

1Q 2015 Operating results

Investor presentation

14 April 2015



Etalon Group

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Viacheslav Zarenkov

**Chairman of the
Board of Directors**

**Founding shareholder and
President of Etalon Group**

Founded Etalon in 1987



Anton Evdokimov

**Chief Executive Officer
Member of the Board of
Directors**

With Etalon Group since 1998



Boris Svetlichny

**Chief Financial Officer
Member of the Board of
Directors**

With Etalon Group since 2013



Kirill Bagachenko

**Head of Corporate Investments
and IR**

**Member of the Board of
Directors**

With Etalon Group since 2013



1

Operating results

2

2015 planned deliveries

3

Appendix

Summary

1 1Q 2015 operating results affected by consumer cool-down after 4Q 2014 rush and high base effect from 1Q 2014

2 Transfers to customers in 1Q 2015 increased 345% year-on-year to 85 ths sqm, providing solid base for revenue and profit recognition in 1H 2015

3 Sales for 811 ths sqm of NSA due to be launched in 2Q-4Q 2015, providing impulse for new sales in the remainder of the year

4 Balance sheet remains exceptionally strong, with net debt of only RUB 636 million (0.06x net debt / EBITDA) as of 31 December 2014

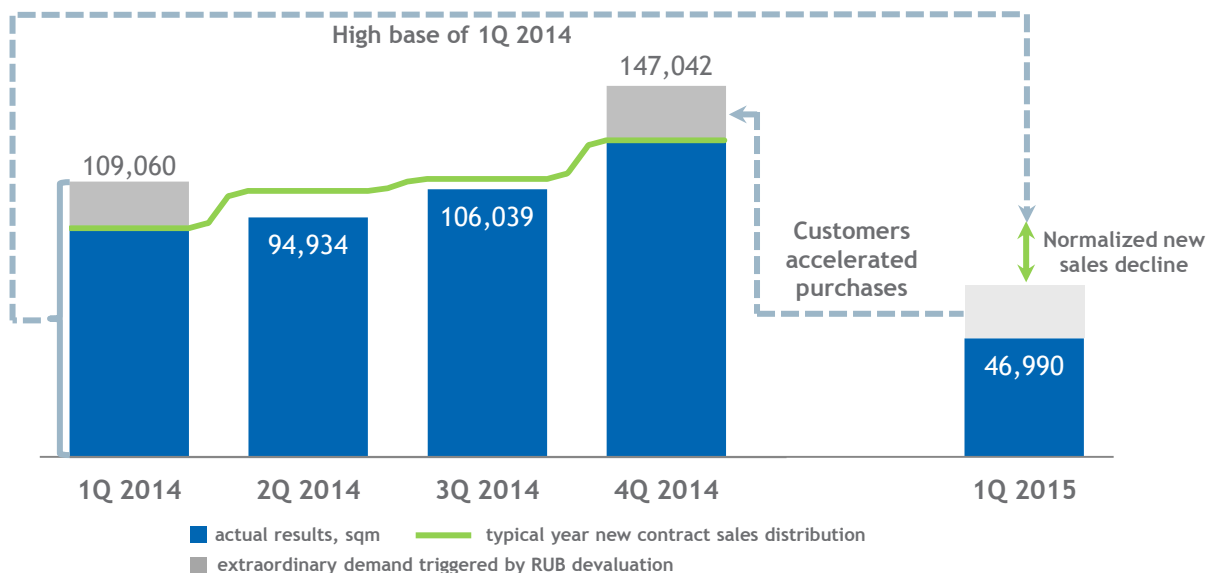
5 Etalon Group remains well positioned to continue creating shareholder value in a more complicated macro environment

Operating results

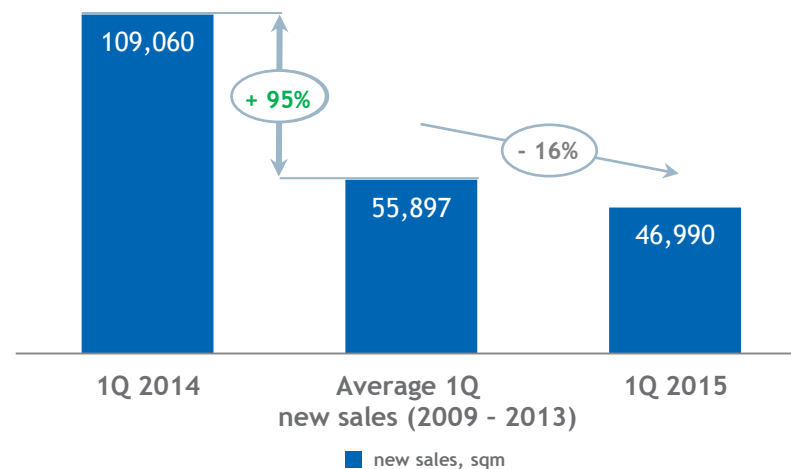


1Q 2015 Operating results - a cool-down after the 4Q 2014 rush

1Q 2015 y-o-y performance affected by a high base in 1Q 2014 and a cool-down after consumers rushed to sign contracts in 4Q 2014



1Q 2015 sales were just 16% lower compared to average historic levels, whereas 1Q 2014 was almost double that due to consumers accelerating buying decisions as the Rouble started its decline

