

ETALON

2022

FINANCIAL RESULTS

March 2023



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FINANCIAL RESULTS: KEY TAKEAWAYS

1

SOLID REVENUE
PERFORMANCE

80.6 bln
RUB

REVENUE DYNAMICS OUTPERFORMED
OPERATING RESULTS ON THE BACK
OF ALL-TIME-HIGH DELIVERIES IN 2022

2

RECORD
NET INCOME

▲ 4.3x

13.0 bln
RUB

SUPPORTED BY GAIN FROM THE M&A
TRANSACTION ON THE STRATEGIC
ACQUISITION OF “YIT RUSSIA”

3

HIGH PRE-PPA
GROSS MARGIN

▲ 2 p.p.

38 %

ETALON MAINTAINS PRE-PPA GROSS
MARGIN LEVEL WELL ABOVE THE
TARGET 35% STIPULATED BY THE
GROUP STRATEGY TO 2024

4

RESIDENTIAL
DEVELOPMENT
MARGINS

▲ 2 p.p.

40 %

PRE-PPA GROSS MARGIN IN THE
RESIDENTIAL DEVELOPMENT SEGMENT
REACHED 40%, AND AN IMPRESSIVE
43% FOR REGIONAL PROJECTS

5

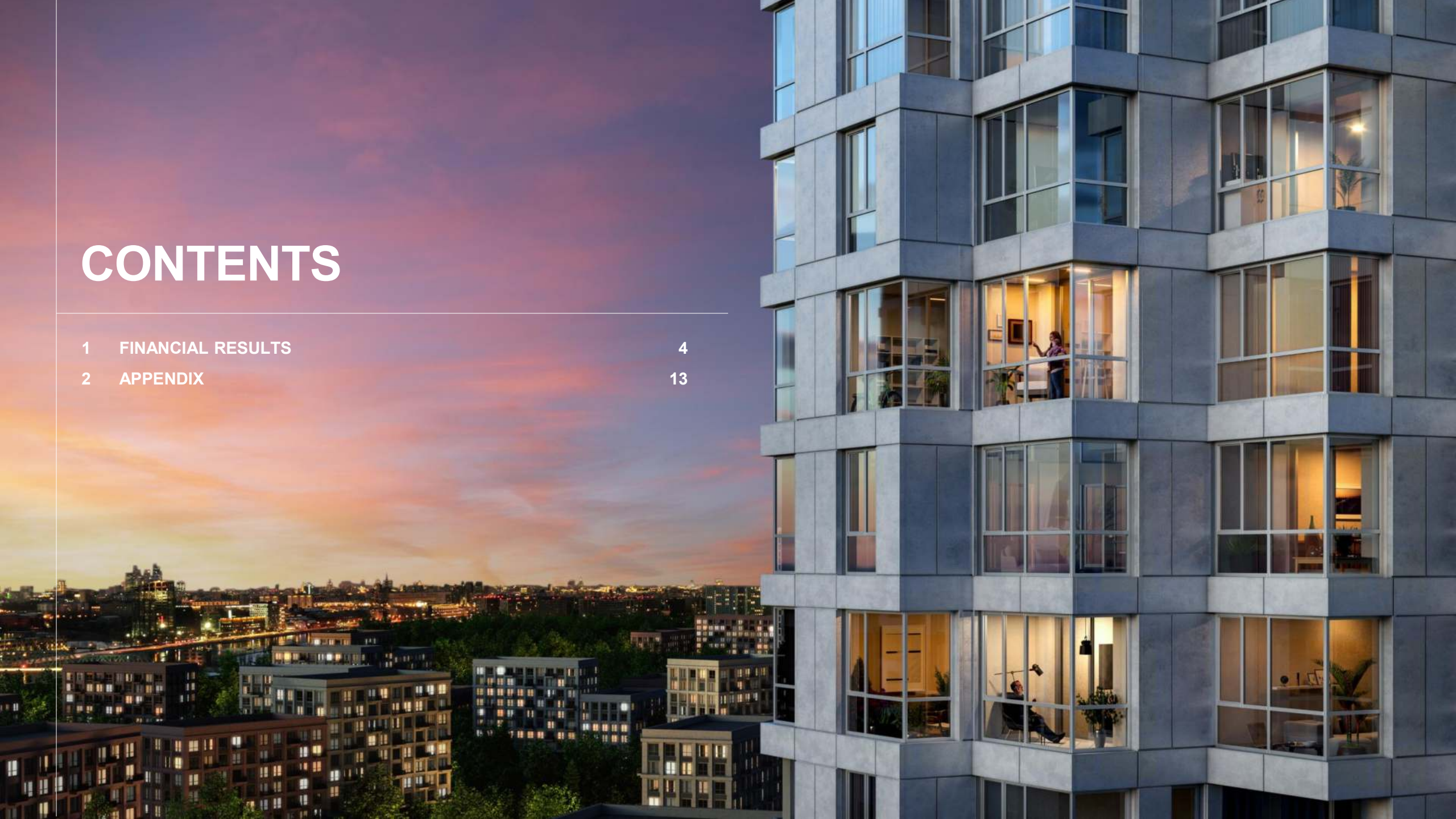
COMFORTABLE
FINANCIAL
POSITION

0.8x

NET CORPORATE DEBT TO PRE-
PPA EBITDA WITHIN 1X AND WELL
BELOW THE TARGET 2-3X

CONTENTS

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FINANCIAL RESULTS



2022 REVENUE IMPACTED BY MACRO ENVIRONMENT

HOWEVER, REVENUE DYNAMICS OUTPERFORMED OPERATING RESULTS THANKS TO ALL-TIME-HIGH DELIVERIES AND SUBSEQUENT REVENUE RECOGNITION

CONSOLIDATED REVENUE
RUB mln

