

WOOD'S EM FINANCIALS & REAL ESTATE CONFERENCE

15-16 JUNE 2021



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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 mln
sqm

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 POSITION
IN ST PETERSBURG
AND MOSCOW

TOP 9

ETALON GROUP IS AMONG
THE TOP 9 DEVELOPERS
BY SALES ON THE PRIMARY
REAL ESTATE MARKETS IN
2020⁽¹⁾

OF THE LARGEST
DEVELOPERS

#6

ETALON GROUP IS THE #6
LARGEST DEVELOPER IN
RUSSIA ACCORDING TO
THE FORBES RUSSIA
RANKING IN 2020

ONE OF THE LARGEST
REGIONAL
SALES NETWORK

59

59 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

⁽¹⁾ according to DOM.RF

OUR CUSTOMER OFFERING TODAY

RESIDENTIAL REAL ESTATE DEVELOPMENT



UPPER-ECONOMY

2 %

- Emerald Hills, the last upper-economy project in the portfolio with NSA of 857 ths sqm, was launched in 2009
- Today, **97% of residential NSA at the project has been sold**



COMFORT

27 %

- Galactica, the largest comfort-class project in St Petersburg with **NSA of 764 ths sqm**, was launched in 2015
- Etalon City, the largest comfort-class project in Moscow, has **NSA of 366 ths sqm** and was launched in 2013



BUSINESS

71 %

- The first business-class project, Silver Fountain, was launched in 2017
- In monetary terms, the share of business-class projects in **NCS increased from 9% in 1Q 2018 to 47% in 1Q 2021**

GENERAL CONTRACTING



COMMERCIAL / INDUSTRIAL / SOCIAL

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

MARKET TRENDS

6



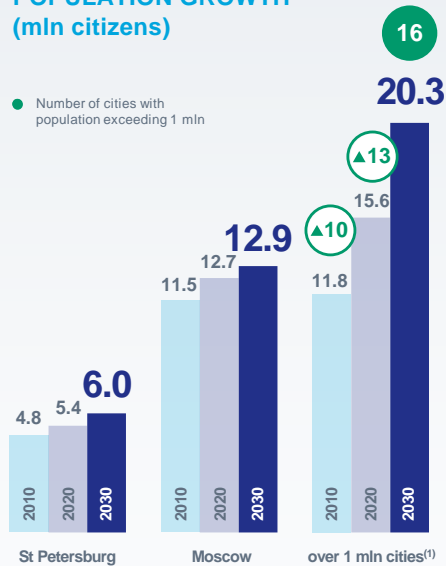
REAL ESTATE DEMAND DRIVEN BY CONSUMERS SEEKING BETTER HOUSING



URBANISATION

POPULATION GROWTH
(mln citizens)

● Number of cities with population exceeding 1 mln



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 (sqm)

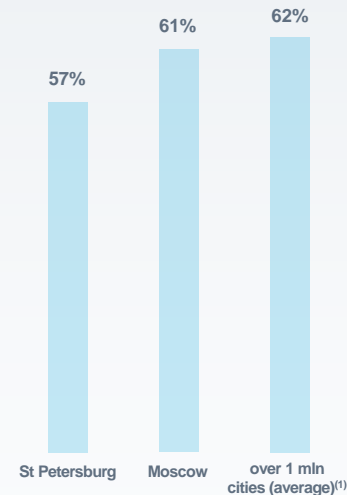


Russia still needs to improve living conditions; average living space per person is 23 sqm in cities with populations over 1 mln.



HOUSING STOCK

OLDER THAN 1990 (%)

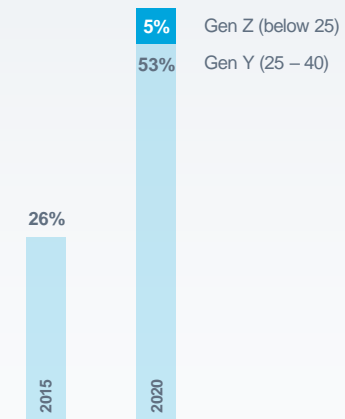


62% of the housing stock in Russia was built before 1990 and does not meet modern standards in terms of comfort, quality of the living environment and infrastructure.



GENERATIONAL CHANGES

SHARE OF GENERATION Y AND Z (UNDER 40)



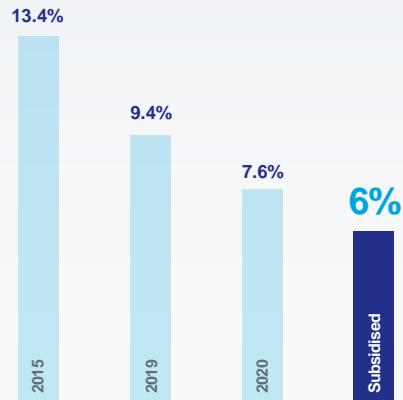
Share of young people without privatised property increased more than two-fold. Millennials are becoming first-time buyers. Even the oldest segment of generation Z has started buying property.

HOUSING AFFORDABILITY IS AT RECORD HIGH LEVEL



RECORD LOW MORTGAGE RATES

NATIONAL AVERAGE (%)

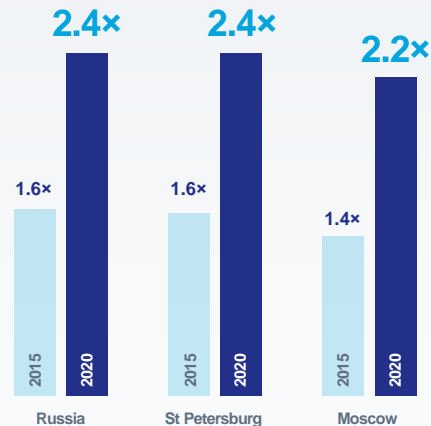


Mortgage rates decreased to a record low on the back of record low Central Bank key rate and subsidised mortgage programme active through July 2021.



IMPROVED AFFORDABILITY

WAGE TO ANNUITY PMT⁽¹⁾



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 mln can afford it.



WIDE PROGRAMME OF STATE SUPPORT

State support for families with children: from RUB 470 ths to RUB 1 mln



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

Tax subsidies for property purchase: up to RUB 520 ths

In support for families from regions outside Moscow and St Petersburg: up to RUB 436 ths

⁽¹⁾ 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

FINANCIAL RESULTS



REVENUE ANALYSIS

CONSOLIDATED REVENUE RUB mln

▼ -7%

84,330

78,655

FY 19

FY 20

RESIDENTIAL DEVELOPMENT REVENUE RUB mln

▼ -4%

73,484

70,476

FY 19

FY 20

RESIDENTIAL DEVELOPMENT REVENUE BY REGION RUB mln

MOSCOW

FY 20

39,827

FY 19

41,021

-3%
▼

ST PETERSBURG

FY 20

30,649

FY 19

32,463

-6%
▼

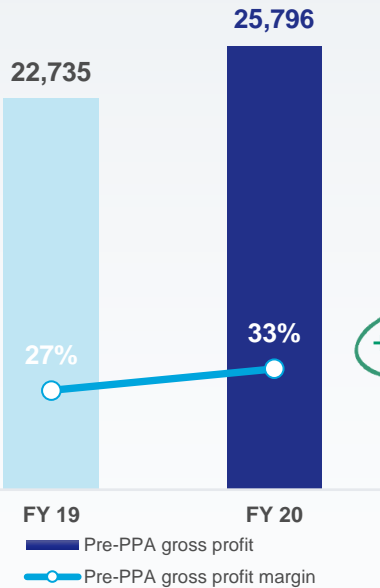
- Revenue was impacted by lower recognition in 1H 2020 due to a decline in the signing of construction completion certificates **caused by COVID-19 restrictions**
- Record sales** in 4Q and 12M 2020 helped the Company **offset** construction stoppages, with FY revenue amounting to RUB 78.7 bln

ADJUSTED GROSS PROFIT

HEALTHY GROWTH, STRONG MARGINS

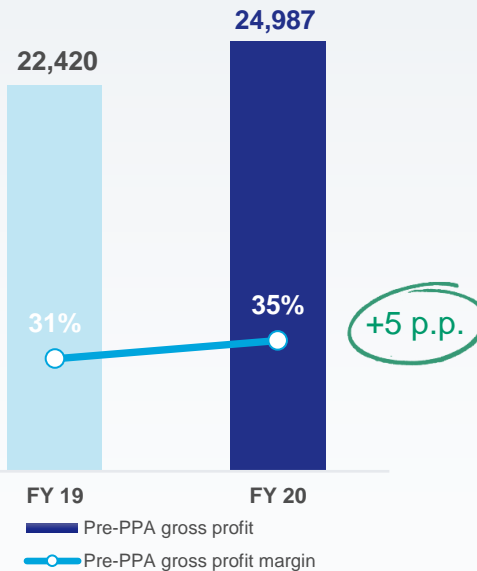
ADJUSTED⁽¹⁾ CONSOLIDATED
GROSS PROFIT
RUB mln

⬆️ +13%



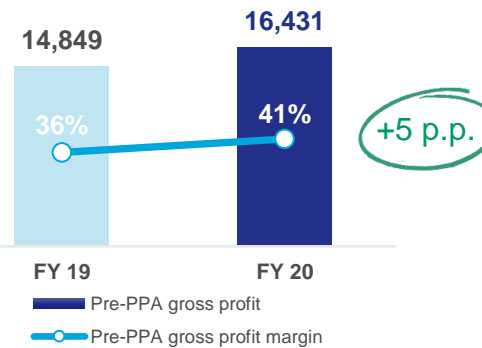
ADJUSTED⁽¹⁾ RESIDENTIAL
DEVELOPMENT GROSS PROFIT
RUB mln