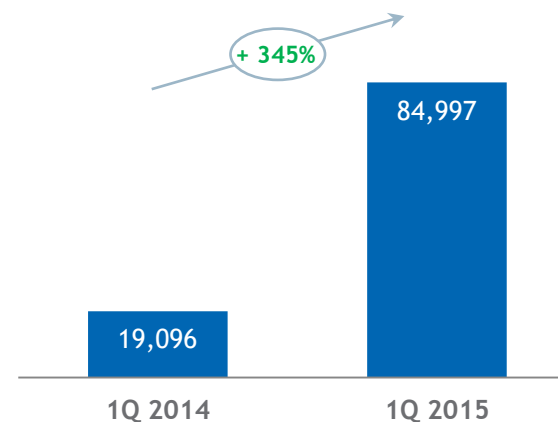


Summary of 1Q 2015 Operating results

	1Q 2015	1Q 2014
Number of contracts	1,028	2,300
New sales, sqm	46,990	109,060
New sales, mln RUB	3,804	9,078
Cash collections, mln RUB	6,003	9,088
Average down payment, mln RUB	84%	76%
Share of mortgage sales	11%	17%

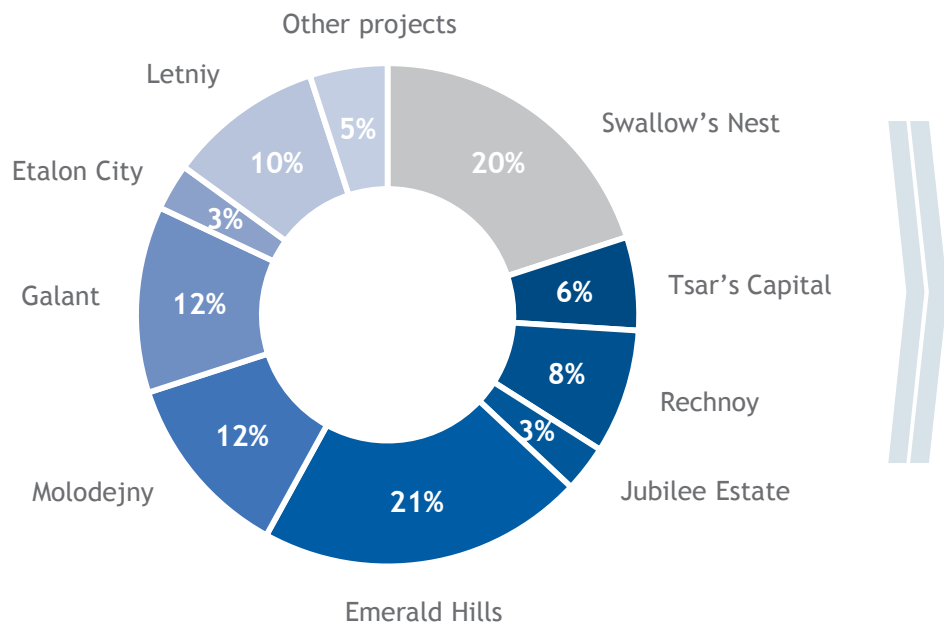
Source: Company data

Transfers to customers, sqm

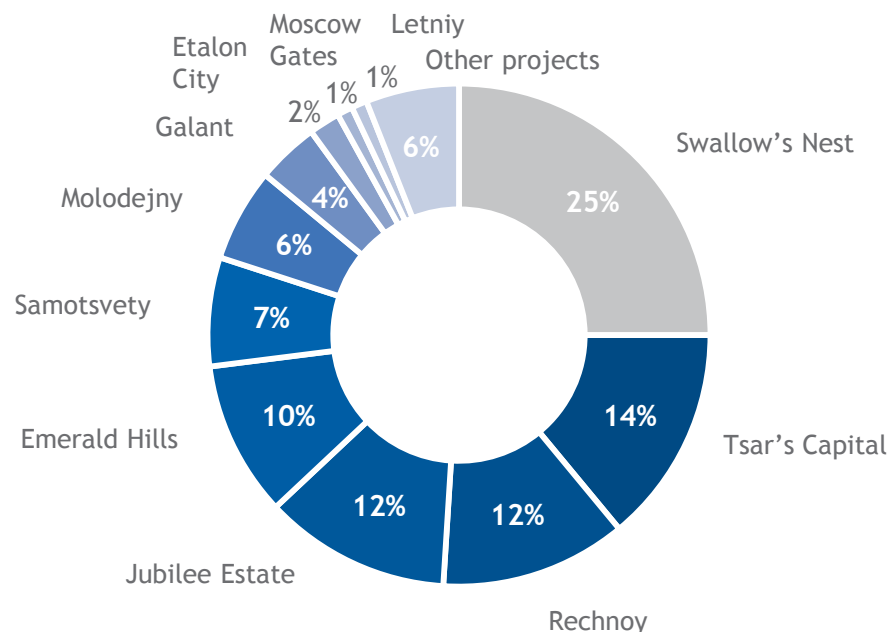


Inventory of completed housing drives new contract sales in 1Q 2015

1Q 2014 New contract sales by project, sqm



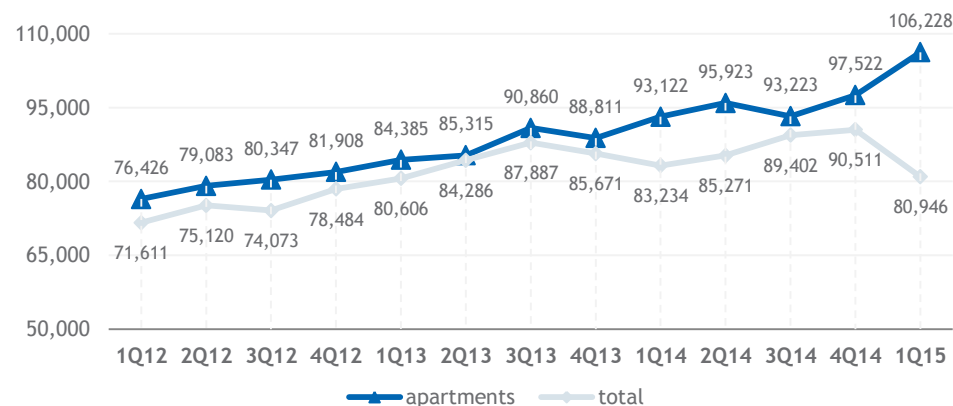
1Q 2015 New contract sales by project, sqm