⬇️ -8%

87,138

80,556

FY 21

FY 22

RESIDENTIAL DEVELOPMENT
REVENUE
RUB mln

⬇️ -8%

75,269

69,108

FY 21

FY 22

RESIDENTIAL DEVELOPMENT
REVENUE BY REGION
RUB mln

MOSCOW

FY 22

35,088

FY 21

43,323

ST PETERSBURG

FY 22

30,552

FY 21

31,946

REGIONS

FY 22

3,468

FY 21

- Revenue decreased by 8% year-on-year to RUB 80.6 bln on the back of the historic drop in consumer confidence

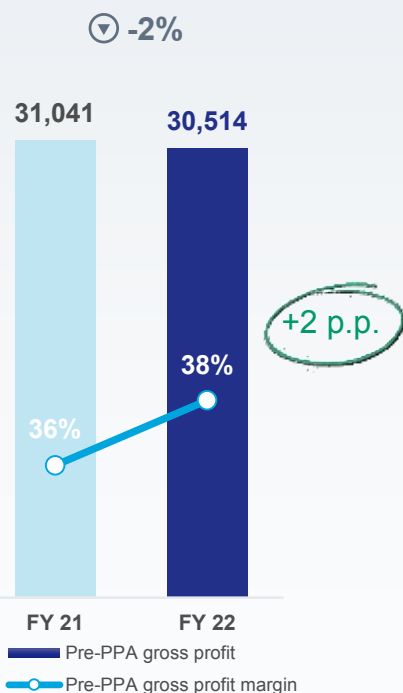
- Still, revenue outperforms new contract sales, backed by record deliveries of 735 ths sqm (+74% y-o-y) and subsequent recognition of the proceeds from the sale of the completed premises

- With regional expansion programme launched in 2021, regional projects accounted for RUB 3.5 bln in the FY22 revenue (5% of the overall residential development revenue)

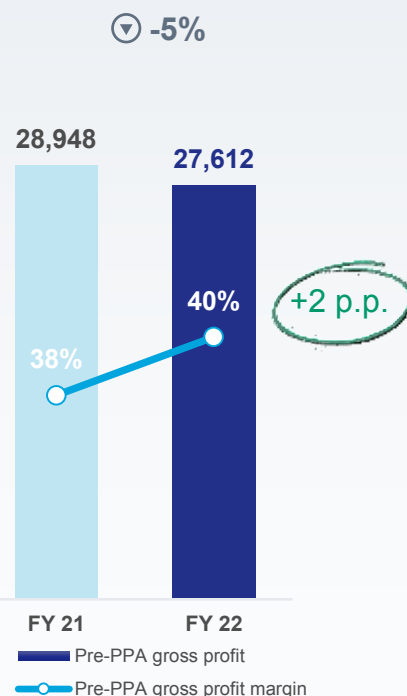
PRE-PPA GROSS PROFIT: PROFITABLE REGIONAL EXPANSION BACKED BY SUCCESSFUL COST OPTIMISATION

ETALON GROUP EFFORTS TO IMPROVE COST-EFFECTIVENESS AND STRICT COST CONTROL RESULTED IN INCREASED PROFIT MARGINS, WHICH WELL EXCEEDED THE TARGET 35% STIPULATED BY THE STRATEGY TO 2024 AT THE CONSOLIDATED LEVEL AND REACHED THE IMPRESSIVE 43% FOR REGIONAL DEVELOPMENT

