



ETALON

1H 2022

FINANCIAL RESULTS

19 September 2022

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CONTENTS

1	FINANCIAL RESULTS	4
2	APPENDIX	15



KEY TAKEAWAYS

1

RECORD NET INCOME

11.7 bln
RUB

SUPPORTED BY GAIN FROM THE M&A TRANSACTION ON STRATEGIC ACQUISITION OF YIT CORPORATION'S RUSSIAN BUSINESS ("YIT RUSSIA")

2

PRE-PPA GROSS MARGIN

35%

ETALON MAINTAINS TARGET PRE-PPA GROSS MARGIN LEVEL IN OUR CORE SEGMENT OF RESIDENTIAL DEVELOPMENT, DESPITE COST INFLATION

3

FURTHER LAUNCHES TO SUPPORT SALES AND REVENUES

ALTHOUGH IN 1H 2022 REVENUES DECLINED Y-O-Y DUE TO LIMITED OFFER, NEW LAUNCHES IN THE AMOUNT OF C. 1.2 MLN SQM PLANNED FOR 2022 WILL SUPPORT OPERATING AND FINANCIAL RESULTS GOING FORWARD

FINANCIAL RESULTS



YIT RUSSIA ACQUISITION IN ETALON GROUP FINANCIAL STATEMENTS

TRANSACTION

- On 30 May 2022, Etalon Group acquired YIT Corporation's subsidiaries that own YIT operations in Russia (hereinafter referred to as "YIT Russia") for the consideration of RUB 1 923 million.

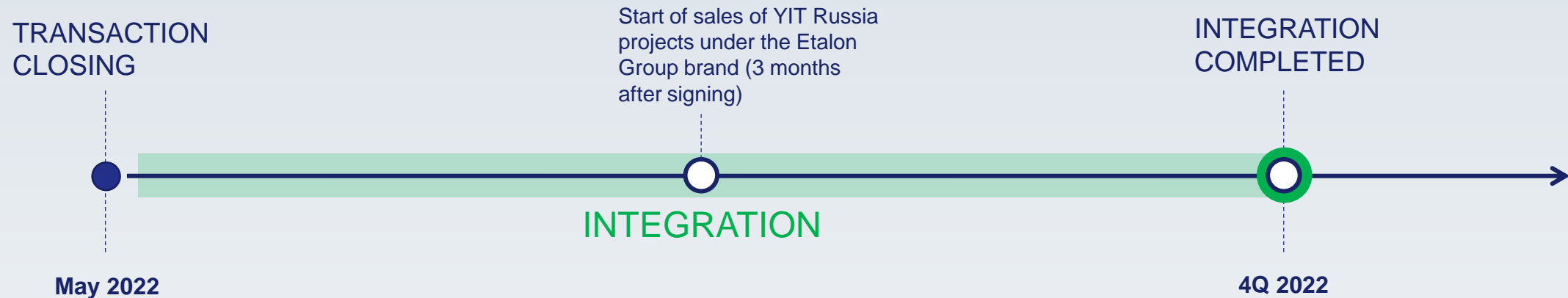
DEAL RATIONALE

- The primary reasons for the acquisition are to increase supply in the Group's primary markets of Moscow and St Petersburg and to speed up Group's regional expansion, as well as to get access to the YIT Russia's software and technological know-how, including Dispatcher 24 software for managing apartment buildings and residential areas, project design documentation and a library of standard design solutions for cast-in-place construction and buildings made of prefabricated panels.

GAIN FROM BARGAIN PURCHASE

- A valuation by an independent appraiser ("Nikoliers") was carried out in order to transfer *YIT Russia's* assets onto the Etalon Group balance sheet. Based on this valuation, the fair value of *YIT Russia's* total net assets on the acquisition date was RUB 14 156 million.
- The difference between the valuation price and the actual price paid was recognised as income (gain from bargain purchase) in the amount of RUB 12 038 million. The main reason for recognising a bargain purchase gain was the fast track sale of business by the seller that resulted in a lower transaction price.