⬆️ +11%



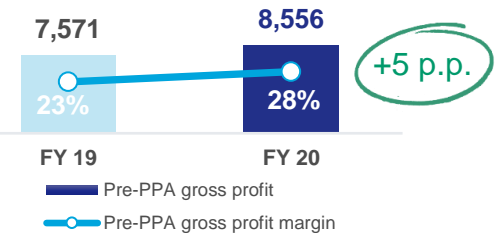
ADJUSTED⁽¹⁾ RESIDENTIAL
DEVELOPMENT GROSS PROFIT,
MOSCOW
RUB mln

⬆️ +11%



ADJUSTED⁽¹⁾ RESIDENTIAL
DEVELOPMENT GROSS PROFIT,
ST PETERSBURG
RUB mln

⬆️ +13%

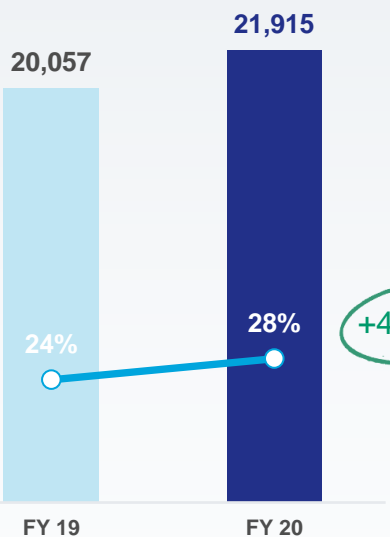


Source: IFRS Financial statements, y-o-y change was calculated without rounding
⁽¹⁾ Adjusted for purchase price allocation from acquisition of Leader-Invest

GROSS PROFIT REACHES A RECORD LEVEL

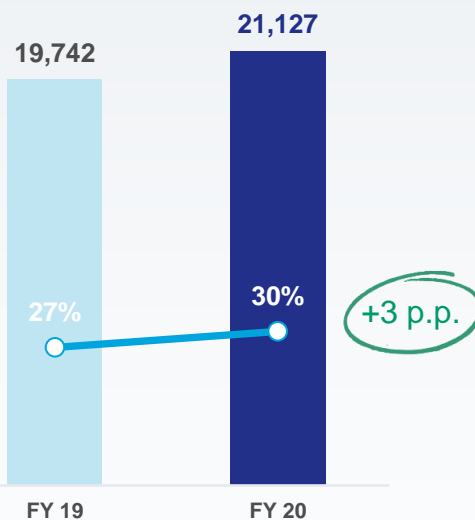
CONSOLIDATED GROSS
PROFIT
RUB mln

⬆️ +9%



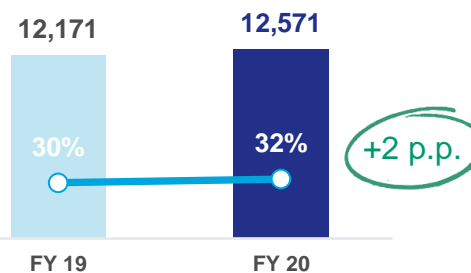
RESIDENTIAL DEVELOPMENT
GROSS PROFIT
RUB mln

⬆️ +7%



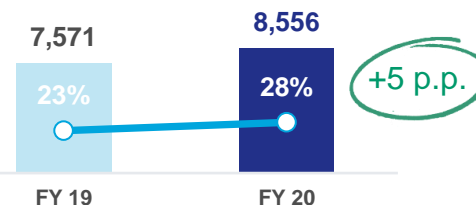
RESIDENTIAL DEVELOPMENT
GROSS PROFIT, MOSCOW
RUB mln

⬆️ +3%



RESIDENTIAL DEVELOPMENT
GROSS PROFIT, ST PETERSBURG
RUB mln

⬆️ +13%

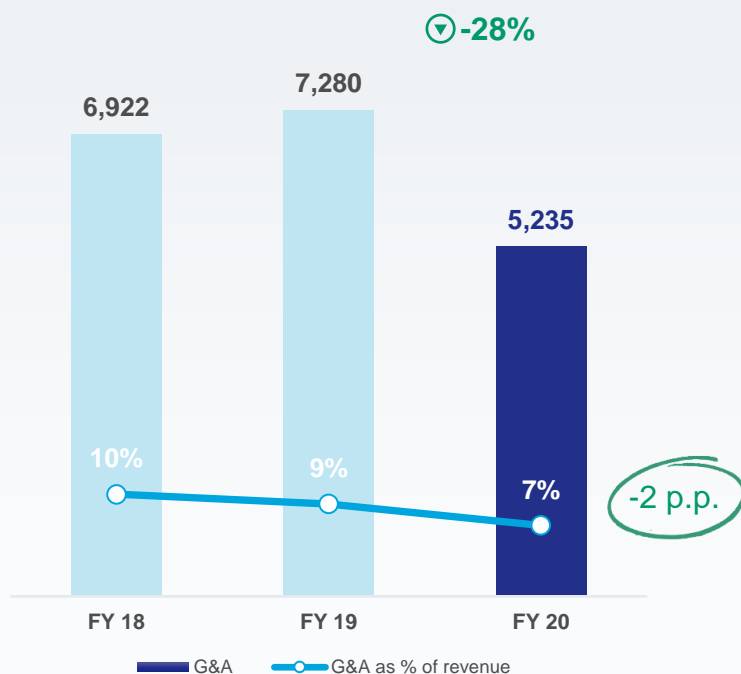


Source: IFRS Financial statements, y-o-y change was calculated without rounding

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

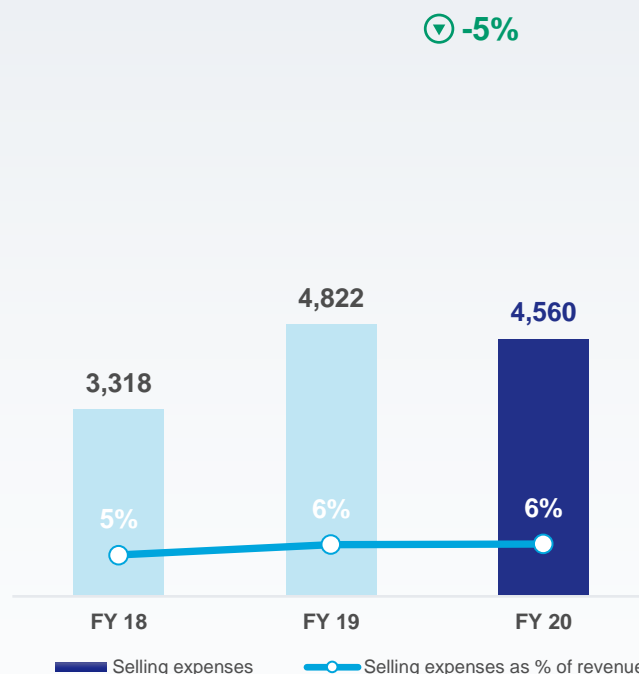
GENERAL AND ADMINISTRATIVE EXPENSES

RUB mln



SELLING EXPENSES

RUB mln

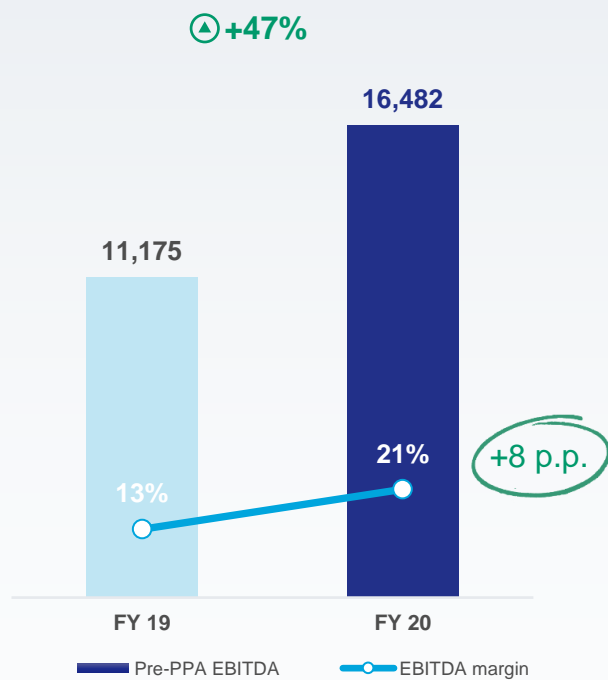


- Selling, general and administrative expenses **continue to decline in RUB terms**
- Current efforts aimed at streamlining business processes and Company structure lead to a **28% drop in G&A expenses**
- **Selling expenses** in RUB terms were **down by 5%**, even after new contract sales in monetary terms grew by 3% y-o-y

