURN CUSTOMERS (REPEAT PURCHASE)

driven by implementation of online sales office and conversion of the majority of residents into app users. Each satisfied client may bring 2–3 new customers

15 % ► 20 %

## OPTIMISATION OF MARKETING COSTS

optimisation of end-to-end analytics that make it possible to understand product promotion channels from the first click to the purchase

>10 %

## REDUCTION IN ADVERTISING BUDGET

while maintaining sales levels and adopting digital solutions to optimise operations

# FINANCIALS



# IMPROVING BUSINESS PROFITABILITY

- ▼

 Growing social obligations
- ▼

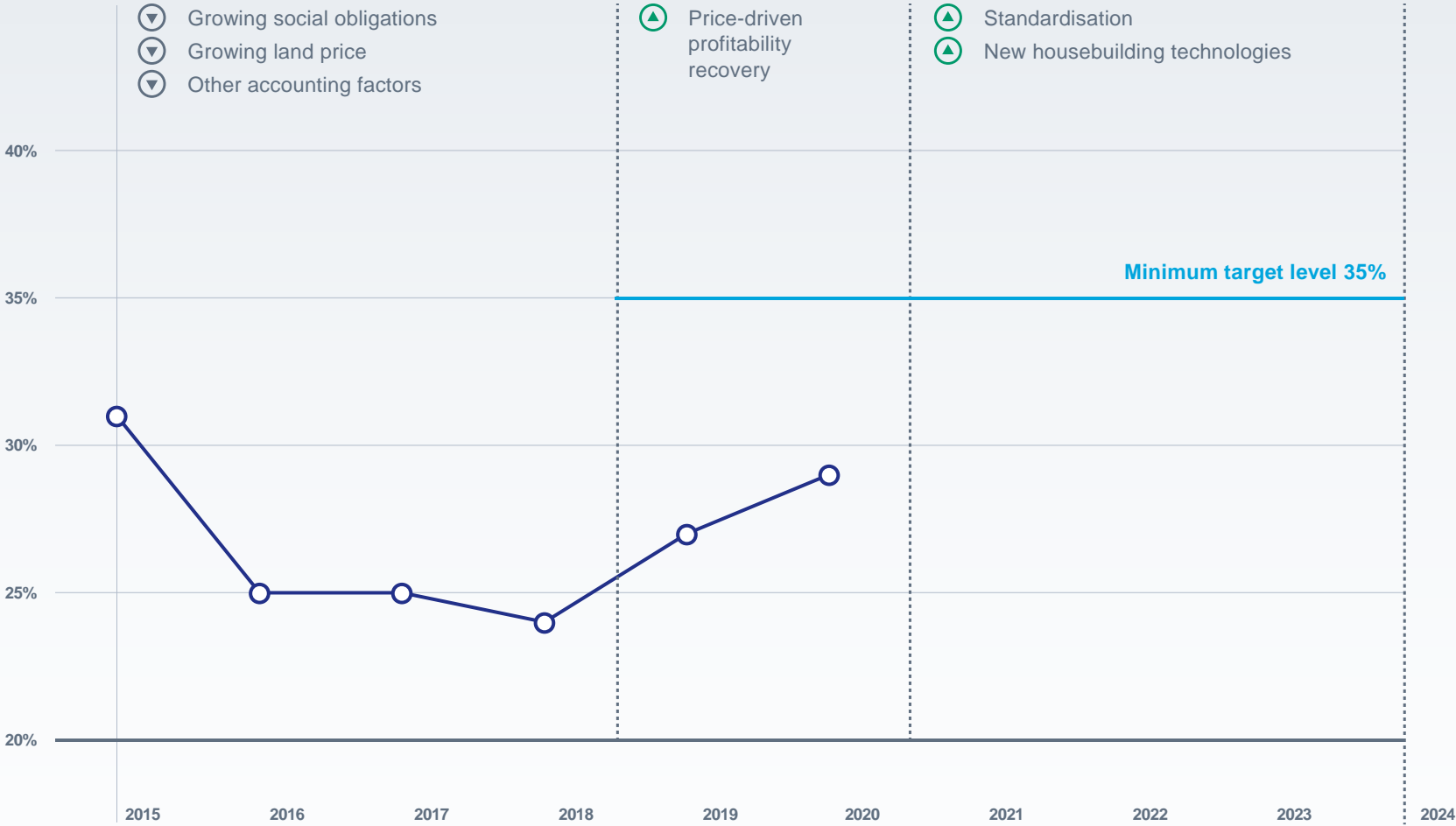
 Growing land price
- ▼

 Other accounting factors
- ▲

 Price-driven profitability recovery
- ▲

 Standardisation
- ▲

 New housebuilding technologies



- Recovery in profitability of projects currently under construction driven by **positive property price dynamics**, due to strong demand supported by the subsidised mortgage programme
- Reaching target profitability level of 35% on the strategic horizon as a result of **standardisation and the use of new construction technologies**, even with restrained price growth just a few p.p. above inflation
- **Acquisition of non-zoned land** plots and launch of sales within 24-36 months will provide additional support to stabilise profitability