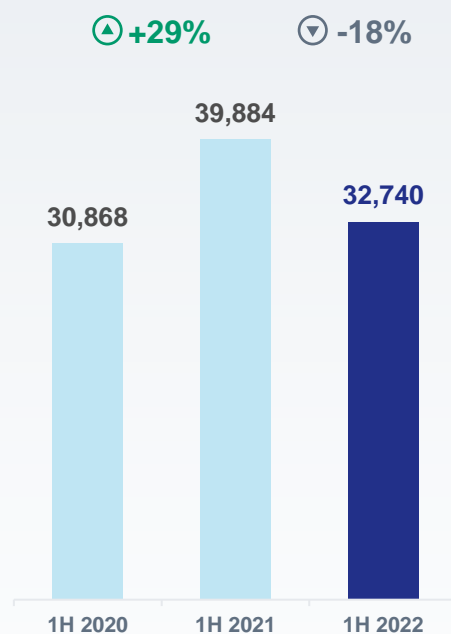
INDICATIVE INTEGRATION TIMETABLE



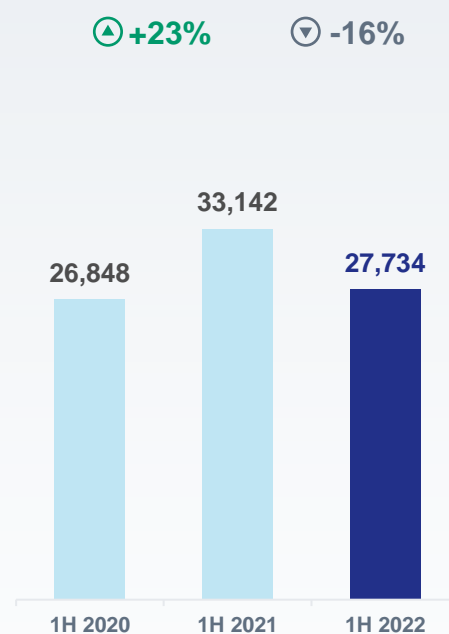
- Integration of architectural and planning decisions
- Creation of a combined team to run a successful regional business
- Integration of YIT Russia's projects into the Etalon sales network
- Unification of accounting systems, as well as other policies and standards
- YIT Russia consolidation in financial reporting
- Digital solutions integration: product standardisation approach, *Dispatcher 24*, etc.
- Integrating design systems and completing work on product standardisation

REVENUE ANALYSIS

CONSOLIDATED REVENUE RUB mln

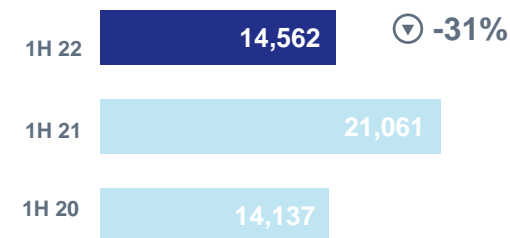


RESIDENTIAL DEVELOPMENT REVENUE RUB mln

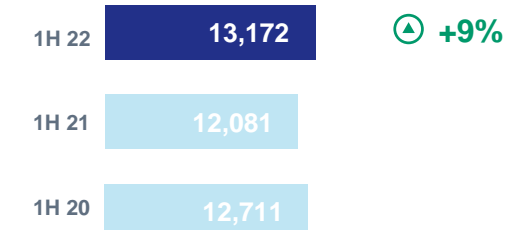


RESIDENTIAL DEVELOPMENT REVENUE BY REGION RUB mln

MOSCOW



ST PETERSBURG

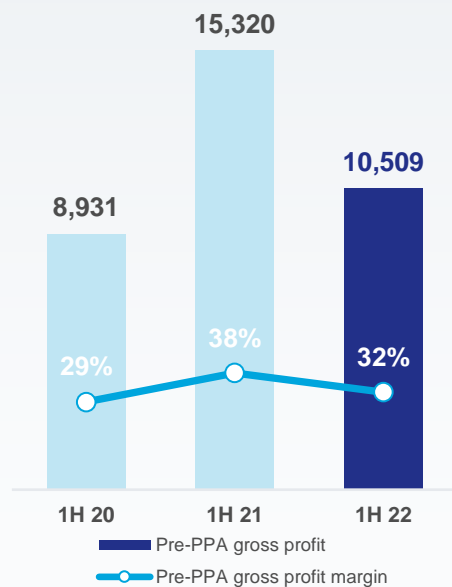


- Revenues were influenced by the decline in sales due to temporarily limited offer in Etalon Group projects and a spike in the key rate
- Residential development revenue growth in St Petersburg was supported by new launches and lower price range in the region
- New launches of 1.2 mln sqm planned for 2022 and decreasing mortgage rates are expected to support sales and revenues in subsequent reporting periods

RESIDENTIAL DEVELOPMENT PRE-PPA GROSS MARGIN AT TARGET 35% LEVEL

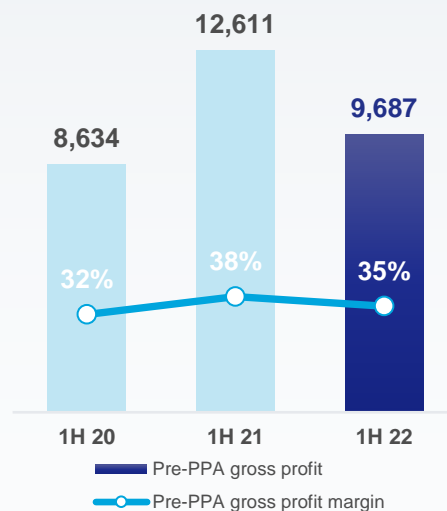
PRE-PPA⁽¹⁾ CONSOLIDATED
GROSS PROFIT
RUB mln