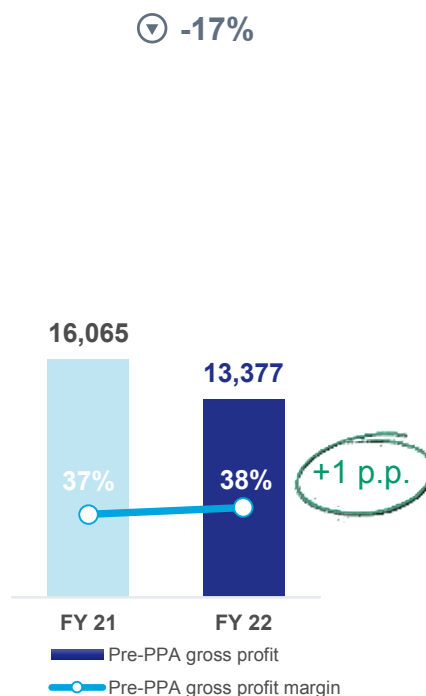
PRE-PPA⁽¹⁾ CONSOLIDATED GROSS PROFIT
RUB mln



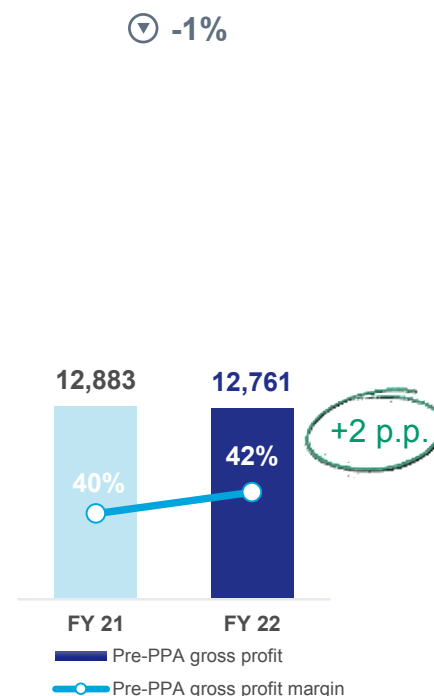
PRE-PPA⁽¹⁾ RESIDENTIAL DEVELOPMENT GROSS PROFIT
RUB mln



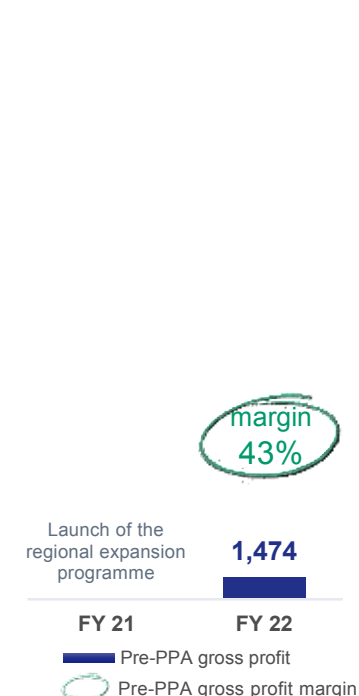
PRE-PPA⁽¹⁾ RESIDENTIAL DEVELOPMENT GROSS PROFIT, MOSCOW
RUB mln



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



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

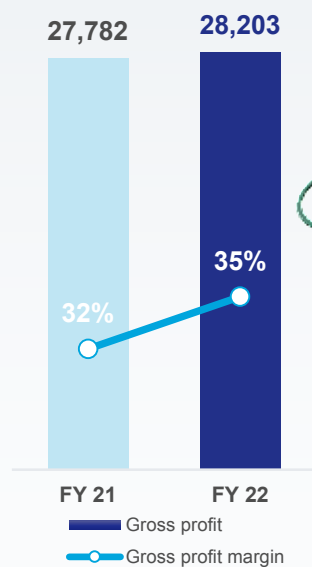


CONSOLIDATED GROSS PROFIT: RECORD MARGINS SINCE 2012

GROSS MARGIN REACHED 35%, SETTING THE HIGHEST LEVEL IN THE LAST 10 YEARS

CONSOLIDATED
GROSS PROFIT
RUB mln

⬆️ +2%



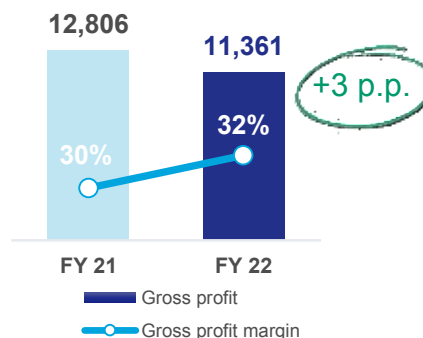
RESIDENTIAL DEVELOPMENT
GROSS PROFIT
RUB mln