○ pre-PPA consolidated gross margin

# SHIFTING TO THE ESCROW MODEL

c. 30 %

VIA ESCROW

50–60 %

VIA ESCROW

70–80 %

VIA ESCROW

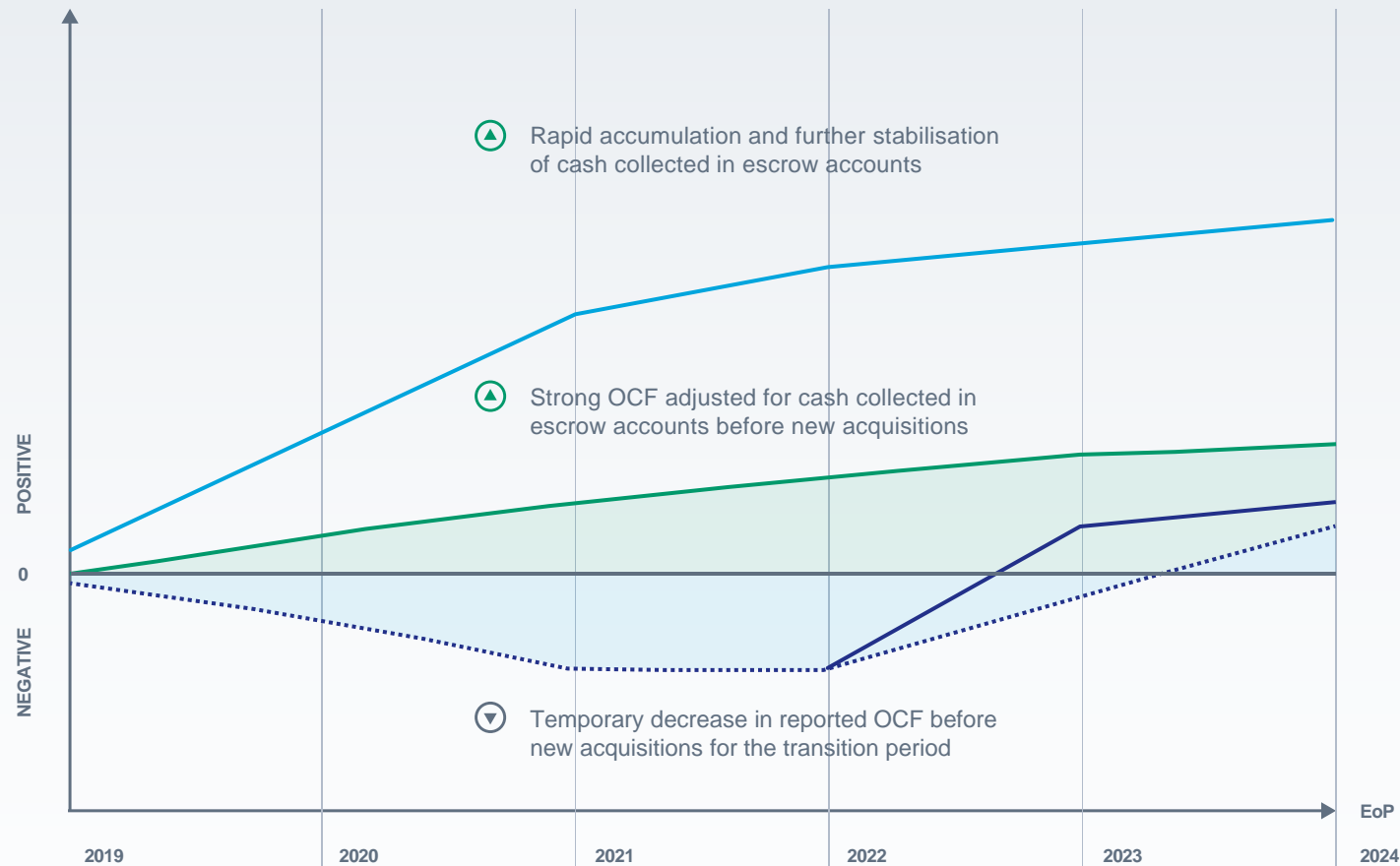
80 % of total

VIA ESCROW, INCL.: ALL IN  
PROJECT UNDER CONSTRUCTION.  
SALES IN POST-COMPLETION  
PERIOD WITHOUT ESCROW.





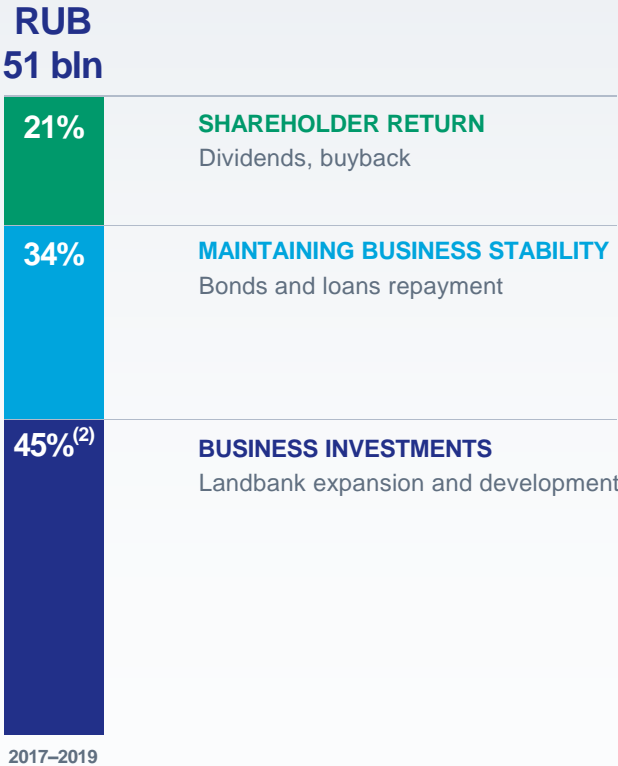
# CASH FLOW GENERATION UNDER NEW RULES



- The switch to settlement using **escrow** accounts on the strategic horizon **will affect as-reported operating cash flow**
- **Positive cash flow generation adjusted for funds held in escrow accounts enables decision-making about capital allocation** taking into account the guaranteed release of escrow funds following the delivery of residential projects built under new regulation
- Switching to **new types of residential construction will enable faster release of escrow funds** and facilitate the stabilisation of as-reported operating cash flow earlier on a shorter time horizon

# CASH RETURNS AND CAPITAL ALLOCATION

2017 TO 2019 CUMMULATIVE  
OPERATING CASH FLOW BEFORE  
NEW ACQUISITIONS<sup>(1)</sup> DISTRIBUTION



CAPITAL ALLOCATION  
PRIORITIES THROUGH 2024

ALLOCATION BASE:

- 2020–2024 operating cash flow adjusted for cash collected in escrow accounts before land acquisitions

SHAREHOLDER RETURN  
IN FORM OF DIVIDENDS:

- Minimum dividend payment of at least RUB 12 per GDR
- Dividend expansion upside to 40–70% of net profit, once reported net profit returns to sufficient levels

SUSTAINABLE BUSINESS  
INVESTMENTS:

- Acquisition of new land to stabilise project portfolio in St Petersburg
- Land bank annual replenishment by at least amount sold during the period
- Value-creating expansion to new regions/segments and non-organic growth opportunities
- Fund R&D and digital transformation investments with attractive returns

MAINTAINING BUSINESS  
STABILITY:

- Debt repayment to maintain strong financial position with net corporate debt to pre-PPA EBITDA between 2.0x to 3.0x

<sup>(1)</sup> Including interests received on deposits  
<sup>(2)</sup> Based on management accounts data

# STRATEGY 2024

## FINANCIAL TARGETS

		NOW <sup>(1)</sup>	2024
1	NEW CONTRACT SALES GROWTH	Flattish y-o-y	Strong double digit
2	PRE-PPA GROSS MARGIN	29%	>35%
3	SG&A TO REVENUE	14.1%	10%
4	PRE-PPA EPS GROWTH	< Revenue growth	> Revenue growth
5	NET CORPORATE DEBT TO PRE-PPA EBITDA	1.8x	2x–3x
6	REPORTED OCF	Negative	Positive
7	DIVIDENDS	RUB 12 per GDR	min. RUB 12 per GDR + net profit growth upside

<sup>(1)</sup> Based on financial results as of 30.06.2020 (Financial position on 30.09.2020) and operating results for 9 months 2020

# ETALON GROUP AS AN INVESTMENT

## WHAT WE AIM TO ACHIEVE

## RESULT IN

1

**Attractive growth profile** supported by higher loyalty to Etalon product, as well as wider product offering in core regions and Russia-wide

**SALES AND REVENUES  
STRONG DOUBLE-DIGIT  
GROWTH**

2

**Industry-leading profitability** backed by standardisation of offering and use of new construction technologies

**GROSS PROFIT MARGIN  
ABOVE 35%**

3

**Operational excellence** supported by end-to-end value chain digitalisation

**INDUSTRY-LEADING EBITDA  
MARGIN SUPPORTED BY SG&A  
COSTS C. 10% OF REVENUE**

4

**Return to positive cash flow generation** after full escrow implementation, supported by shorter-cycle industrial home building technologies

**POSITIVE OPERATING  
AND FREE CASH FLOW  
GENERATION**

5

**Generous dividend distribution** supported by optimised capital allocation and highly transparent declared dividend policy

**GUARANTEED DIVIDEND  
OF RUB 12 PER GDR,  
PLUS UPSIDE**

# CORPORATE GOVERNANCE **AND MOTIVATION**





# BOARD COMPOSITION AND OWNERSHIP

## BOARD OF DIRECTORS COMPOSITION

 <p><b>SERGEY EGOROV</b></p> <p>(C) (R)</p>	 <p><b>OLEG MUBARAKSHIN</b></p> <p>(R)</p>	 <p><b>MAXIM BERLOVICH</b></p> <p>(E)</p>
 <p><b>DENNIS VINOKOUROV</b></p> <p>(I)</p>	 <p><b>MARTIN COCKER</b></p> <p>(I)</p>	 <p><b>BORIS SVETLICHNY</b></p> <p>(I)</p>
 <p><b>MARINA OGLOBLINA</b></p> <p>(I)</p>	 <p><b>GANNA KHOMENKO</b></p> <p>(I)</p>	 <p><b>CHARALAMPOS AVGOUSTI</b></p> <p>(I)</p>