⬆️ +72% ⬇️ -31%



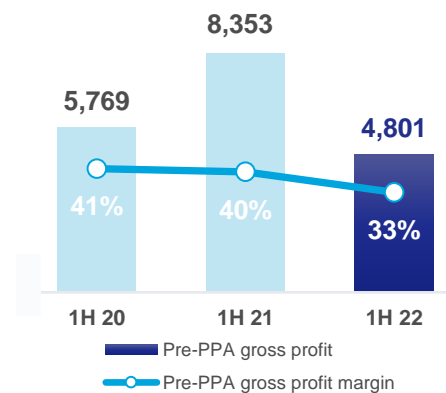
PRE-PPA⁽¹⁾ RESIDENTIAL
DEVELOPMENT GROSS PROFIT
RUB mln

⬆️ +46% ⬇️ -23%



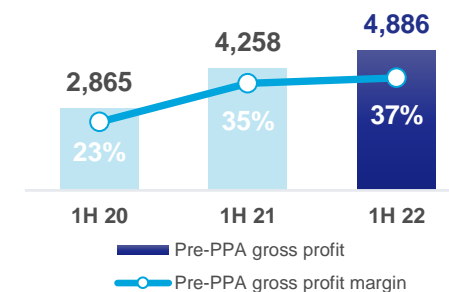
PRE-PPA⁽¹⁾ RESIDENTIAL
DEVELOPMENT GROSS PROFIT,
MOSCOW
RUB mln

⬆️ +45% ⬇️ -43%



PRE-PPA⁽¹⁾ RESIDENTIAL
DEVELOPMENT GROSS PROFIT,
ST PETERSBURG
RUB mln

⬆️ +49% ⬆️ +15%

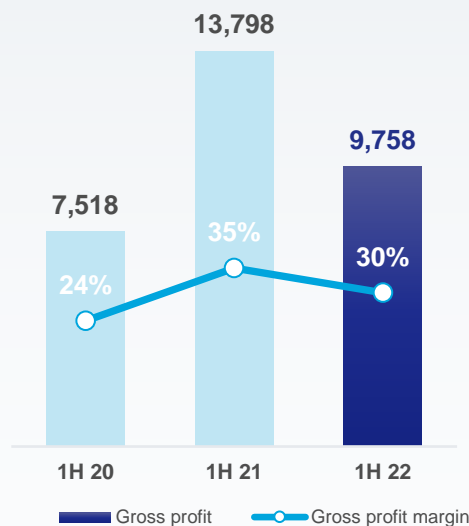


- Temporary year-on-year decline in profit margins was triggered by cost inflation and lower margins at YIT projects

CONSOLIDATED GROSS PROFIT ANALYSIS

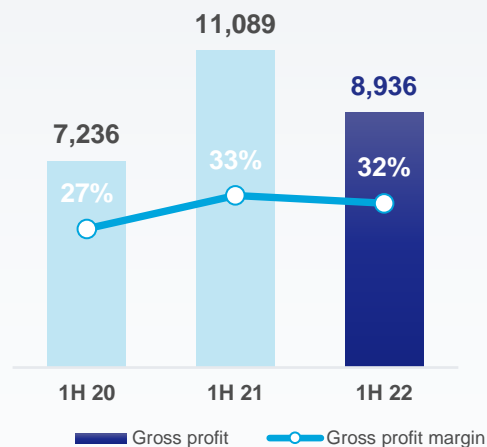
CONSOLIDATED GROSS PROFIT
RUB mln

⬆️ +84% ⬇️ -29%



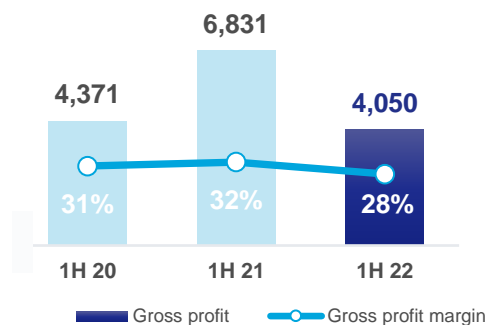
RESIDENTIAL DEVELOPMENT GROSS PROFIT
RUB mln