⬆️



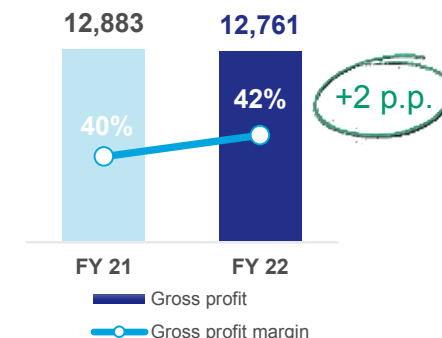
RESIDENTIAL DEVELOPMENT
GROSS PROFIT,
MOSCOW
RUB mln

⬆️ -11%

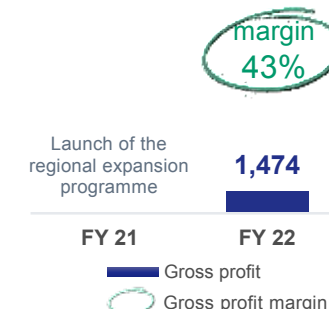


RESIDENTIAL DEVELOPMENT
GROSS PROFIT,
ST PETERSBURG
RUB mln

⬆️ -1%



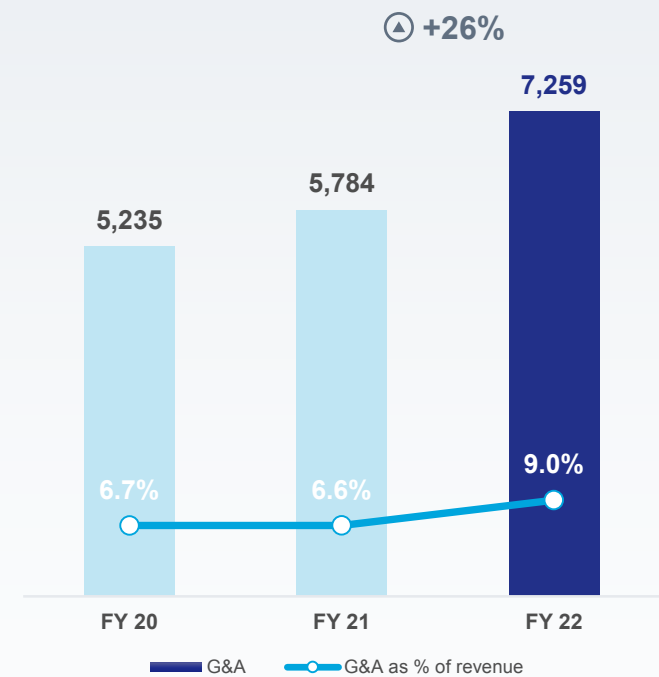
RESIDENTIAL DEVELOPMENT
GROSS PROFIT,
OTHER REGIONS
RUB mln



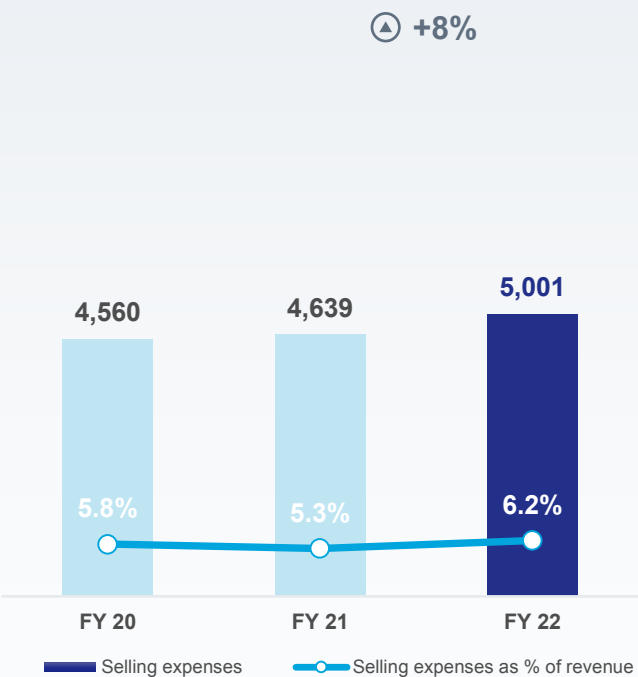
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES WERE INFLUENCED BY STAFF INCREASE UPON M&A WITH YIT AND ONE-OFF ACQUISITION COSTS