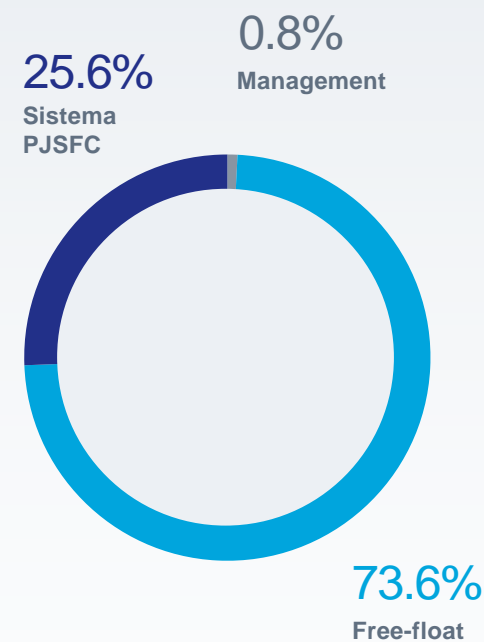
### 9 BOARD OF DIRECTORS MEMBERS

- (C) Chairman
- (R) 2 Representatives of Sistema PJSC
- (E) 1 Executive Director
- (I) 6 Independent Directors

### 4 BOARD COMMITTEES

1. Strategy Committee
2. Remuneration & Nomination Committee
3. Audit Committee
4. IR and Information Disclosure Committee

## SHAREHOLDER STRUCTURE<sup>(1)</sup>



<sup>(1)</sup> As of 17.11.2020

# GENERAL CORPORATE GOVERNANCE PRINCIPLES

## STEP 1:

### ALIGNMENT OF INTERESTS

- Relationship agreement signed between Etalon Group and Sistema PJSFC

#### Key principles:

- The Company will be managed in accordance with the principles of good governance
- Only arm's length basis transactions
- Sistema's representatives on the Company's Board of Directors will not vote on any transaction or arrangement between Sistema and Etalon Group

## STEP 2:

### FEEDBACK AND INTERACTION

- IR and Information Disclosure committee established to improve interaction between BoD and minority shareholders
- Perception study carried out by IHS Markit to understand key areas for improvement
- Results of IHS Markit survey will be used to improve Corporate Governance at Etalon Group

## STEP 3:

### TRANSFORMATION

- Final transition from family governance model to institutional corporation
- Reforming corporate governance

#### Key principles:

- Proper distribution of authority between Russian and Cypriot Board levels
- All related party transactions are considered at Cypriot Board level (and Sistema Directors do not vote)
- Thresholds for large transactions are brought up to date and are consistent with the company size and best practices

# MANAGEMENT INCENTIVE SYSTEM BUILT TO ALIGN INTEREST OF MANAGEMENT AND SHAREHOLDERS

	KPI	INCENTIVE AMOUNT	EMPLOYEES IN PROGRAMME	PAYMENT
<div>SHORT-TERM INCENTIVE (STI)</div>	<div>New contract sales</div> <div>Gross margin</div> <div>EBITDA</div> <div>Dividends</div> <div>Net debt</div>	<div>20% to 100%</div> <div>depending on grade</div>	<div>All senior and middle</div> <div>management</div>	<div>Once a year after</div> <div>publication of full year</div> <div>financial statements</div>
<div>LONG-TERM INCENTIVE (LTI)</div>	<div>Market capitalisation</div> <div>growth only</div>	<div>5% of increase in</div> <div>market capitalisation if</div> <div>capitalisation increases</div> <div>by more than 20%</div>	<div>CEO and CEO-1</div> <div>level only</div>	<div>Instalments over 3 years if the</div> <div>capitalisation remains above</div> <div>required level. If market</div> <div>capitalisation decreases below the</div> <div>KPI threshold in a given period, the</div> <div>rest of the incentive shall not be paid</div>

# ESG



# SDGs CHOSEN BY ETALON GROUP

## UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

- We identified 8 SDGs<sup>(1)</sup> that are aligned with our business activities and to which we can make a meaningful contribution
- As we refine our sustainability strategy and define specific, measurable goals, the list of SDGs may be modified and narrowed down in order to focus on the ones where we can have the most impact