Significant portfolio diversification with growing share of prime location projects

- Regional sales accounted for 37.5% of new sales in 1Q 2015
- Higher share of parking spaces in the 1Q 2015 new sales mix had an impact on the total average price
- Though the blended average price per sqm decreased 3% year-on-year to RUB 80.9 thousand, average prices for apartments increased 14% year-on-year to RUB 106.2 thousand per sqm, driven by Etalon Group's increasing share of sales at prime-location projects

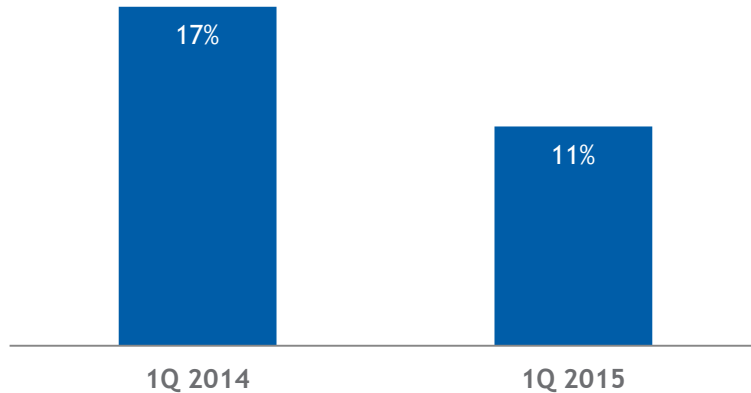
Average price, RUB/sqm



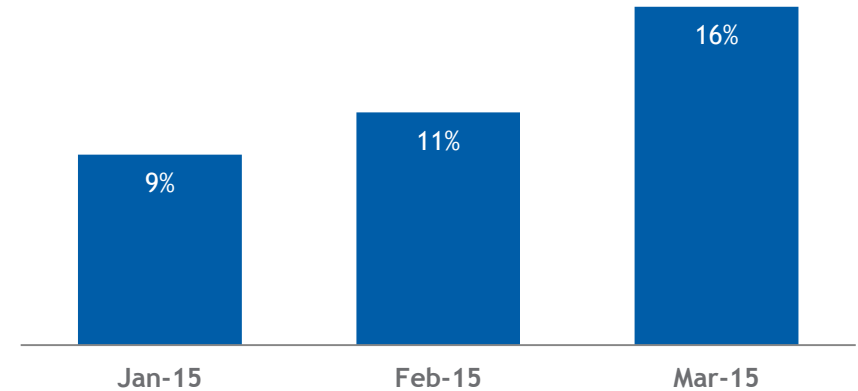
Source: Company data

Mortgage market stabilised after launch of State support programme

Share of mortgage sales, %



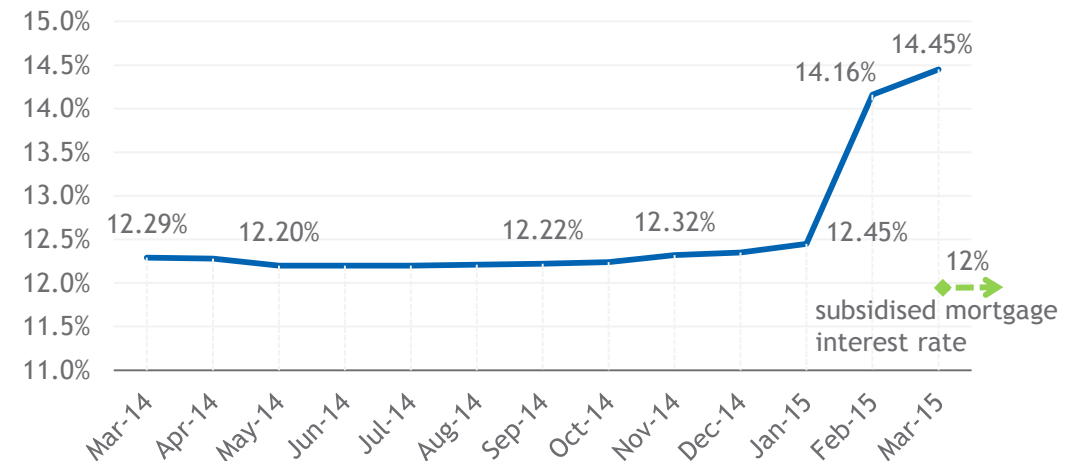
Share of mortgage sales in 1Q 2015, %



Highlights

- Apartments at Etalon Group development projects in the Moscow and St. Petersburg Metropolitan Areas are eligible for the Russian government's subsidised mortgage programme
- Etalon Group works with with major domestic banks that offer subsidised mortgage programmes, including Sberbank, VTB24, Rosbank, Bank St. Petersburg and Absolut Bank
- Basic terms of the subsidised mortgage programme:
 - minimum down payment: 20%
 - loan amount: up to RUB 8 million
 - maturity: up to 30 years
 - interest rate: from 12%