⬆️ +53% ⬇️ -19%



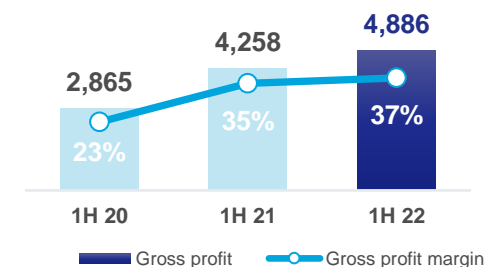
RESIDENTIAL DEVELOPMENT GROSS PROFIT, MOSCOW
RUB mln

⬆️ +56% ⬇️ -41%



RESIDENTIAL DEVELOPMENT GROSS PROFIT, ST PETERSBURG
RUB mln

⬆️ +49% ⬆️ +15%

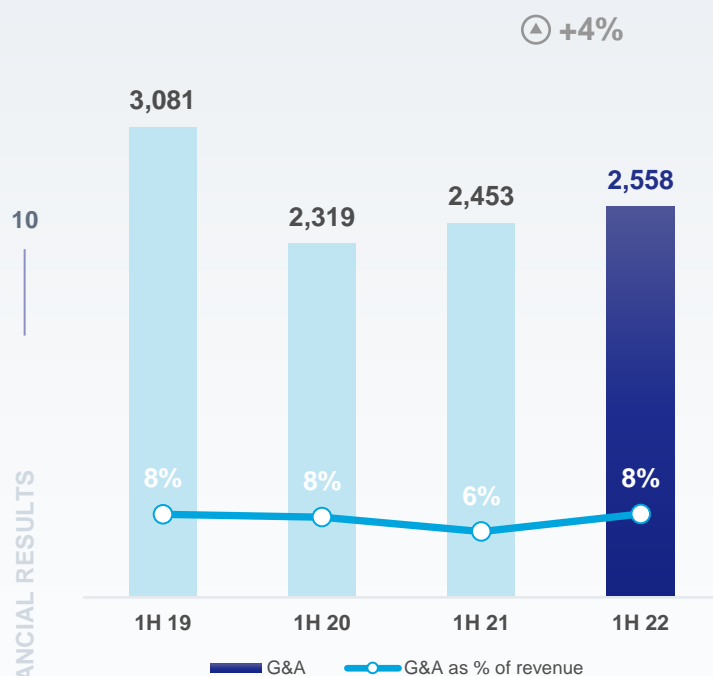


Source: IFRS Financial statements, y-o-y change was calculated without rounding

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

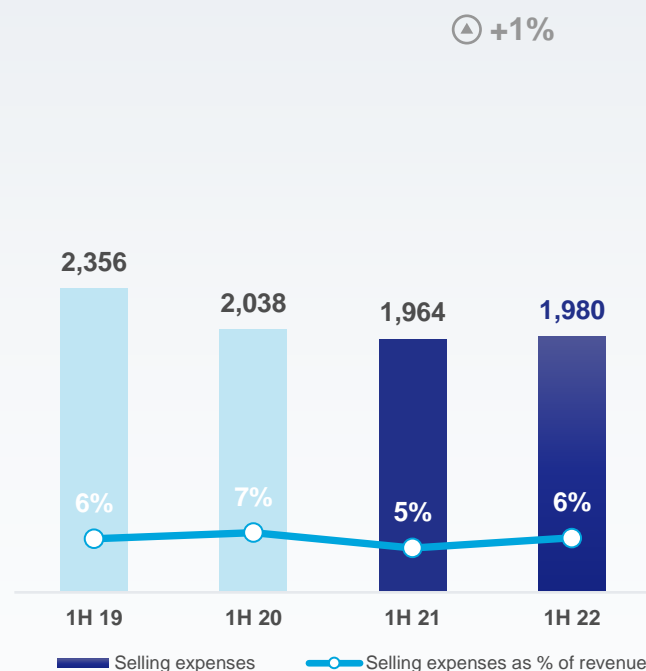
GENERAL AND ADMINISTRATIVE EXPENSES

RUB mln



SELLING EXPENSES

RUB mln



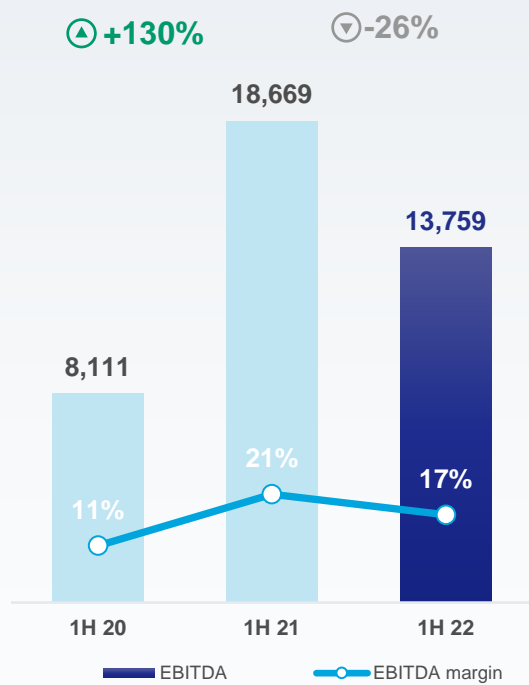
- G&A expenses were influenced by **one-off acquisition costs**, including fees paid to deal advisors and YIT Russia integration costs