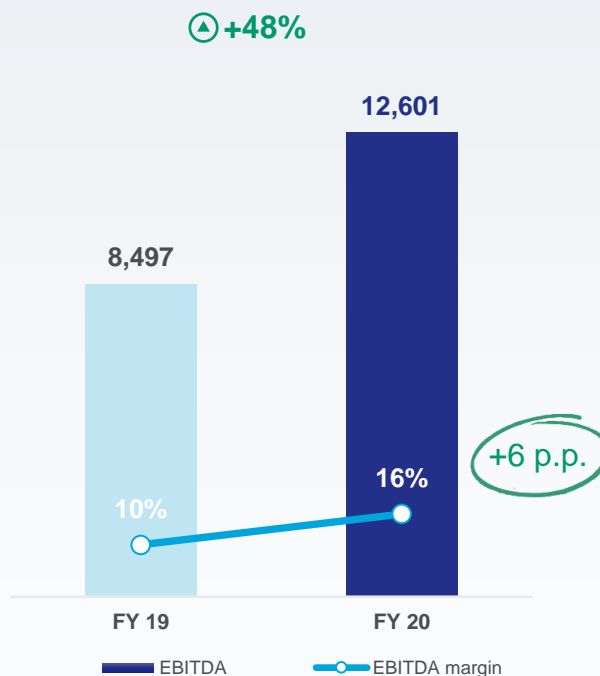
Source: IFRS Financial statements, y-o-y change was calculated without rounding

EBITDA ANALYSIS

ADJUSTED EBITDA⁽¹⁾
RUB mln



EBITDA
RUB mln



- Recovery in profitability and optimisation of selling, general and administrative expenses supported a **47% increase in ADJUSTED EBITDA**, which reached RUB 16.5 bln
- Adjusted EBITDA margin also **increased significantly by 8 p.p.** and amounted to 21%
- Even adjusted for PPA, **EBITDA increased by 48%** to RUB 12.6 bln

Source: IFRS Financial statements, y-o-y change was calculated without rounding
⁽¹⁾ Adjusted for purchase price allocation from acquisition of Leader-Invest

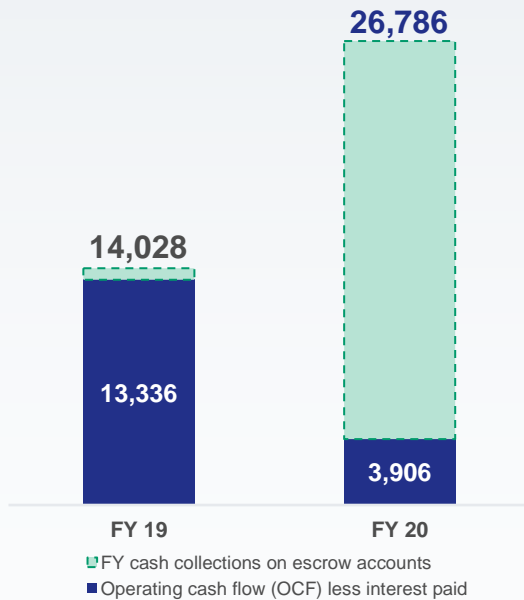
Source: IFRS Financial statements, y-o-y change was calculated without rounding

CASH FLOW ANALYSIS

OPERATING CASH FLOW⁽¹⁾

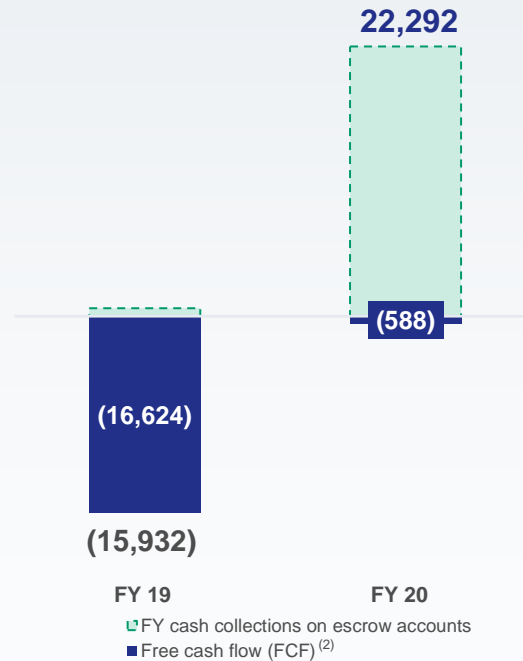
RUB mln

⬆️ +91%



FREE CASH FLOW⁽¹⁾

RUB mln



- Operating cash flow adjusted for cash collections on escrow **increased twofold to RUB 26.8 bln**
- Free cash flow adjusted for cash collections on escrow **returned to positive zone** and reached RUB 22.3 bln in 2020
- In 2020, **cash collections on escrow accounts** amounted to **RUB 22.9 bln**, with a cumulative balance of RUB 23.6 bln at 31 December 2020

Source: IFRS Financial statements, y-o-y change was calculated without rounding

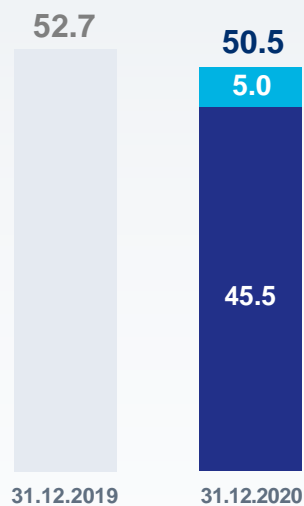
⁽¹⁾ Incl. FY cash collections in escrow accounts

⁽²⁾ Free cash flow is calculated as profit for the year adjusted for depreciation, share-based payments, impairments, interest, taxation, change in working capital, and change in invested capital

ROBUST FINANCIAL POSITION AFTER 12M 2020

TOTAL DEBT⁽¹⁾
RUB bln

▼ -4%



● Project debt
● Corporate debt

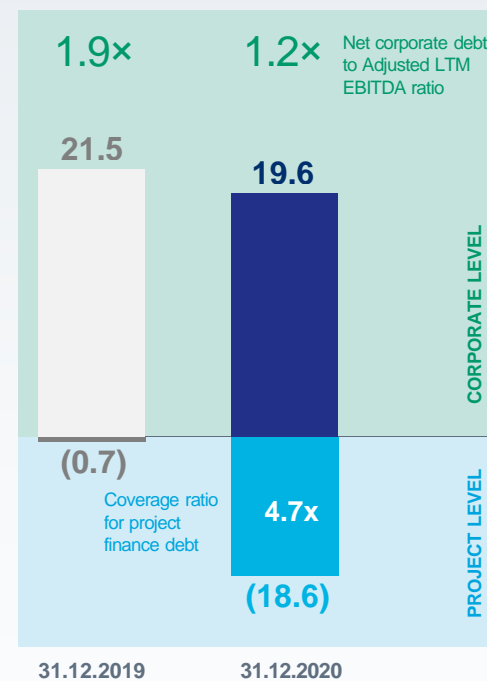
CASH AND CASH EQUIVALENTS
RUB bln

▲ +55%



● Cash in escrow accounts⁽²⁾
● Cash & cash equiv.⁽³⁾

NET DEBT (CASH)
RUB bln



● Net project debt (cash)⁽⁴⁾
● Net corporate debt
● Net corporate debt to Adjusted LTM EBITDA
● X.Xx Coverage ratio for project finance debt (calculated as cash in escrow accounts / project financing)

- Net corporate debt to Adjusted LTM EBITDA decreased from 1.9x to 1.2x as of end-2020
- All project finance obligations are well covered to access reduced interest rates ranging from 0.01% to 3.5%
- Average cost of borrowings declined from 9.4% at the end of 2019 to 8.3% at 31.12.2020

Source: IFRS Financial statements, y-o-y change was calculated without rounding

⁽¹⁾ Loans and borrowings as per IFRS statements

⁽²⁾ Cash in escrow account is held off balance sheet until it is released following delivery of the purchased property

⁽³⁾ Including bank deposits over 3 months; excluding cash collections in escrow accounts

⁽⁴⁾ Project finance debt less cash on escrow account

OPERATING RESULTS

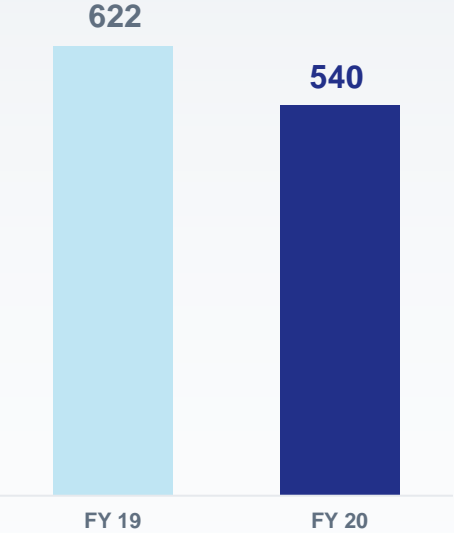
17



DELIVERIES IN FY 2020

DELIVERIES
ths sqm

18



FY 2020 DELIVERIES BY REGION
ths sqm



FY 2020 DELIVERIES BREAKDOWN
ths sqm⁽¹⁾

PROJECT	NSA, ths sqm
Galactica	139
Okhta House	134
Normandy	89
Silver Fountain	67
Botanica	47
House on Kosmonavtov	26
Schastye v Kuzminkakh	9
Schastye na Sokole	9
Schastye v Sadovnikakh	7
Schastye na Presne	6
Schastye v Kuskovo	6
Wings	0.4
TOTAL	540