Average mortgage rate dynamics in Russia⁽¹⁾

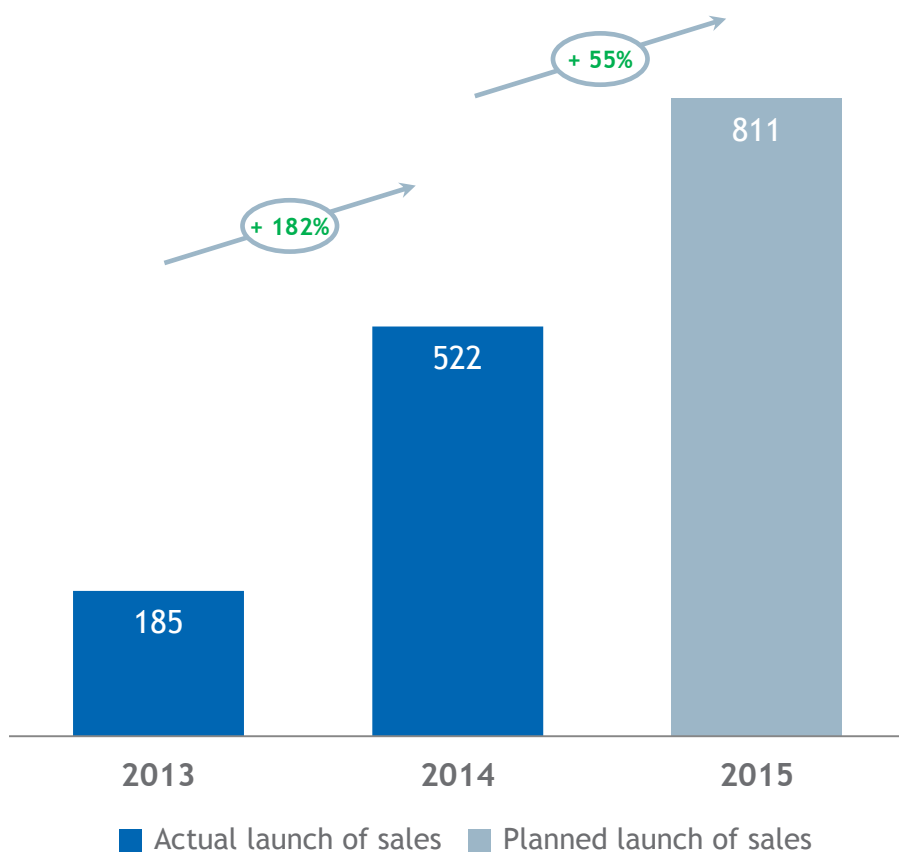


(1) CBR data

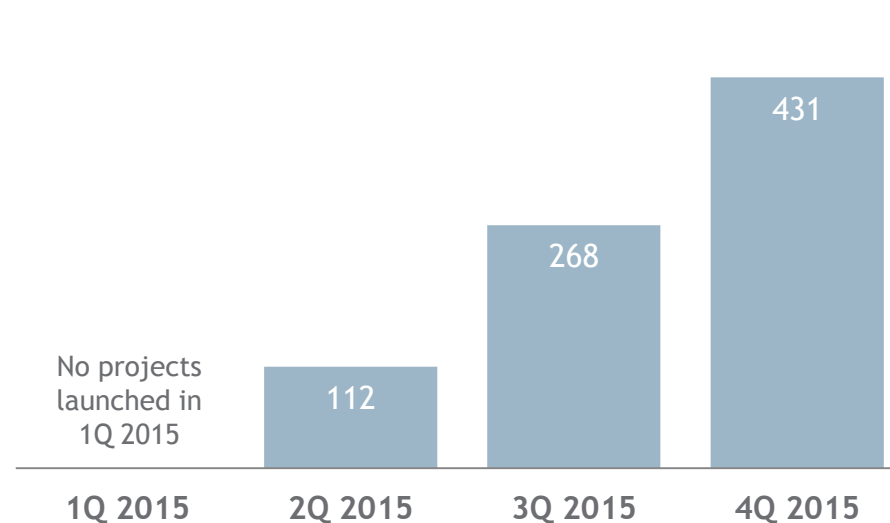
Source: Company data

New launches in 2Q-4Q will provide impulse for new sales in 2015

Launch of sales, ths sqm



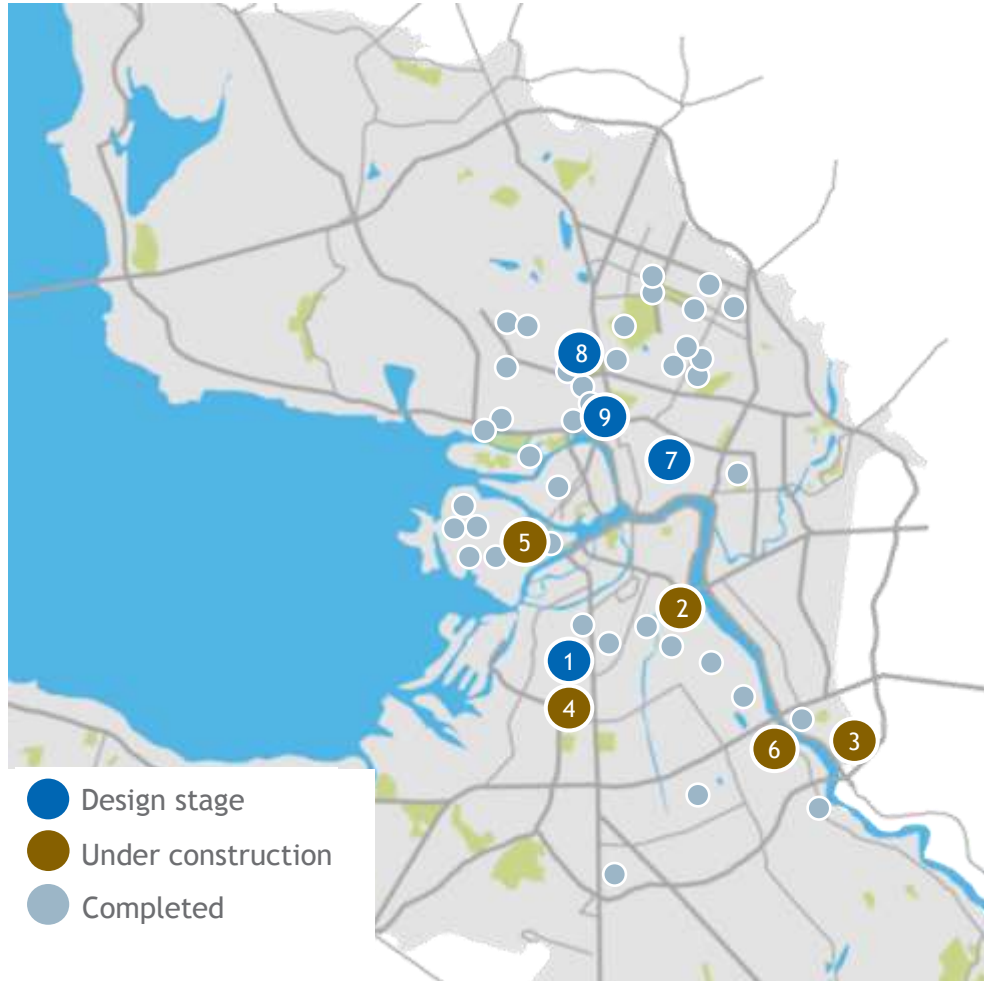