GENERAL AND ADMINISTRATIVE EXPENSES
RUB mln



SELLING EXPENSES
RUB mln



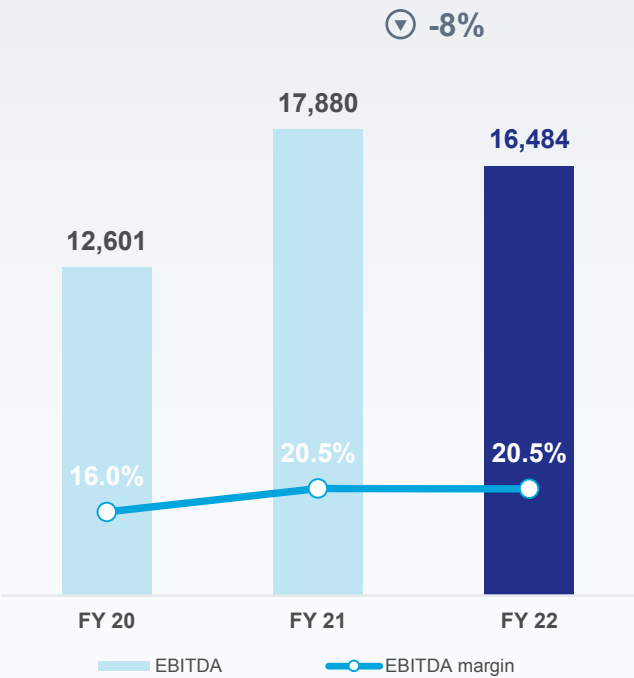
- **G&A** expenses were influenced by **one-off acquisition costs**, including fees paid to deal advisors and YIT Russia integration costs
- **Selling expenses** increased as a results of **new launches** on the regional markets and the **integration of YIT projects** to Etalon sales portfolio

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

THE BOTTOM LINE GREW SIGNIFICANTLY THANKS TO LUCRATIVE M&A TRANSACTION

EFFICIENT CONSTRUCTION COST MANAGEMENT AND THE GAIN FROM BARGAIN PURCHASE DREW NET INCOME TO AN ALL-TIME-HIGH RUB 13 BLN

EBITDA
RUB mln



NET INCOME
RUB mln



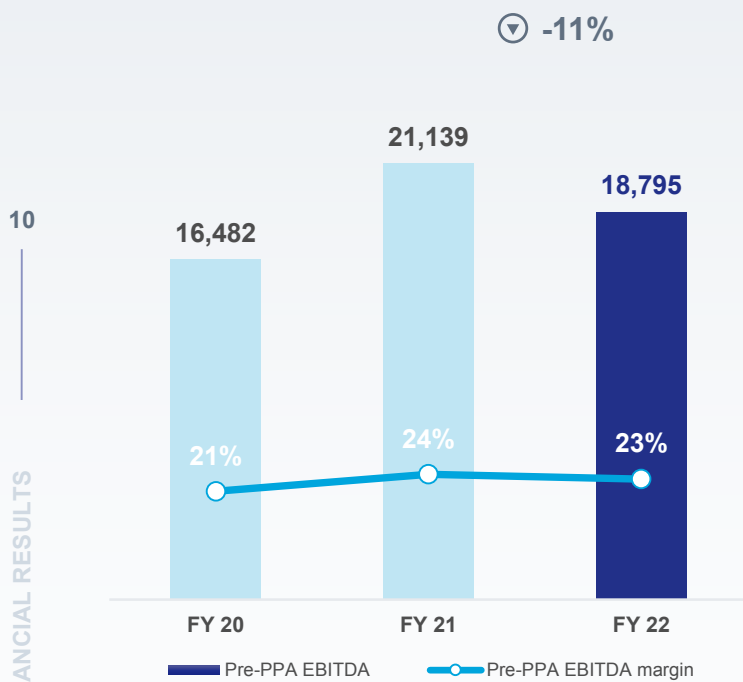
- EBITDA was at RUB 16.5 bln, impacted by one-off acquisition and YIT integration costs
- EBITDA margin was not affected: it amounted to 20.5%
- Net income increased four times and reached RUB 13.0 bln

PRE-PPA EBITDA AND NET INCOME

PRE-PPA EBITDA DYNAMICS WAS INFLUENCED BY THE INCREASE IN HEADCOUNT UPON M&A

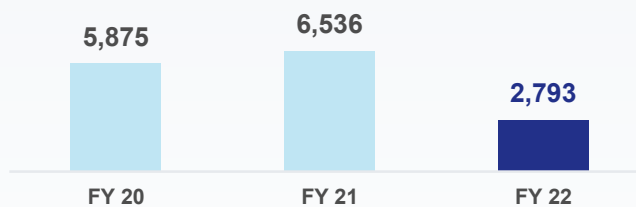
PRE-PPA⁽¹⁾ EBITDA

RUB mln



PRE-PPA NET INCOME⁽²⁾

RUB mln



- **Pre-PPA EBITDA was affected** by one-off acquisition costs and growth in personnel expenses subsumed within SG&A
- However, pre-PPA EBITDA margin remains almost unchanged at 23% vs 24% in 2021
- Pre-PPA net income, amounted to RUB 2.8 bln after adjustments to the gain from bargain purchase of YIT Russia

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

⁽¹⁾ Adjusted for the effect of purchase price allocation.