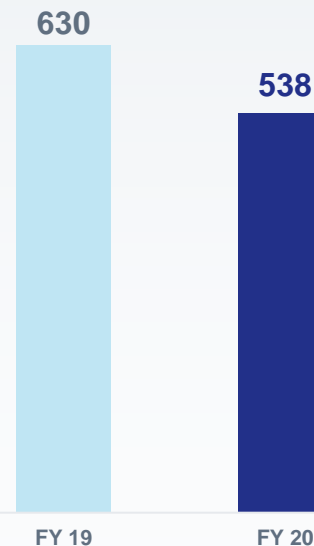
Source: Company data. ⁽¹⁾ Totals may not add up due to rounding

FY 2020

OPERATING RESULTS

NEW CONTRACT SALES
ths sqm

▼ -15%



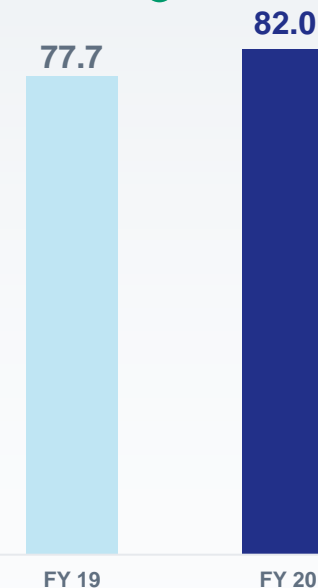
NEW CONTRACT SALES
RUB bln

▲ +3%



TOTAL CASH COLLECTIONS
RUB bln

▲ +5%

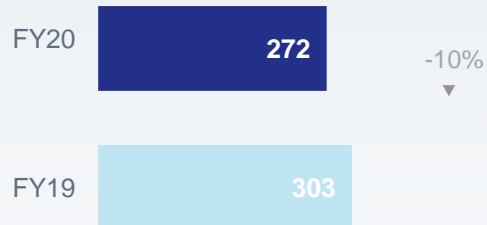


- Etalon **exceeded its own best-case guidance for all metrics**, despite a COVID-19 related slowdown in 1H 2020
- New contract sales and total cash collection reached **record levels of RUB 79.9 bln and RUB 82.0 bln, respectively**
- The number of new contracts amounted to **9,725 in FY 2020**
- Cash collections in escrow accounts **amounted to RUB 22.9 bln** in FY 2020, making it possible to reduce the cost of project financing to preferential interest rates ranging from 0.01% to 3.5%

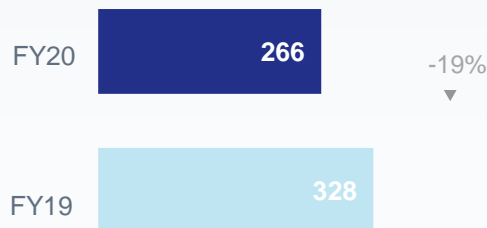
FY 2020 OPERATING RESULTS: BREAKDOWN BY REGIONS

NEW CONTRACT SALES ths sqm

MOSCOW

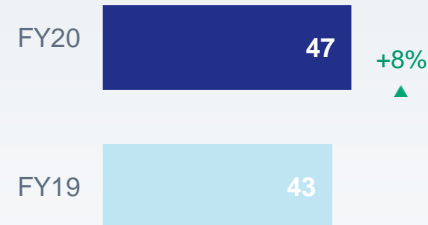


ST PETERSBURG

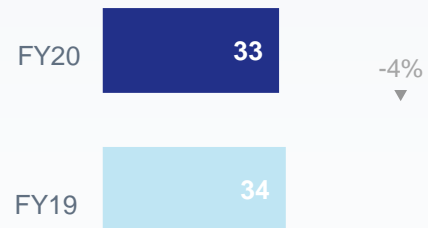


NEW CONTRACT SALES RUB bln

MOSCOW

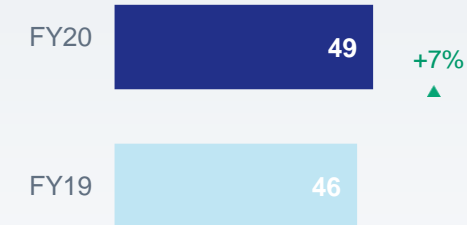


ST PETERSBURG

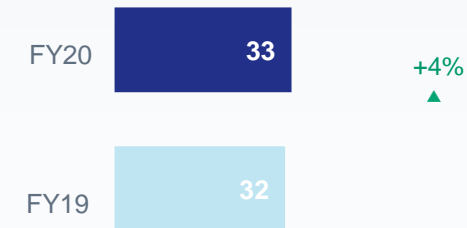


TOTAL CASH COLLECTIONS RUB bln

MOSCOW



ST PETERSBURG



- A recovery in demand in 2H 2020 balanced out the decline in sales caused by COVID-19 in the first half of the year
- Total cash collections in FY 2020 **rose year-on-year** in both key regions

1Q 2021

OPERATING RESULTS

NEW CONTRACT SALES
ths sqm

▼ -22%

126

99

1Q 2020

1Q 2021

NEW CONTRACT SALES
RUB bln

▼ -10%

17.9

16.2

1Q 2020

1Q 2021

TOTAL CASH COLLECTIONS
RUB bln

▲ +2%

17.6

18.0

1Q 2020

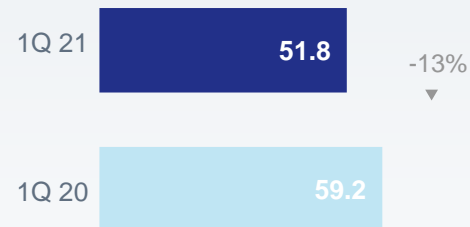
1Q 2021

- The number of new contracts amounted to **1,989 in 1Q 2021**
- Cash collections in escrow accounts **amounted to RUB 4.9 bln** in 1Q 2021, up by 23% year-on-year, making it possible to reduce the cost of project financing to preferential interest rates ranging from 0.01% to 3.5%
- Deliveries in 1Q 2021 amounted to **3 ths sqm**

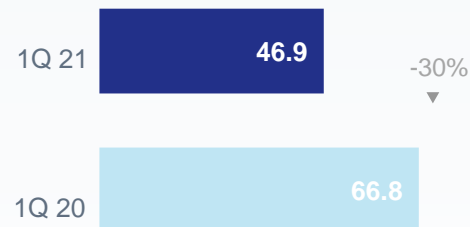
1Q 2021 OPERATING RESULTS: BREAKDOWN BY REGIONS

NEW CONTRACT SALES ths sqm

MOSCOW

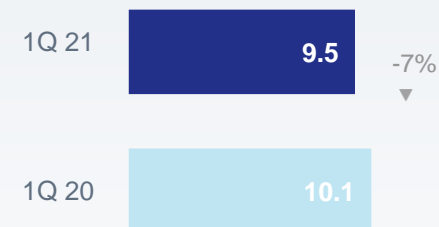


ST PETERSBURG

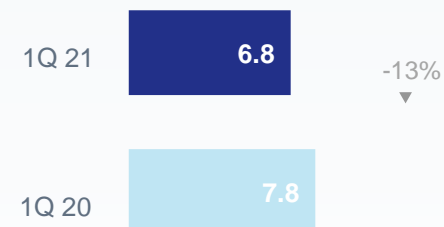


NEW CONTRACT SALES RUB bln

MOSCOW

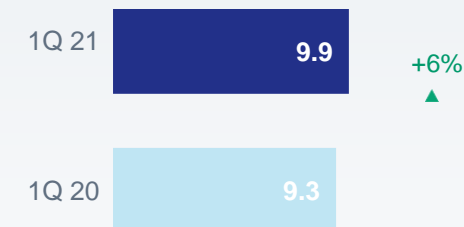


ST PETERSBURG

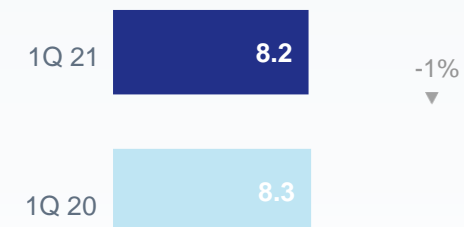


TOTAL CASH COLLECTIONS RUB bln

MOSCOW



ST PETERSBURG



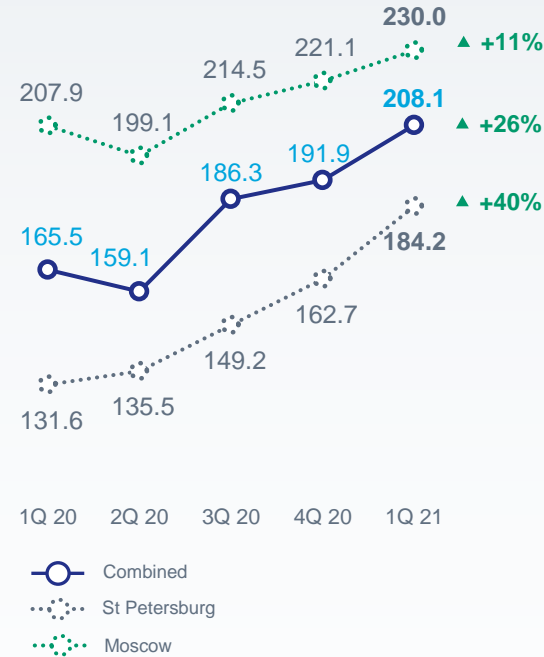
- New contract sales in monetary terms decreased by only 13% in St Petersburg, due to a **40% increase in apartment prices** in the region
- Total cash collections in Moscow grew by 6% y-o-y