Launch of sales in 2015 by quarter, ths sqm



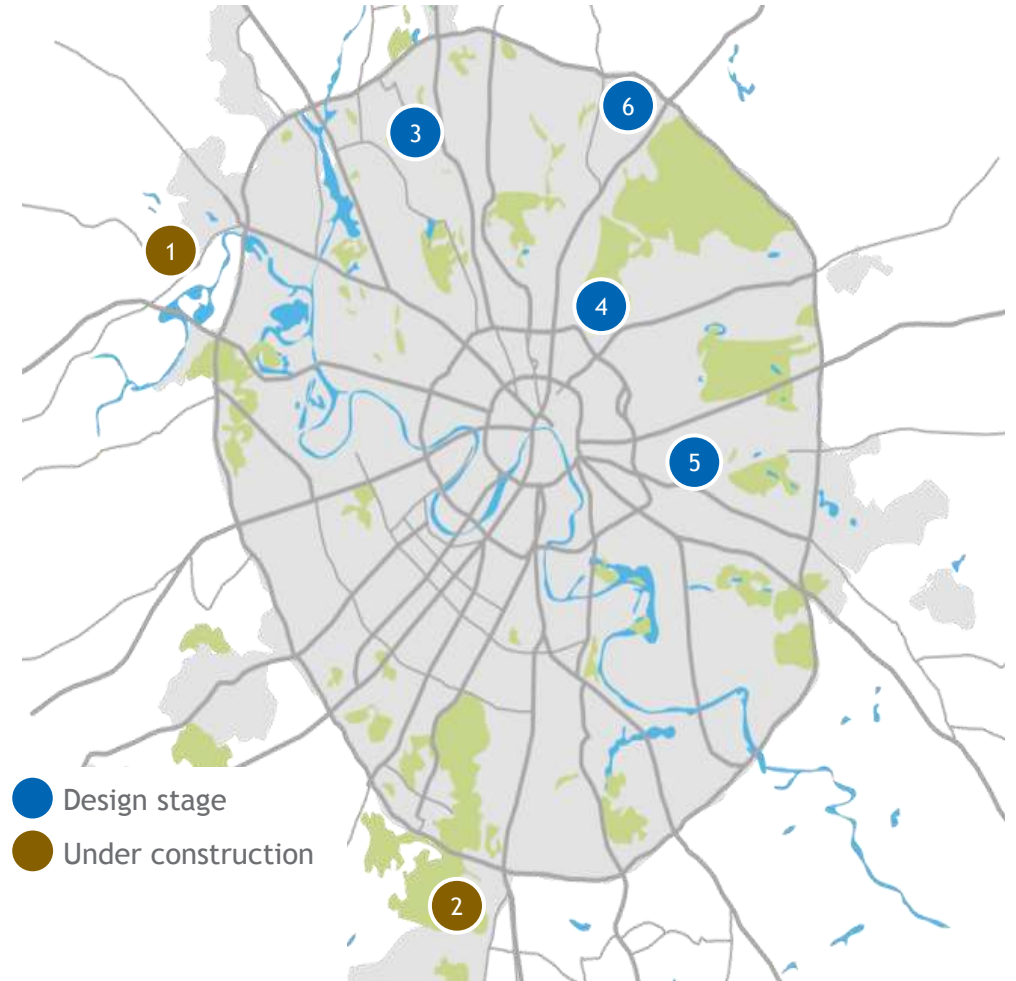
Source: Company estimates

Operations in SPMA and MMA

Projects in St. Petersburg Metropolitan Area



Projects in Moscow Metropolitan Area



Etalon Group portfolio: high quality projects diversified across the two most lucrative macro regions in Russia