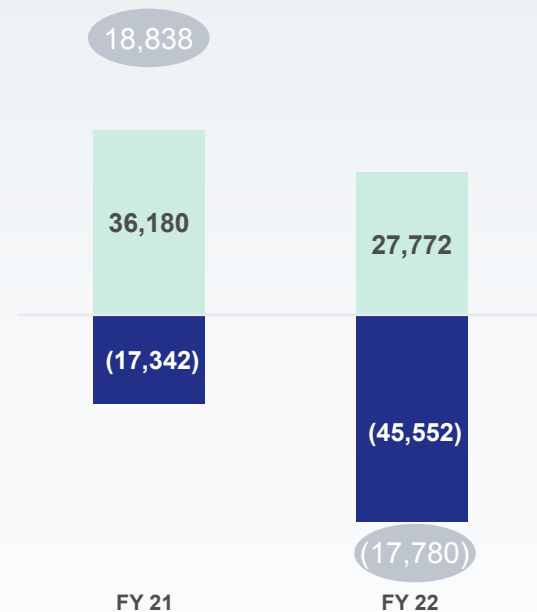
⁽²⁾ Net income adjusted for purchase price allocation and gain from bargain purchase for YIT Russia acquisition.

CASH FLOW ANALYSIS

OPERATING CASH FLOW⁽¹⁾

RUB mln

▼ -194%



■ Cash collections on escrow accounts (net balance) and repayments of project financing in 2022 offset against funds released from escrow accounts

■ Operating cash flow (OCF) less interest paid

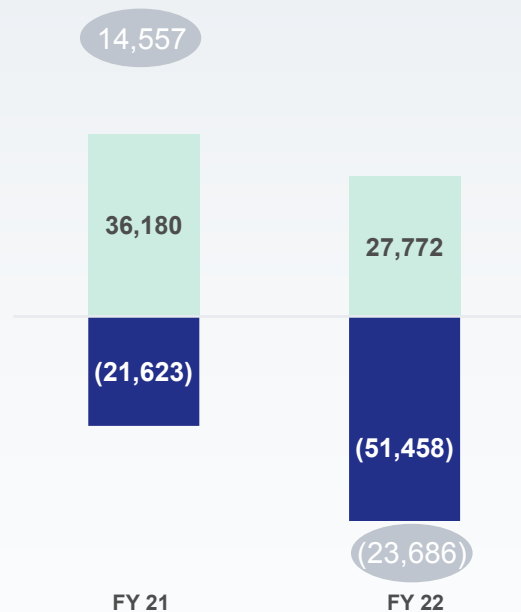
● Operating cash flow (OCF) adjusted for cash on escrow accounts and repayments of project financing in 2022 offset against funds released from escrow accounts

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

FREE CASH FLOW⁽¹⁾

RUB mln

▼ -263%



■ Cash collections on escrow accounts (net balance) and repayments of project financing in 2022 offset against funds released from escrow accounts

■ Free cash flow (FCF)⁽²⁾

● Free cash flow (FCF) adjusted for cash on escrow accounts and repayments of project financing in 2022 offset against funds released from escrow accounts

⁽¹⁾ Incl. cash collections in escrow accounts.

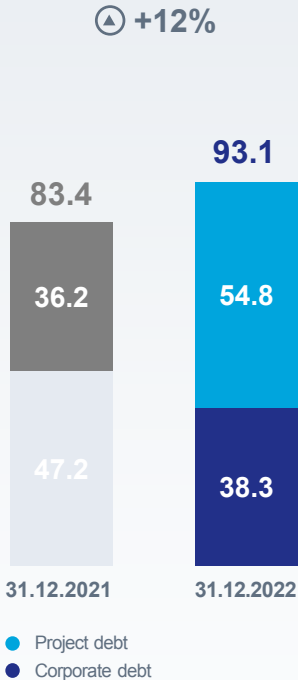
⁽²⁾ Free cash flow is calculated as profit for the year adjusted for depreciation, share-based payments, impairments, interest, taxation, change in working capital, and change in invested capital.