- Y-o-y increase in general, administrative and selling expenses is 3%

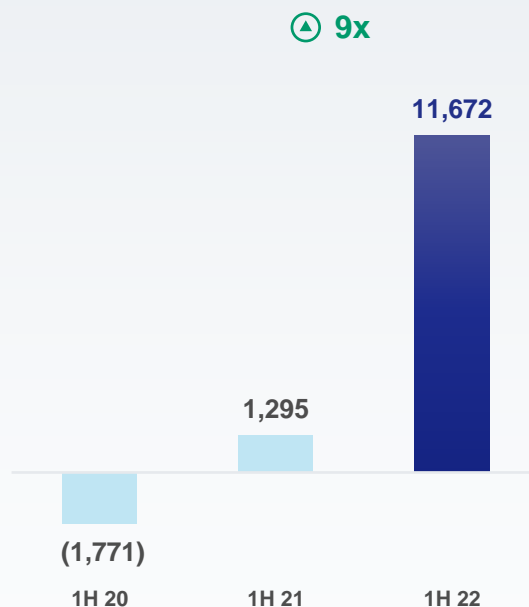
Source: IFRS Financial statements, y-o-y change was calculated without rounding

EBITDA AND NET INCOME ANALYSIS: RECORD NET INCOME THANKS TO ATTRACTIVE M&A TRANSACTION

LTM EBITDA
RUB mln



NET INCOME
RUB mln



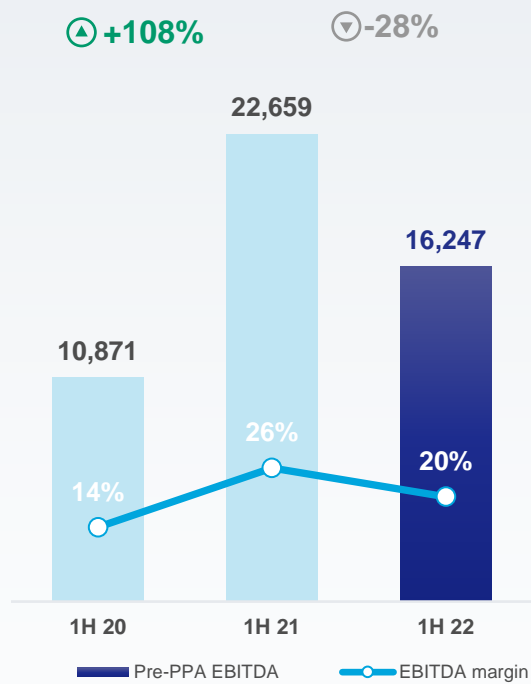
- LTM EBITDA includes 1H 2022 EBITDA of RUB 5,493 mln
- Net income changed from RUB 1.3 bln in 1H 21 to RUB 11.7 bln in 1H 22
- Net margin in 1H 2022 rose to 36%

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

PRE-PPA EBITDA AND NET INCOME ANALYSIS

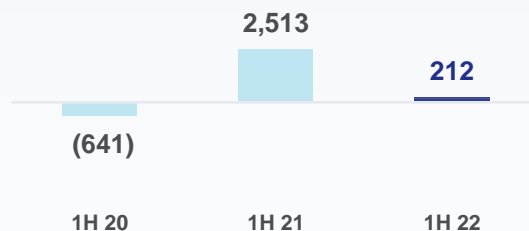
LTM PRE-PPA⁽¹⁾ EBITDA

RUB mln



PRE-PPA⁽¹⁾ NET INCOME

RUB mln



- LTM pre-PPA EBITDA includes **Pre-PPA 1H 2022 EBITDA of RUB 6,244 mln**
- In spite y-o-y gross profit dynamics impacted by YIT acquisition cost, **LTM pre-PPA EBITDA reached RUB 16.2 bln**, with 20% margin
- Pre-PPA net income adjusted for gain from bargain purchase amounted to RUB 0.2 bln in 1H 2022