Project	Status	Total NSA ('000 sqm)	Unsold NSA (Etalon's share) ('000 sqm) ⁽¹⁾	Unsold parking (lots), #	OMV (RUBmln)	Income from sales (RUBmln) ⁽²⁾	Construction budget (RUBmln) ⁽³⁾	Outstanding budget (RUBmln) ⁽³⁾
Current Projects								
St. Petersburg Metropolitan Area (SPMA)								
1. Galactica	Design stage	779.4	631.5	4,238	8,182	78,557	38,978	37,520
2. Tsar's Capital	Construction	392.4	216.3	2,089	13,197	33,225	15,374	6,868
3. Swallow's Nest	Construction	333.6	149.0	1,582	8,720	22,932	13,365	1,880
4. Moscow Gates	Construction	234.1	202.0	884	7,104	25,662	10,136	8,122
5. Samotsvety	Construction	205.8	179.6	1,654	8,613	22,614	8,466	5,757
6. Molodejny	Construction	111.8	25.8	491	935	8,545	4,352	1,140
7. Polyustrovskiy prospect	Design stage	91.3	91.3	530	1,098	6,965	3,377	3,377
8. Technopark	Design stage	51.0	51.0	440	572	4,451	3,571	3,089
9. Beloostrovskaya	Design stage	42.9	41.0	277	383	3,588	2,290	2,281
Total SPMA		2,242.3	1,587.6	12,185	48,804	206,540	99,909	70,033
Moscow Metropolitan Area (MMA)								
1. Emerald Hills	Construction	864.8	479.3	3,174	18,484	66,218	37,548	17,094
2. Etalon-City	Construction	372.2	272.3	2,276	8,871	34,955	17,575	15,531
3. Dmitrovskoe shosse	Design stage	322.3	266.1	2,122	5,276	33,604	16,696	16,579
4. Alekseevskiy District	Design stage	179.5	169.6	2,160	6,835	23,957	8,973	8,903
5. Budennogo street	Design stage	119.0	110.7	936	3,825	13,950	5,836	5,763
6. Losinoostrovskiy District	Design stage	91.5	83.9	851	3,032	11,635	4,372	4,351
Total MMA		1,949.3	1,381.8	11,519	46,323	184,319	90,998	68,222
Total Current Projects		4,191.6	2,969.4	23,704	95,127	390,859	190,907	138,255
Completed Projects								
Residential property in completed projects			124.5	3,219	8,198			
Completed stand-alone commercial properties			20.4	59	961			
Total Completed Projects			144.9	3,278	9,159			
All Projects								
Total Etalon Group			3,114.3	26,982	104,286			

Source: construction period based on company estimates, all numbers based on JLL report as of 31.12.2014

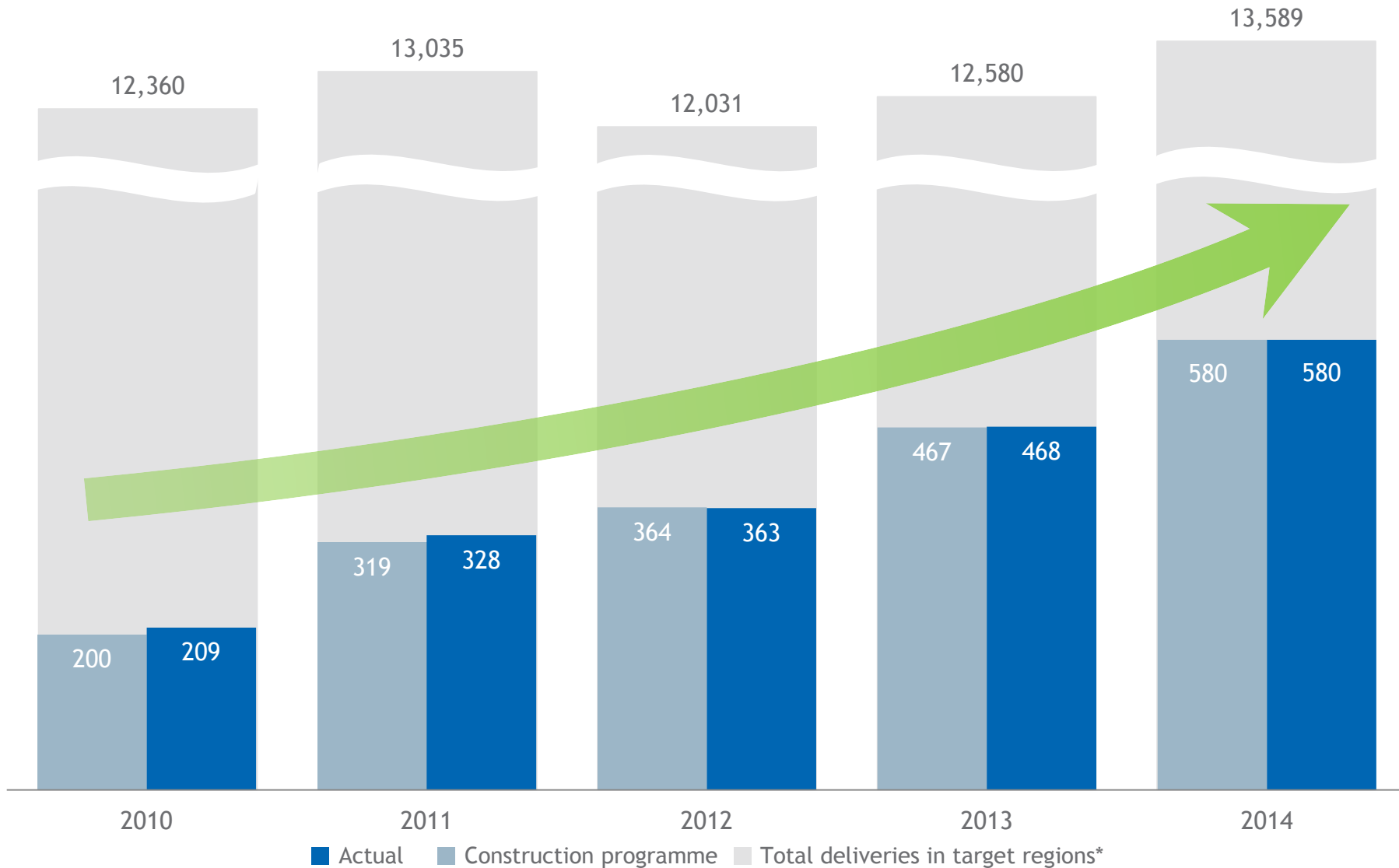
(1) Including parking with average area c. 30 sqm