AVERAGE PRICE AND DOWN PAYMENT PERFORMANCE

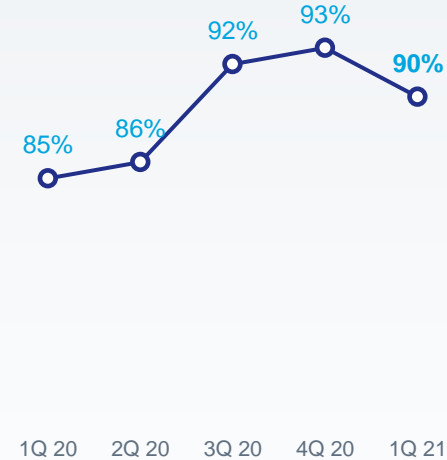
AVERAGE PRICE
RUB ths/sqm



AVERAGE APARTMENT PRICE
RUB ths/sqm



AVERAGE DOWN PAYMENT
%

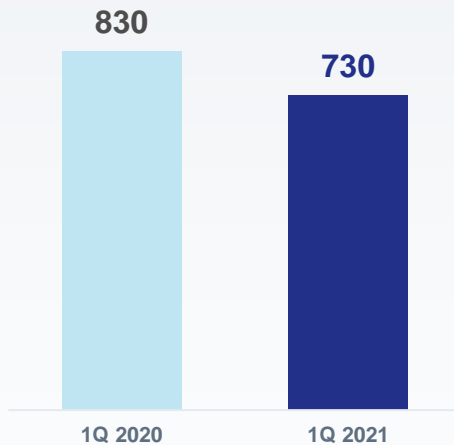


- Average price for apartments **increased by 26% year-on-year to a record high RUB 208.1 ths/sqm**
- **Continued use of dynamic pricing** in St Petersburg supported average apartment price growth of 40% year-on-year
- Average down payment remains at a high level of 90%, helped by **mortgages, investment demand** and a significant share of business class properties in the sales mix

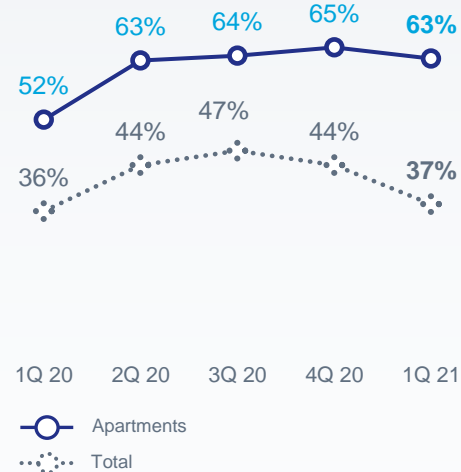
MORTGAGE SALES

NUMBER OF MORTGAGE CONTRACTS SIGNED

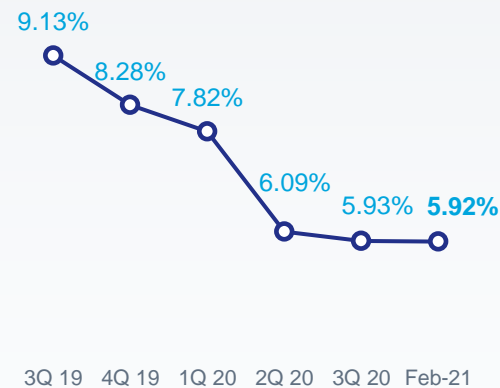
▼ -12%



MORTGAGE CONTRACTS AS A SHARE OF SALES



AVERAGE MORTGAGE RATE IN RUSSIA⁽¹⁾



- Despite recent growth of the key rate by 0.25 p.p. **mortgage rates** in Russia are still at **record lows**, driven by the **State support programme** and a key rate of 4.5%
- Mortgage contracts as a share of **apartment sales** are at **63%** amid low mortgage rates

PLANNED LAUNCHES IN 2021

LAUNCHES OF PROJECTS FROM THE CURRENT PORTFOLIO WILL DIVERSIFY ETALON'S OFFER AND BOOST SALES

ZIL-YUG



Location
MOSCOW

Launch of the 1st phase
2Q 2021

NSA to launch in 2021

109 ths sqm

Income from sales

RUB 360 bln

Zil-Yug is the largest project in Etalon Group's Moscow portfolio. The unique concept and attractive location make it an excellent contribution to Etalon's sales portfolio.

NAGATINO I-LAND (PHASE 2)



Location
MOSCOW

Launch of the 2nd phase
April 2021

NSA to launch in 2021

80 ths sqm

Income from sales

RUB 73 bln

Presales of the 1st phase of Nagatino i-Land launched in November 2019 reached 75% of available NSA, even though the buildings have yet to be commissioned.

PROJECT ON LETNIKOVSKAYA STREET



Location
MOSCOW

Launch of the project
2021

NSA to launch in 2021

53 ths sqm

Income from sales

RUB 20 bln

This business-class project is located in a well-established and prestigious central neighbourhood, a 10-minute drive from the Red Square and in close proximity to a business district.

New acquisitions planned for 2021 through 2024 will further support sales dynamics

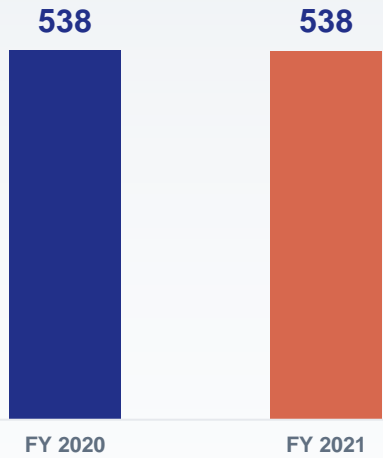
GUIDANCE FOR FY 2021

NEW CONTRACT SALES
ths sqm



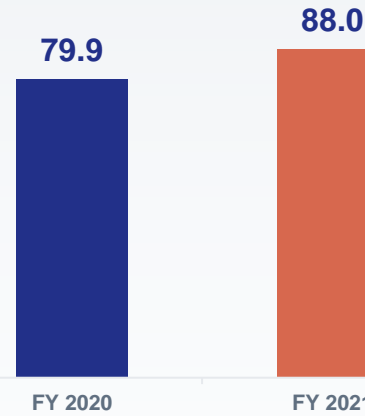
26

INVESTOR PRESENTATION



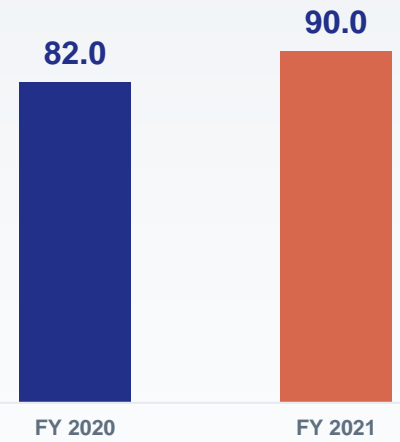
NEW CONTRACT SALES
RUB bln

⬆️ +10%



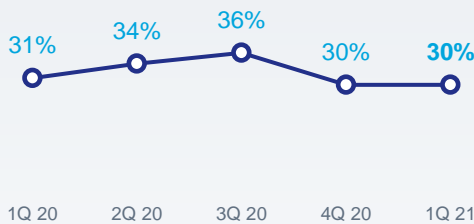
TOTAL CASH COLLECTIONS
RUB bln

⬆️ +10%



REGIONAL SALES PERFORMANCE

SHARE OF REGIONAL BUYERS



ETALON GROUP'S REGIONAL SALES GEOGRAPHY⁽¹⁾

REGION	SHARE OF TOTAL CONTRACTS
Leningrad region	3.0%
Yamalo-Nenets AD	1.6%
Krasnodar Krai	1.0%
Krasnoyarsk Krai	1.0%
Volgograd region	0.9%
Sakha	0.8%
Khanty-Mansi AD	0.8%
Rostov region	0.7%
Pskov region	0.7%
Other Russian regions	18.6%
Foreigners	0.7%
TOTAL	30.1%

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
- 59 cities covered by 29 sales offices nationwide
- External professional marketing and sales service agents engaged nationwide