<sup>(1)</sup> Etalon Group has not yet joined the principles of the UN Global Compact, but already supports its activities



# 2019: ACTIONS AND RESULTS

## 3 GOOD HEALTH AND WELL-BEING



### ACTIONS

673 employees completed training in operational health and safety

### RESULTS

**ZERO FATALITIES** or accidents leading to disabilities

## 4 QUALITY EDUCATION



### ACTIONS

Opened four preschools, an early-stage primary school, a secondary school and a choreography school

### RESULTS

**2,150 STUDENTS** capacity of the opened educational facilities

## 7 AFFORDABLE AND CLEAN ENERGY



### ACTIONS

Optimised logistics routes at construction sites

### RESULTS

**-12%** year-on-year reduction in fuel consumption during construction in 2019

## 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



### ACTIONS

Maintained leadership in the use of BIM technology

### RESULTS

Developed and implemented the web-based platform that enables the **effective assessment of OHS at construction sites** in real time

## 12 RESPONSIBLE CONSUMPTION AND PRODUCTION



### ACTIONS

Used BIM technologies to improve environmental footprint

### RESULTS

**-4%** year-on-year reduction in electricity consumption during construction in 2019

## 13 CLIMATE ACTION

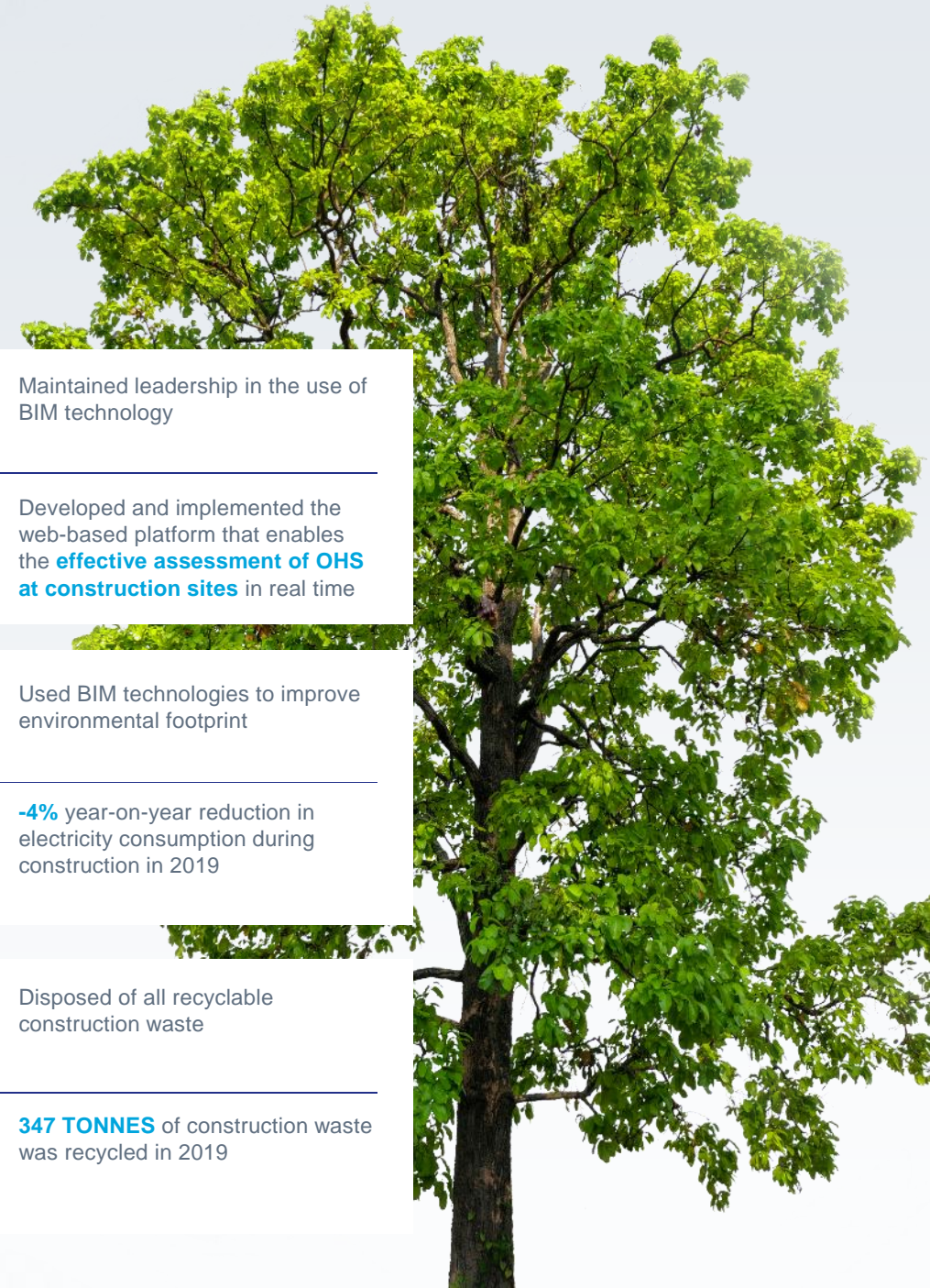


### ACTIONS

Disposed of all recyclable construction waste

### RESULTS

**347 TONNES** of construction waste was recycled in 2019



# NEW STRATEGIC INITIATIVES AND ESG GOALS

## CLT BUILDING CONSTRUCTION

**LIMITED NOISE** for people living in CLT buildings due to the material's natural sound insulation

**NEUTRAL CARBON FOOTPRINT** over the lifetime of a CLT building<sup>(1)</sup>

**BEST ECO INDEX 