(2) Income from sales includes potential and received incomes as of 31 December 2014

(3) Excluding land acquisition costs

FY 2014 construction volumes: yet another year of successful growth

Construction programme, ths sqm of NSA



Source: Company estimates

*Calculations of total deliveries in target markets (MMA and St. Petersburg) for 2010-2013 are based on GKS data, 2014 total deliveries based on GKS data and preliminary announcements of Moscow region Government representatives

Summary of 2015 planned deliveries

Project deliveries breakdown for 2015

	Project	Region	NSA to be delivered in 2015, ths sqm
1	Tsar's Capital	SPMA	158
2	Samotsvety	SPMA	128
3	Moscow Gates	SPMA	66
4	Emerald Hills	MMA	65
5	Etalon City	MMA	43
6	Swallow's Nest	SPMA	40
	Total		500

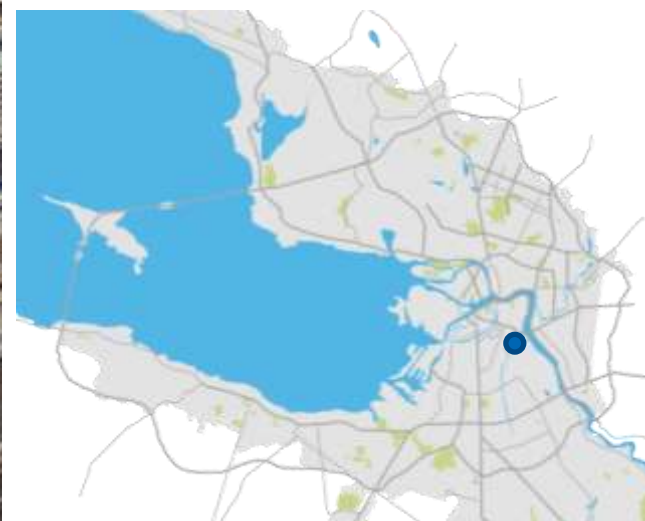
Source: Company estimates

Tsar's Capital

March 2015



December 2013



Total NSA 392 ths sqm

Planned 2015 deliveries
158 ths sqm

Open Market Value*
RUB 13,197 mln

Income from sales*
RUB 33,225 mln

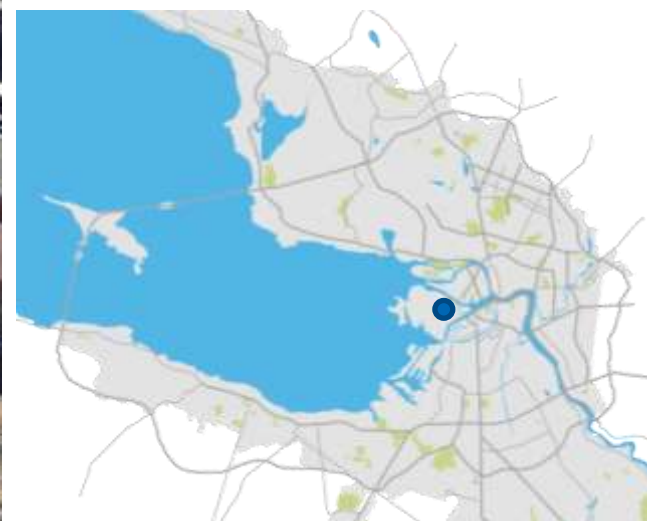
*JLL estimate as of 31.12.2014

Samotsvety

March 2015



December 2013



Total NSA 206 ths sqm

Planned 2015 deliveries
128 ths sqm

Open Market Value*
RUB 8,613 mln

Income from sales*
RUB 22,614 mln

*JLL estimate as of 31.12.2014

Moscow Gates

March 2015



December 2013



Total NSA 234 ths sqm

Planned 2015 deliveries
66 ths sqm

Open Market Value*
RUB 7,104 mln

Income from sales*
RUB 25,662 mln

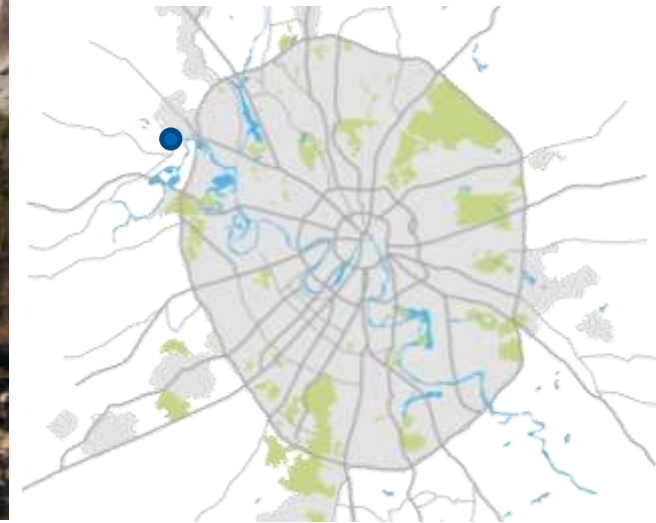
*JLL estimate as of 31.12.2014

Emerald Hills

March 2015



December 2013



Total NSA 865 ths sqm

Planned 2015 deliveries
65 ths sqm

Open Market Value*
RUB 18,484 mln

Income from sales*
RUB 66,218 mln

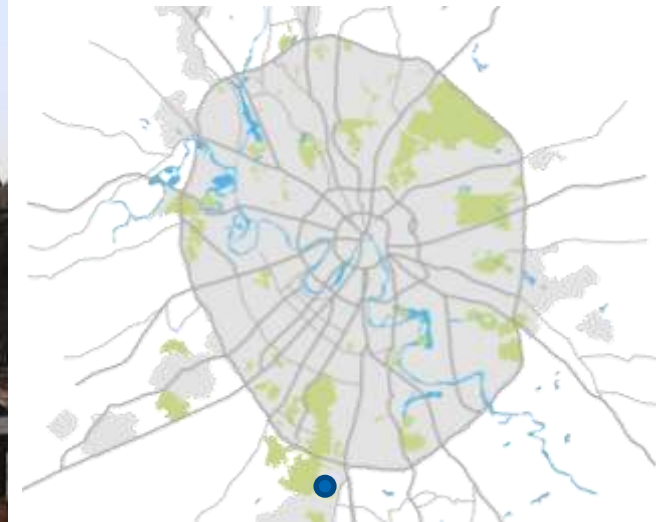
*JLL estimate as of 31.12.2014

Etalon City

March 2015



December 2013



Total NSA 372 ths sqm

Planned 2015 deliveries
43 ths sqm

Open Market Value*
RUB 8,871 mln

Income from sales*
RUB 34,955 mln

*JLL estimate as of 31.12.2014

Swallow's Nest