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

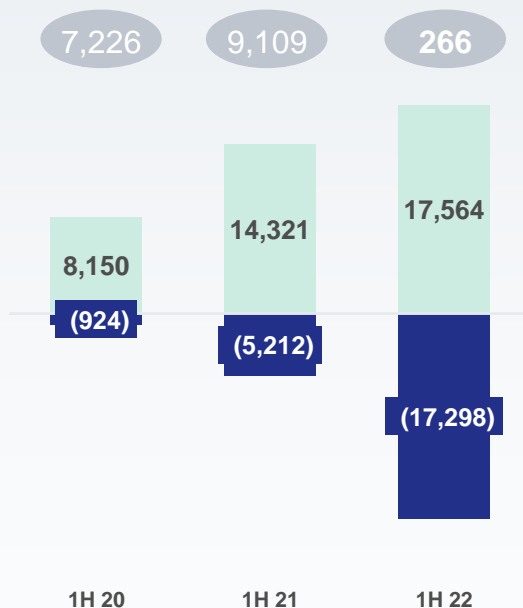
⁽¹⁾ Net income adjusted for purchase price allocation and gain from bargain purchase for YIT Russia acquisition

CASH FLOW ANALYSIS

OPERATING CASH FLOW⁽¹⁾

RUB mln

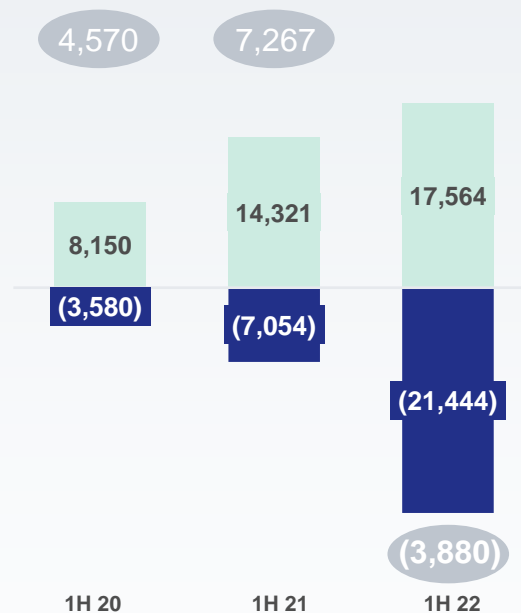
⬆️ +26% ⬇️ -97%



FREE CASH FLOW⁽¹⁾

RUB mln

⬆️ +59% ⬇️ -153%



- Operating cash and FCF adjusted for cash collections on escrow accounts decreased y-o-y due to YIT acquisition, growth in project acquisition payments and increased number of buildings under construction and development

- In 1H 2022, cash collections on escrow accounts amounted to RUB 17.6 bln, with a cumulative balance of RUB 77.3 bln at 30 June 2022

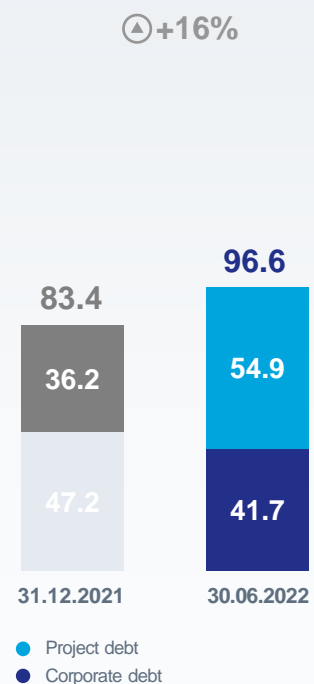
Source: IFRS Financial statements, y-o-y change was calculated without rounding

⁽¹⁾ Incl. cash collections in escrow accounts

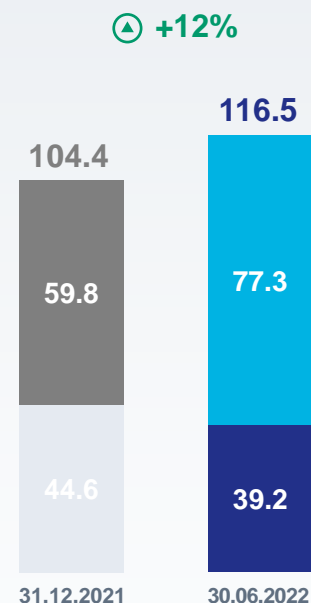
⁽²⁾ Free cash flow is calculated as profit for the year adjusted for depreciation, share-based payments, impairments, interest, taxation, change in working capital, and change in invested capital