⁽¹⁾ Company data for 1Q 2021; change was calculated without rounding

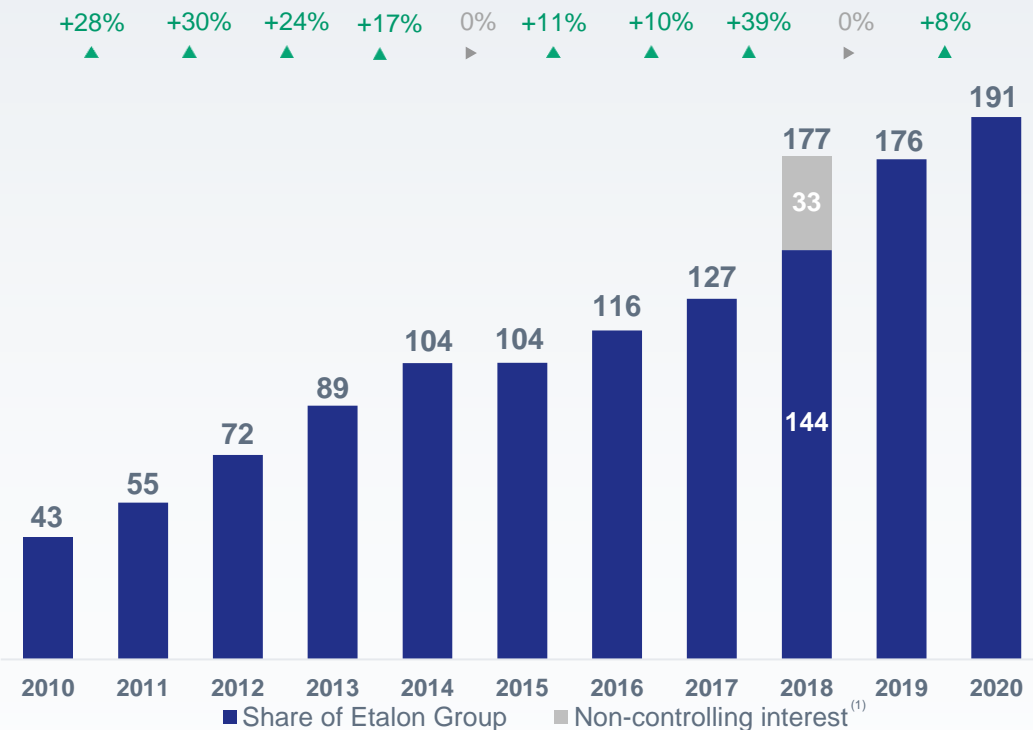
PROJECT PORTFOLIO & **ACQUISITION PIPELINE**

28

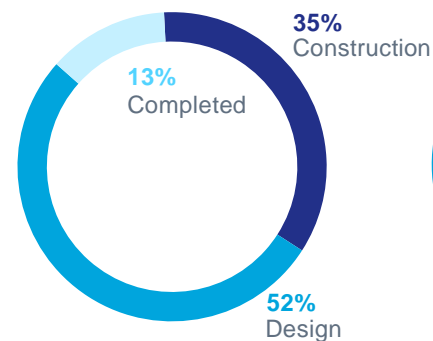


ETALON GROUP PORTFOLIO OVERVIEW

MARKET VALUE OF PROJECTS PORTFOLIO bln RUB



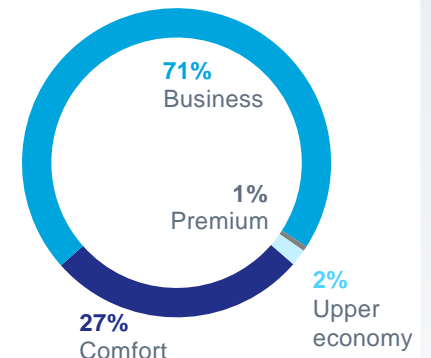
LANDBANK BY STAGE⁽²⁾



REGIONAL BREAKDOWN⁽²⁾



LANDBANK BY SEGMENT⁽²⁾



COMPLETED AND AVAILABLE FOR SALE PROPERTY

- The current portfolio includes **411 thousand sqm** of completed and available for sale property at projects that are completed or still under construction. Completed and available for sale apartments at projects currently under construction amounted to **130 thousand sqm**.
- Colliers International estimates potential income from the sale of all completed and available for sale property at **RUB 35.6 billion**, including **RUB 21.4 billion** from the sale of completed and available for sale apartments

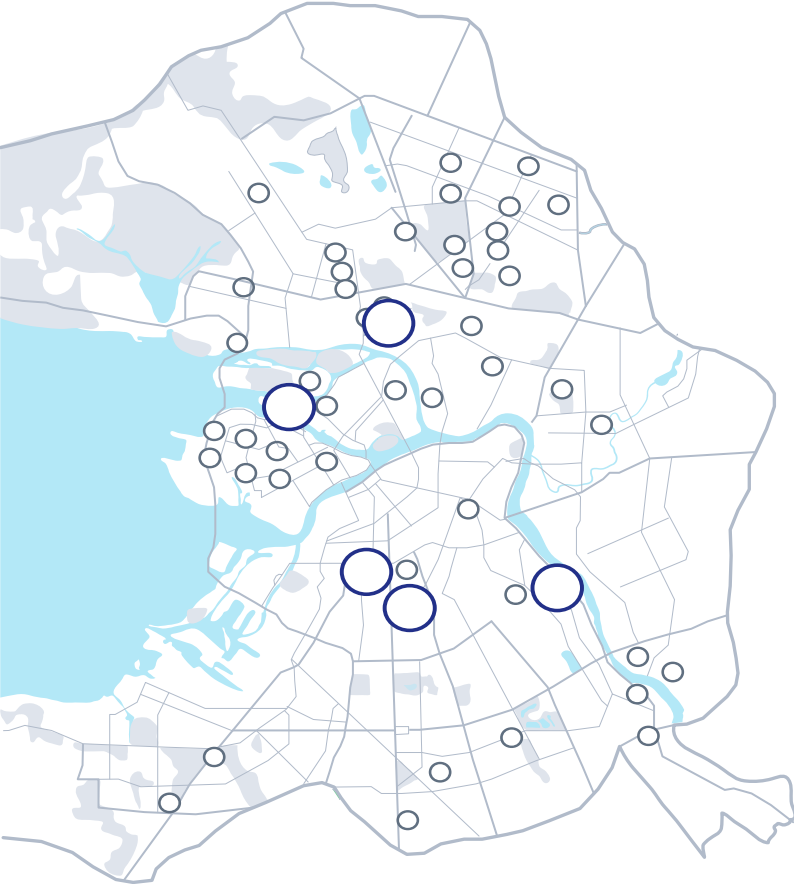
Source: Colliers International estimate as of 31.12.2020

⁽¹⁾ Sistema's 49% stake in Leader-Invest as of 2018 valuation publication date. Later in August 2019 Etalon Group consolidated 100% of Leader-Invest.

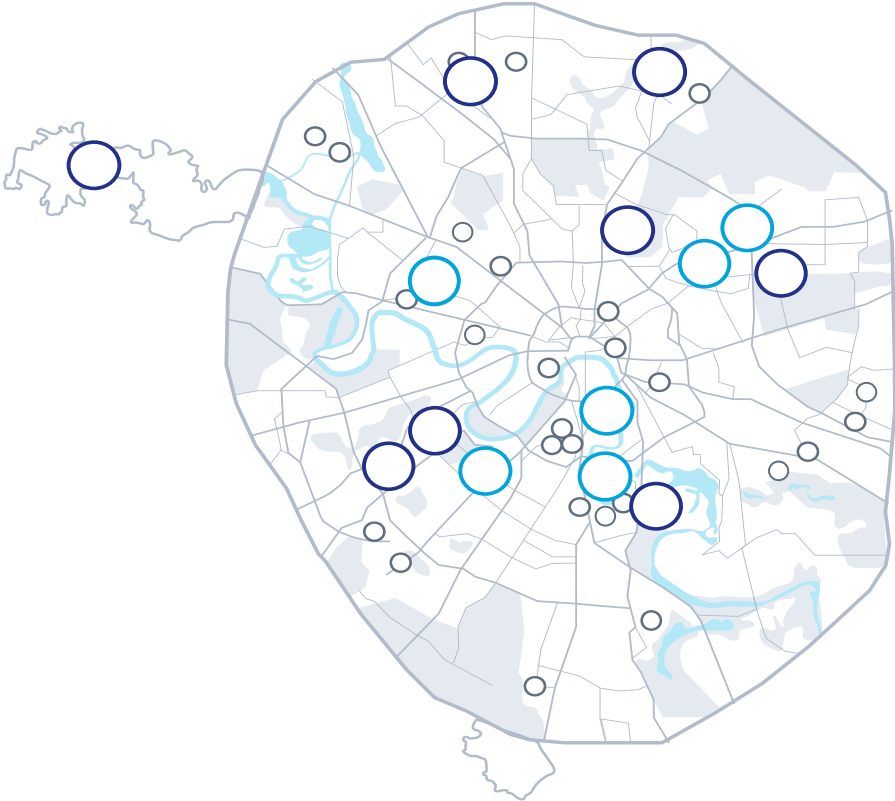
⁽²⁾ As % of Unsold NSA, in sqm terms. Percentages may not add up to exactly 100 due to rounding.