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

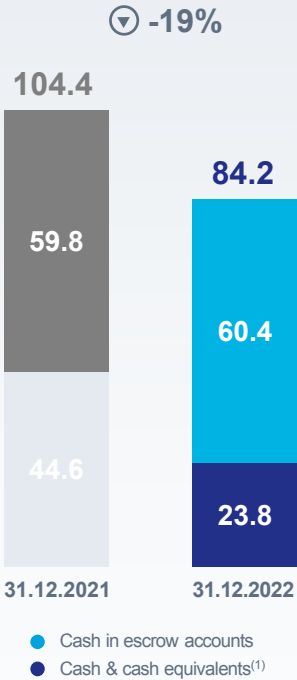
- As of 31 December 2022, cumulative balance on escrow amounted to RUB 60.4 bln. OCF and FCF in 2022 are adjusted to cash collections on escrow, as well as repayment of project financing of RUB 27.2 bln made by means of offset against funds released from escrow accounts

SOLID FINANCIAL POSITION AFTER 12M 2022

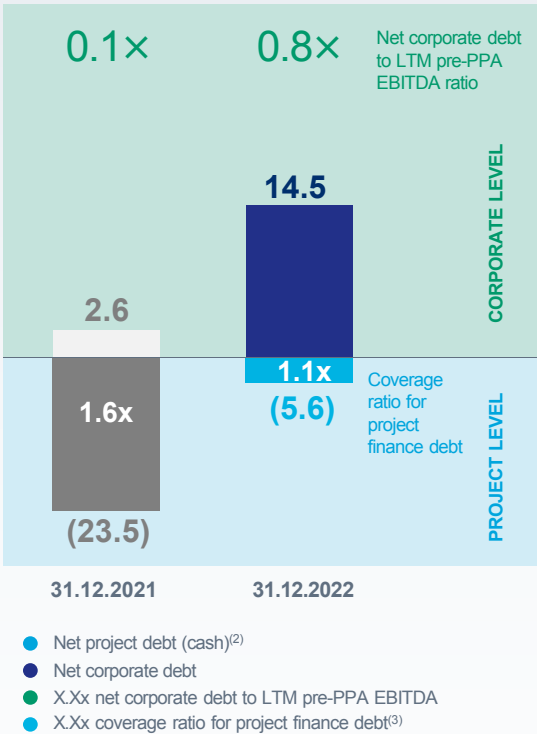
TOTAL DEBT
RUB bln



CASH AND CASH EQUIVALENTS
RUB bln



NET DEBT (CASH)
RUB bln



- As of 31 December 2022, **net corporate debt to pre-PPA EBITDA** remains at a comfortable level **below 1x**
- 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 **declined from 6.5% at the end of 2021 to 5.2% as of 31 December 2022**

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.

APPENDIX



INCOME STATEMENT

MLN RUB	2021	2022
Revenue	87,138	80,556
Cost of sales	(59,356)	(52,353)
Gross profit	27,782	28,203
General and administrative expenses	(5,784)	(7,259)
Selling expenses	(4,639)	(5,001)
Impairment loss on trade and other receivables	(169)	(912)
Gain from bargain purchase	-	12,038
Other expenses, net	(3,944)	(2,014)
Results from operating activities	13,246	25,055
Finance income	2,528	3,989
Finance costs	(9,909)	(13,120)
Net finance income/(costs)	(7,381)	(9,131)
Share of loss of equity accounted investees	(16)	(37)
Profit before income tax	5,849	15,887
Income tax expense	(2,842)	(2,886)
Profit for the period	3,007	13,001
<i>Profit attributable to:</i>		
Owners of the Company	3,007	12,948
Non-controlling interest	-	53
Profit for the period	3,007	13,001

BALANCE SHEET

MLN RUB	31.12.2021	31.12.2022
ASSETS		
Non-current assets		
Property, plant and equipment	4,050	4,531
Intangible assets	-	2,652
Investment property	416	396
Other long-term investments	1,489	583
Trade and other receivables	3,345	1,569
Deferred tax assets	7,347	11,373
TOTAL non-current assets	16,647	21,104
Current assets		
Inventories	110,153	142,519
Contract assets, trade and other receivables	49,693	59,392
Short-term investments	126	22
Cash and cash equivalents	44,587	23,811
Other current assets	892	1,197
TOTAL current assets	205,451	226,941
TOTAL ASSETS	222,098	248,045
EQUITY AND LIABILITIES		
Equity		
Share capital	26,368	26,368
Retained earnings	34,992	47,821
TOTAL equity attributable to equity holders of the Company	61,360	74,189
Non-controlling interest	-	-
TOTAL equity	61,360	74,189
Non-current liabilities		
Loans and borrowings	67,132	73,970
Contract liabilities, trade and other payables	31,230	22,978
Provisions	117	406
Deferred tax liabilities	7,428	7,513
TOTAL non-current liabilities	105,907	104,867
Non-current liabilities		
Loans and borrowings	16,306	19,118
Contract liabilities, trade and other payables	38,007	49,232
Provisions	518	639
TOTAL current liabilities	54,831	68,989
TOTAL EQUITY AND LIABILITIES	222,098	248,045