STRONG FINANCIAL POSITION EVEN AFTER YIT ACQUISITION DEAL

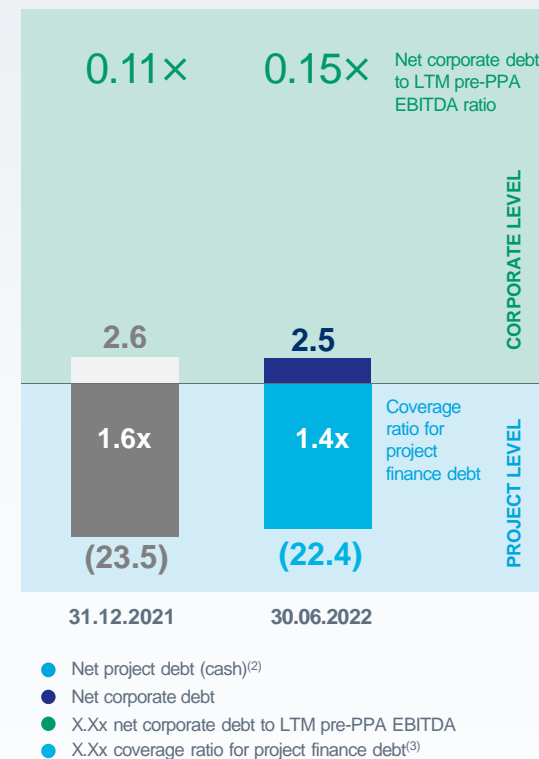
TOTAL DEBT
RUB bln



CASH AND CASH EQUIVALENTS
RUB bln



NET DEBT (CASH)
RUB bln



- **Net corporate debt to pre-PPA EBITDA** remains almost unchanged at **0.15x** as of 30 June 2022
- **All project finance obligations are well covered** in order to access reduced interest rates ranging from 0.01% to 3.5%
- Average cost of borrowings as of 30 June 2022 **remained at 6.5%**

Source: IFRS Financial statements, Company data; y-o-y change and net debt level were calculated without rounding

⁽¹⁾ Including bank deposits over 3 months; excluding cash collections in escrow accounts

⁽²⁾ Project finance debt less cash on escrow accounts

⁽³⁾ Projects debt used in calculation of coverage ratio includes escrow adjustments

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APPENDIX

15

1H 2022 FINANCIAL RESULTS



INCOME STATEMENT

MLN RUB	1H 2021	1H 2022
Revenue	39,884	32,740
Cost of sales	(26,086)	(22,982)
Gross profit	13,798	9,758
General and administrative expenses	(2,453)	(2,558)
Selling expenses	(1,964)	(1,980)
Impairment loss on trade and other receivables	(167)	(132)
Gain from bargain purchase	-	12,038
Other expenses, net	(2,753)	268
Results from operating activities	6,461	17,394
Finance income	709	2,593
Finance costs	(4,414)	(6,863)
Net finance income/(costs)	(3,705)	(4,270)
Share of loss of equity accounted investees	-	(38)
Profit before income tax	2,756	13,086
Income tax expense	(1,461)	(1,414)
Profit for the period	1,295	11,672
<i>Profit attributable to:</i>		
Owners of the Company	1,295	11,663
Non-controlling interest	-	9
Profit for the period	1,295	11,672

BALANCE SHEET

MLN RUB	31.12.2021	30.06.2022
ASSETS		
Non-current assets		
Property, plant and equipment	4,050	4,494
Intangible assets	-	194
Investment property	416	405
Other long-term investments	1,489	795
Trade and other receivables	3,345	2,847
Deferred tax assets	7,347	9,548
TOTAL non-current assets	16,647	18,283
Current assets		
Inventories	110,153	134,107
Contract assets, trade and other receivables	49,693	61,739
Short-term investments	126	53
Cash and cash equivalents	44,587	39,194
Other current assets	892	1,176
TOTAL current assets	205,451	236,269
TOTL ASSETS	222,098	254,552
EQUITY AND LIABILITIES		
Equity		
Share capital	26,368	26,368
Retained earnings	34,992	46,655
TOTAL equity attributable to equity holders of the Company	61,360	73,023
Non-controlling interest	-	204
TOTAL equity	61,360	73,227
Non-current liabilities		
Loans and borrowings	67,132	75,626
Contract liabilities, trade and other payables	31,230	23,733
Provisions	117	418
Deferred tax liabilities	7,428	7,745
TOTAL non-current liabilities	105,907	107,522
Current liabilities		
Loans and borrowings	16,306	20,968
Contract liabilities, trade and other payables	38,007	51,563
Provisions	518	1,272
TOTAL current liabilities	54,831	73,803
TOTL EQUITY AND LIABILITIES	222,098	254,552