OPERATIONS IN ST PETERSBURG AND MOSCOW

ST PETERSBURG



MOSCOW



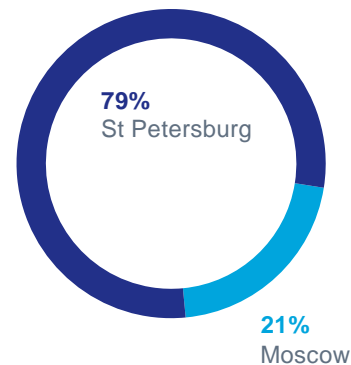
- Under construction
- Design stage
- Completed

PORTFOLIO REPLENISHMENT TO SUPPORT SALES

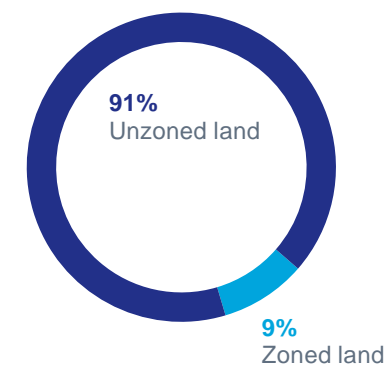
PROJECTED PORTFOLIO REPLENISHMENT IN 2021



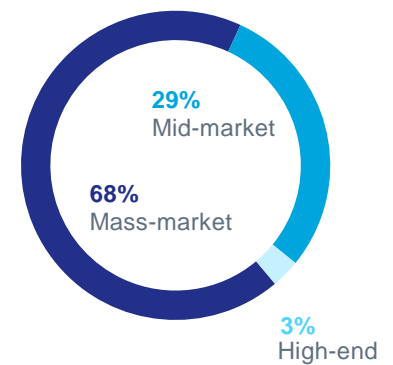
REGIONAL BREAKDOWN



ACQUISITION BY ZONING



ACQUISITIONS BY SEGMENT



PROJECT PIPELINE FOR ACQUISITION:

- Acquisition criteria: in line with strategic goal of **35%** gross profit margin by 2024
- Estimated investments for acquisition of new projects to be made in 2021: **up to RUB 30 bln**
- Acquisition financing: instalment payments, project financing, SPO
- Pipeline includes **new cornerstone project in St Petersburg** region to replace Galactica after its completion
- In addition, we will also consider regions with high economic potential and low entry costs

PIPELINE OF PROJECTS FOR ACQUISITION

32

INVESTOR PRESENTATION

#	REGION	DISTRICT	SEGMENT	LAND ZONING ⁽¹⁾	NSA, THS SQM ⁽¹⁾⁽²⁾	EXPECTED DEVELOPMENT PERIOD ⁽¹⁾	EXPECTED ACQUISITION TIMING ⁽¹⁾⁽³⁾
PROJECTS READY TO BE ACQUIRED IN 2021							
1	St. Petersburg	Moskovsky	mid-market	not required	24	2021-2025	3Q 2021
2	St. Petersburg	Primorsky	mid-market	not required	52	2021-2024	3Q 2021
3	St. Petersburg	Petrogradsky	high-end	not received	49	2021-2026	3Q 2021
4	St. Petersburg	Kalininsky	mid-market	not received	128	2021-2025	3Q 2021
5	St. Petersburg	Admiralteysky	mid-market	not required	54	2022-2025	3Q 2021
6	St. Petersburg	Vasileostrovsky	mid-market	not received	69	2022-2027	3Q 2021
7	St. Petersburg	Pushkinsky	mass-market	not received	1,871	2023-2035	4Q 2021
8	St. Petersburg	Vsevolozhsky, Leningrad region	mass-market	received	134	2022-2026	4Q 2021
9	St. Petersburg	Pushkinsky	mass-market	received	69	2022-2024	4Q 2021
10	St. Petersburg	Pushkinsky	mass-market	not received	306	2022-2026	3Q 2021
11	St. Petersburg	Moskovsky	mid-market	not received	25	2021-2025	4Q 2021
12	Moscow	Preobrazhenskoye	mid-market	not received	439	2022-2027	3Q 2021
13	Moscow	Meshchansky	high-end	not received	71	2022-2025	3Q 2021
14	Moscow	Krasnogorsky, Moscow region	mid-market	not received	230	2022-2028	4Q 2021
TOTAL					3,520		

- Attractive location within **St. Petersburg and Moscow**
- The considered projects should support the Company's goal of **achieving the target profitability level**
- **IRR** for project > **WACC** for the Group
- Prioritizing mid and largescale projects providing substantial base for **long-term cash-flow generation**
- Projects are ready to be **acquired in 2021**

⁽¹⁾ Based on the information available on 26.04.2020

⁽²⁾ Net sellable area of residential and commercial properties

⁽³⁾ In case of phased acquisition, the expected date of first payment

STRATEGY TO 2024

33



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

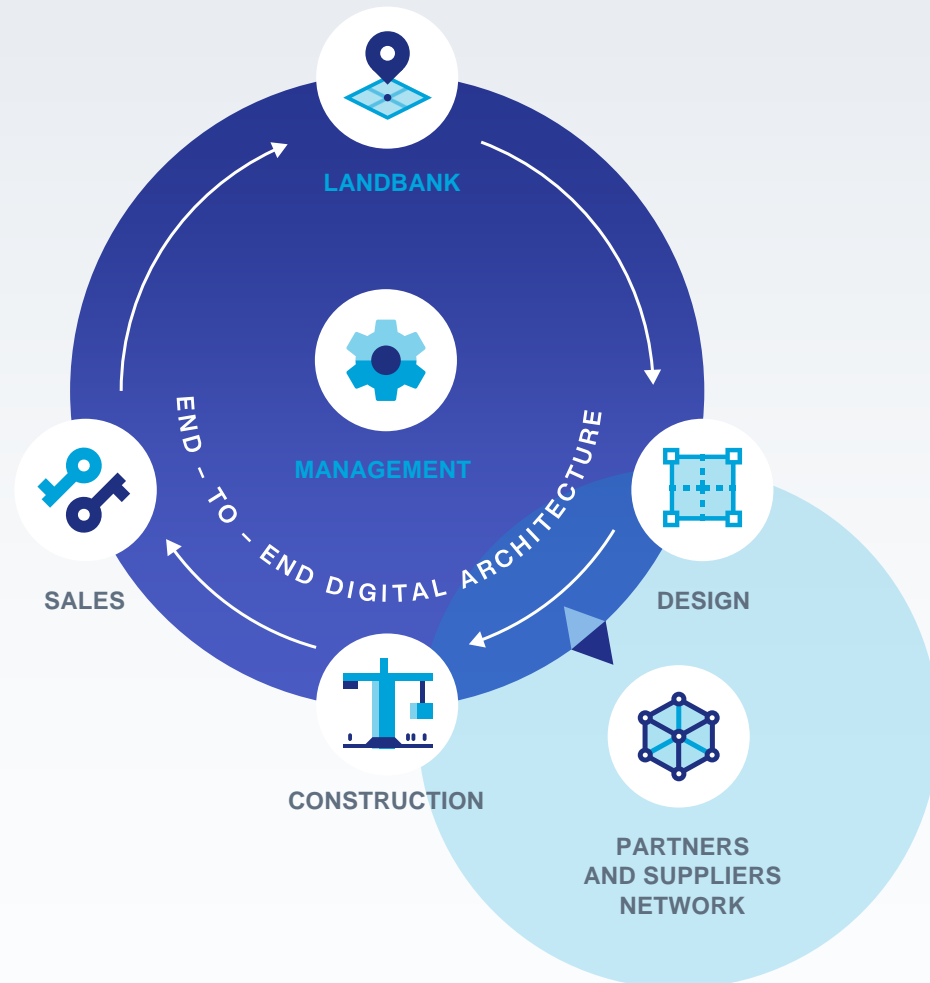
6

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



ETALON AIMS TO BE A LEADER IN NEW CONSTRUCTION TECHNOLOGIES

37

INVESTOR PRESENTATION



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

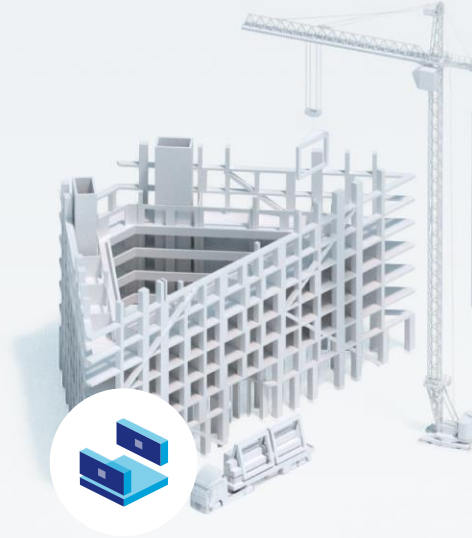
TRADITIONAL ON-SITE



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 planned launched in 2022

PLUS NEW INDUSTRIAL



CLT

- Hybrid and fully cross-laminated timber (CLT) buildings
- First building is planned 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 & 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 & PREPARATION</div> <div>1–2 months longer</div>	<div>ON-SITE CONSTRUCTION</div> <div>  6 months shorter </div>	<div>TRANSFER TO SERVICE COMPANY</div>
		<div>PRODUCTION</div> <div>up to 9 months</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	Preferably zoned with project documentation
3	TIME TO LAUNCH SALES	6–12 months
4	PERMITTING RISK	Low
5	INVESTMENT HORIZON	Short
6	ACQUISITION COST	High
7	IMPACT ON PROFITABILITY	Negative to Moderate

Moscow, St Petersburg **plus new regions**

Unzoned with and without landlord guarantee of receipt of planning permission, plus **zoned to compensate for deficit** in core regions