CASH FLOW STATEMENT

MLN RUB	2021	2022
OPERATING ACTIVITIES		
Profit for the period	3,007	13,001
<i>Adjustments for:</i>		
Depreciation	521	541
Gain on disposal of PP&E	(162)	90
Gain on disposal of investment property	(279)	3
Loss on disposal of inventories under construction and development	205	(51)
Impairment loss on inventories	2,054	994
Impairment loss/reversal on trade and other receivables, advances paid to suppliers and investments	327	898
Share of loss of equity accounted investees	16	37
Gain from bargain purchase	-	(12,038)
Loss on disposal of subsidiary	7	2
Gain on disposal of associate		(135)
Significant financing component from contracts with customers recognised in revenue	(3,003)	(324)
Savings on escrow-backed loans recognised in revenue	(1,197)	(2,715)
Finance income, net	7,381	9,131
Income tax expense	2,842	2,886
CASH FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	11,719	12,320
Change in inventories	3,211	(24,897)
Change in accounts receivables	(2,386)	(2,212)
Change in accounts payable	5,937	2,424
Change in provisions	108	(28)
Change in contract assets	(18,194)	(24,029)
Change in contract liabilities	(14,194)	(3,577)
Income tax paid	(3,543)	(5,553)
Interest paid	(4,461)	(5,263)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	(21,803)	(50,815)
INVESTING ACTIVITIES		
Proceeds from disposal of non-current assets	266	10
Proceeds from disposal of investment property	474	12
Interest received	1,763	1,211
Acquisition of PP&E	(560)	(1,201)
Loans given	(823)	(13)
Loans repaid	7	64
Acquisition of subsidiary, net of cash acquired	-	536
Disposal of subsidiary, net of cash disposed of	32	-
Acquisition of investment in associate	(389)	(247)
(Acquisition)/disposal of other investments	145	44
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	915	416
FINANCING ACTIVITIES		
Proceeds from borrowings	49,071	43,008
Repayments of borrowings	(14,635)	(11,166)
Acquisition of own shares	-	-
Payments of lease liabilities	(1,775)	(2,144)
Proceeds from issue of share capital	10,881	-
Dividends paid	(3,613)	-
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	39,929	29,698
Net increase/(decrease) in cash and cash equivalents	19,041	(20,701)
Effect of FX rate fluctuations	(284)	(75)
Cash & cash equivalents at the end of the period	44,587	23,811

FCF CALCULATION

MLN RUB	2021	2022
Comprehensive income	3,007	13,001
ADJUSTMENTS FOR		
Depreciation	521	541
Loss/(gain) on disposable PP&E	(162)	90
Loss/(gain) on disposal of investment property	(279)	3
(Gain)/loss on disposal of inventories under construction and development	205	(51)
Impairment loss on inventory	2,054	994
Impairment loss on trade and other receivables	327	898
Share of loss of equity accounted investees	16	37
Loss on disposal of subsidiary	7	2
Gain on disposal of associate	-	(135)
Gain from bargain purchase	-	(12,038)
Significant financing component from contracts with customers recognised in revenue	(3,003)	(324)
Savings on escrow-backed loans recognised in revenue	(1,197)	(2,715)
Finance costs, net	7,381	9,131
Income tax expense	2,842	2,886
Income tax paid	(3,543)	(5,553)
Interest paid	(4,461)	(5,263)
(Increase) in working capital:	(25,518)	(52,319)
Change in inventories	3,211	(24,897)
Change in accounts receivable	(2,386)	(2,212)
Change in accounts payable	5,937	2,424
Change in provisions	108	(28)
Change in contract assets	(18,194)	(24,029)
Change in contract liabilities	(14,194)	(3,577)
(Increase)/decrease in invested capital based on CF statement:	180	(643)
Acquisition of PP&E	(560)	(1,201)
Acquisition of subsidiary, net cash of acquired	-	536
Proceeds from disposal of non-current assets	740	22
FCF	(21,623)	(51,458)

An architectural rendering of a modern residential complex. The image shows two multi-story brick buildings with large, dark-framed windows. The building on the left has a flat roof with some greenery. The building on the right is taller and has a more complex facade with vertical brick elements. In the foreground, there is a paved courtyard area with some trees, bushes, and a small playground structure. Several people are visible in the courtyard, including children playing and adults sitting on a bench. The sky is blue with some clouds.

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FINANCIAL
RESULTS
2022