3** for solid timber construction material (influence on the environment)<sup>(2)</sup>



## LANDBANK STRUCTURE

### CREATING OF EDUCATIONAL AND SOCIAL INFRASTRUCTURE

Due to the presence of one big anchor and several medium-sized integrated development projects in each core city, we will create education and social infrastructure for new residents



## MODULAR BUILDING CONSTRUCTION

**-50% IN SITE CO2 EMISSIONS** for a modular building comparing to a standard building<sup>(3)</sup>

**-30% SITE WATER CONSUMPTION**

**ZERO WASTE GENERATED ON SITE**



## B2B SERVICES, PARTNERSHIP FOR BUILDING ALLIANCES

By creating different partnership alliances and offering other companies access to our technologies via B2B services, we will expand our know-how to other companies,

**PROMOTING SUSTAINABLE  
INDUSTRIALISATION AND  
FOSTERING INNOVATION**



<sup>(1)</sup> Source: Royal Institution of Chartered Surveyors

<sup>(2)</sup> Source: Ökoindex3

<sup>(3)</sup> Source: Royal Institution of Chartered Surveyors, estimated data for modular building created under Design for Manufacture and Assembly method (DfMA)

# FUTURE ESG DEVELOPMENT

1

DEVELOP ESG STRATEGY AND  
UNIFIED ESG POLICY WITH AIM  
TO INTEGRATE STRATEGICALLY  
SIGNIFICANT ESG ISSUES INTO  
THE BUSINESS STRATEGY

2

CONSIDER SUSTAINABLE  
DEVELOPMENT AT EVERY  
STEP OF PROJECT  
IMPLEMENTATION

3

INCREASE THE LIST OF  
TRACKED AND REPORTED  
QUANTITATIVE INDICATORS  
AND SET EXPLICIT GOALS

4

CONTINUOUSLY IMPROVE  
CORPORATE GOVERNANCE  
STANDARDS AND PRACTICES  
BY MEANS OF FEEDBACK FROM  
INSTITUTIONAL INVESTORS

5

EXTERNALLY ASSURE  
FUTURE ESG REPORTING

6

INCLUSION IN ESG  
INDICES



# WOOD'S

WINTER WONDERLAND CONFERENCE