24–36 months

Moderate

Long

Moderate

Positive

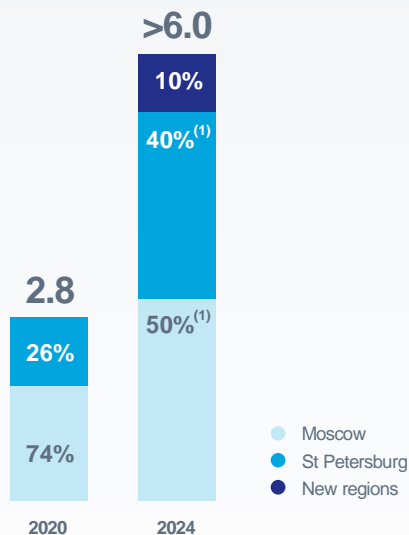
LANDBANK STRUCTURE

BALANCED BY REGION AND PROJECT SIZE

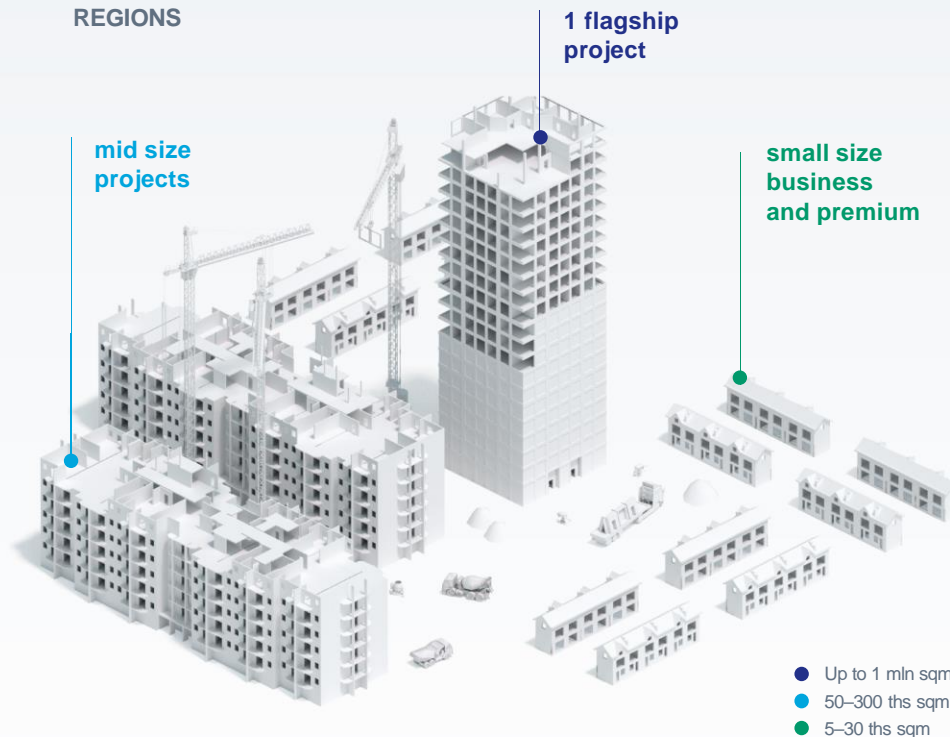
REGIONAL BREAKDOWN OF
LANDBANK
mln sqm

40

INVESTOR PRESENTATION



LANDBANK STRUCTURE BY
PROJECT SIZE IN CORE
REGIONS



REPLENISHMENT PRINCIPLES

Deficit compensation up to 1 mln sqm in 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

⁽¹⁾ 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

- 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

LIMITED FOR EACH
LOCATION

35 %
GROSS MARGIN

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

SWEET SPOT
Aim to minimise to
a level more than
competitors have

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

ACCEPTABLE COST

FINAL ACQUISITION
COST

PROFITABILITY UPSIDE

APARTMENT
SELLING PRICE

REQUIRED
GROSS MARGIN

CONSTRUCTION
COST

LAND COST

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

TARGET PROFITABILITY

SAME AS CORE REGIONS

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

ESTABLISHED TRACK RECORD IN REGIONAL MARKETS



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

ENTRY STRATEGY

PARTNERSHIP OR PILOT WITH FURTHER EXPANSION

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

59

CITIES COVERED

>19

YEARS ON THE REGIONAL MARKET

>30 %

OF ANNUAL SALES FROM REGIONAL BUYERS⁽¹⁾

⁽¹⁾ Company data for 1Q 2020

STRATEGY 2024

FINANCIAL TARGETS

2024

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












ESG

44



CORPORATE GOVERNANCE AT ETALON

BOARD OF DIRECTORS COMPOSITION

 SERGEY EGOROV <div><div>C</div><div>R</div></div>	 OLEG MUBARAKSHIN <div><div></div><div>R</div></div>	 GENNADIY SHCHERBINA <div><div></div><div>E</div></div>	 MAXIM BERLOVICH <div><div></div><div>E</div></div>
 ALEXANDR VOLOSHIN <div><div></div><div>I</div></div>	 MARINA OGLOBLINA <div><div></div><div>I</div></div>	 DENNIS VINOKOUROV <div><div></div><div></div></div>	 MARTIN COCKER <div><div></div><div>I</div></div>
 BORIS SVETLICHNY <div><div></div><div>I</div></div>	 CHARALAMPOS AVGOUSTI <div><div></div><div>I</div></div>	 GANNA KHOMENKO <div><div></div><div>I</div></div>	

11 BOARD OF DIRECTORS MEMBERS

- C

 Chairman
- R

 2 Representatives of Sistema PJSC
- E

 2 Executive Directors
- I

 6 Independent Directors

4 BOARD COMMITTEES

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

GOALS OF THE UN GLOBAL COMPACT

UN SUSTAINABLE DEVELOPMENT GOALS

- Etalon Group is not a party to the UN Global Compact, but it does support the UN's sustainability goals and principles.
- We have identified six Sustainable Development Goals (SDGs) related to our operations and our ability to make a significant contribution to their achievement.
- The SDGs that we contribute to may change as we improve our strategy on corporate and social responsibility and as we develop specific measurable goals.



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⁽¹⁾

BEST ECO INDEX 3 for solid timber construction material (influence on the environment)⁽²⁾



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⁽³⁾

-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**



⁽¹⁾ Source: Royal Institution of Chartered Surveyors

⁽²⁾ Source: Ökoindex3

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

2020: ACTIONS AND RESULTS



ACTIONS Enhanced safety monitoring system and trained 225 employees in operational health and safety

RESULTS **ZERO FATALITIES** or accidents leading to disabilities



ACTIONS Delivered five educational institutions for children

RESULTS **7 THS SQM** total area of the built pre-schools, with another preschool of **3 THS SQM** delivered in 1Q 2021



ACTIONS Increased operational efficiency, further optimised logistics routes at construction sites

RESULTS **-5%** year-on-year reduction in fuel consumption during construction in 2020⁽¹⁾



ACTIONS Used lean approach and BIM technologies to improve environmental footprint

RESULTS **-17%** year-on-year reduction in produced solid waste in 2020⁽¹⁾



ACTIONS Implemented advanced digital solutions to create an even more efficient design system

RESULTS Company project underwent **a completely digital state expert review—a first for Russia**



ACTIONS Invested in waste management, disposed of all recyclable construction waste

RESULTS **RUB 13.5 MLN** spent on waste management, **233 TONNES** of construction waste recycled in 2020⁽¹⁾

⁽¹⁾ Production unit data

SELECTED PROJECTS

49



GALACTICA

50

INVESTOR PRESENTATION

MAY 2021



TOTAL NSA
764 ths sqm

OPEN MARKET VALUE⁽¹⁾
RUB 21,620 mln

INCOME FROM SALES⁽¹⁾
RUB 77,863 mln

DECEMBER 2020



REGION
St Petersburg

⁽¹⁾ Colliers International estimate as of 31.12.2020.

PETROVSKIY LANDMARK

MAY 2021

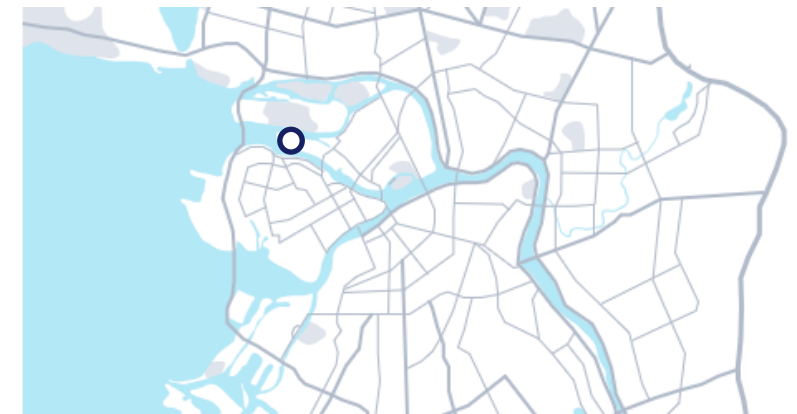


TOTAL NSA
89 ths sqm

OPEN MARKET VALUE⁽¹⁾
RUB 4,941 mln

INCOME FROM SALES⁽¹⁾
RUB 15,316 mln

DECEMBER 2020



REGION
St Petersburg

⁽¹⁾ Colliers International estimate as of 31.12.2020.

SILVER FOUNTAIN

52

INVESTOR PRESENTATION

MAY 2021



TOTAL NSA
226 ths sqm

OPEN MARKET VALUE⁽¹⁾
RUB 17,973 mln

INCOME FROM SALES⁽¹⁾
RUB 45,493 mln

⁽¹⁾ Colliers International estimate as of 31.12.2020.

DECEMBER 2020



REGION
Moscow

NORMANDY

53

INVESTOR PRESENTATION

MAY 2021



TOTAL NSA
124 ths sqm

OPEN MARKET VALUE⁽¹⁾
RUB 3,029 mln

INCOME FROM SALES⁽¹⁾
RUB 15,989 mln

⁽¹⁾ Colliers International estimate as of 31.12.2020.

DECEMBER 2020



REGION
Moscow

WOOD'S EM FINANCIALS & REAL ESTATE CONFERENCE