CASH FLOW STATEMENT

MLN RUB	1H 2021	1H 2022
OPERATING ACTIVITIES		
Profit for the period	1,295	11,672
<i>Adjustments for:</i>		
Depreciation	233	273
Gain on disposal of PP&E	(108)	60
Gain on disposal of investment property	(178)	-
Loss on disposal of inventories under construction and development	6	(55)
Impairment loss on inventories	1,803	(842)
Impairment loss/reversal on trade and other receivables, advances paid to suppliers and investments	135	75
Share of loss of equity accounted investees	-	38
Gain from bargain purchase	-	(12,038)
Loss on disposal of subsidiary	20	-
Significatn financing component from contracts with customers recognised in revenue	(2,759)	(121)
Savings on escrow-backed loans recognised in revenue	(423)	(802)
Finance costs, net	3,705	4,270
Income tax expense	1,461	1,414
CASH FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	5,190	3,944
Change in inventories	3,242	(14,724)
Change in accounts receivables	(3,421)	1,075
Change in accounts payable	2,062	2,401
Change in provisions	449	617
Change in contract assets	(5,237)	(8,788)
Change in contract liabilities	(6,266)	(674)
Income tax paid	(1,231)	(1,149)
Interest paid	(2,097)	(4,385)
NET CASH from/(used in) operating activities	(7,309)	(21,683)
INVESTING ACTIVITIES		
Proceeds from disposal of non-current assets	195	31
Proceeds from disposal of investment property	296	6
Interest received	496	680
Acquisition of PP&E	(236)	(331)
Loans given	(1)	31
Loans repaid	72	(30)
Acquisition of investments in associates and joint ventures	-	533
Acquisition of subsidiary, net of cash acquired	-	(156)
Disposal of subsidiary, net of cash disposed of	28	-
(Acquisition)/disposal of other investments	119	42
NET CASH from/(used in) investing activities	969	806
FINANCING ACTIVITIES		
Proceeds from borrowings	17,855	22,739
Repayments of borrowings	(7,361)	(6,493)
Payments for lease liabilities, excluding interest	(707)	(590)
Proceeds from issue of share capital	11,003	-
Dividends paid	-	-
NET CASH from/(used in) financing activities	20,790	15,656
Net increase/(decrease) in cash and cash equivalents	14,450	(5,221)
Effect of FX rate fluctuations	(300)	(172)
CASH & CASH EQUIVALENTS AT THE END OF THE PERIOD	39,980	39,194

Source: IFRS Financial statements

EBITDA CALCULATION

MLN RUB	1H 2021	1H 2022
Gross profit	13,798	9,758
Less: General and administrative expenses	(2,453)	(2,558)
Less: Selling expenses	(1,964)	(1,980)
Adjusted operating profit	9,381	5,220
Add: Depreciation and amortisation	233	273
EBITDA	9,614	5,493
Add: PPA in cost of sales	1,522	751
Pre-PPA EBITDA	11,136	6,244

FCF CALCULATION

MLN RUB	1H 2021	1H 2022
Comprehensive income	1,295	11,672
<i>ADJUSTMENTS FOR</i>		
Depreciation	233	273
Loss/(gain) on disposable PP&E	(108)	60
Gain on disposal of investment property	(178)	-
Loss on disposal of inventories under construction and development	6	(55)
Impairment loss on inventory	1,803	(842)
Impairment loss on trade and other receivables	135	75
Share of loss of equity accounted investees	-	38
Gain/loss in disposal of subsidiary	20	-
Gain from bargain purchase	-	(12,038)
Significant financing component from contracts with customers recognised in revenue	(2,759)	(121)
Savings on escrow-backed loans recognised in revenue	(423)	(802)
Finance (income)/expense, net	3,705	4,270
Income tax expense	1,461	1,414
Income tax paid	(1,231)	(1,149)
Interest paid	(2,097)	(4,385)
(Increase)/decrease in working capital:	(9,171)	(20,093)
Change in inventories	3,242	(14,724)
Change in accounts receivable	(3,421)	1,075
Change in accounts payable	2,062	2,401
Change in provisions	449	617
Change in contract assets	(5,237)	(906)
Change in contract liabilities	(6,266)	(8,556)
(Increase)/decrease in invested capital based on CF statement:	255	239
Acquisition of PP&E	(236)	(331)
Acquisition of subsidiary, net cash of acquired	-	533
Acquisition of investment in associates and joint ventures	-	(156)
Proceeds from disposal of non-current assets	491	37
FCF	(7,054)	(21,444)

An architectural rendering of a modern residential complex. In the foreground, a man and a woman stand on a balcony of a high-rise building, looking out over a landscaped area. The balcony has a glass railing and some potted plants. The man is wearing a striped shirt and shorts, and the woman is wearing a dark floral dress. The landscaped area below features a winding path, green lawns, and trees with autumn foliage. In the background, several other high-rise buildings are visible, along with a river and a city skyline under a blue sky with scattered clouds.

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