March 2015



December 2013



Total NSA 334 ths sqm

Delivered in 2015
40 ths sqm

Open Market Value*
RUB 8,720 mln

Income from sales*
RUB 22,932 mln

*JLL estimate as of 31.12.2014

Appendix



At a glance

Presence in rapidly growing markets

- Focus on middle class residential real estate in Moscow metropolitan area (MMA) and St. Petersburg metropolitan area (SPMA)
- 29% CAGR for deliveries over 2010-2014⁽¹⁾

Strong delivery track record

- Over 27 years of construction & development experience
- 4.5 mln sqm commissioned

True vertical integration

- Strategic vertical integration in key value-added segments of property development enables the Company to control costs, quality and timing
- 5,000 employees
- Country-wide sales network covering 36 cities

Diversified projects portfolio

- Land bank of 3.11 mln sqm⁽²⁾
- Land bank sufficient until 2018
- Projects well diversified by locations within both SPMA and MMA

Liquidity and credit ratings

- Secure liquidity position supported by pre-sales cash collections model
- Low leverage: 0.06x net debt / EBITDA, with a net debt of just RUB 636 mln⁽³⁾
- Credit rating by S&P: B+ / B⁽⁴⁾

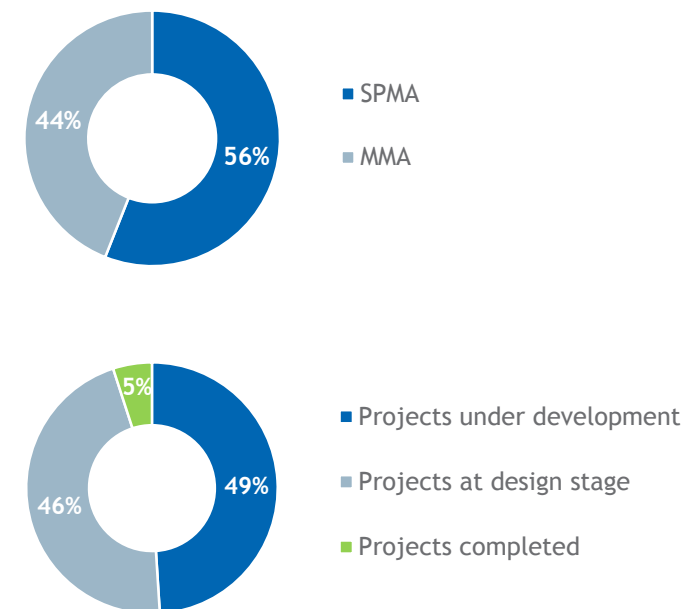
Corporate governance

- 10 BoD members, 5 NEDs
- Board of Directors consists of professionals with broad range of experience and expertise, ensuring that the interests of all groups of shareholders are appropriately represented
- Monthly visual updates on projects, quarterly trading updates and semi-annual financial reporting
- Official guidance on deliveries and new contract sales
- Dividend policy aims to pay out 15% to 30% of IFRS net profit semi-annually

⁽¹⁾ Company operating results;
⁽²⁾ JLL land bank valuation report as of 31.12.2014;
⁽³⁾ IFRS financial statements as of 31 December 2014;
⁽⁴⁾ 'B+' long-term & 'B' short-term corporate credit ratings of SSMO LenSpetsSMU (last reconfirmed on 29.07.2013).

LSE ticker	ETLN:LI
Share price	USD 2.55 (13.04.2015)
Market capitalization	USD 745 mln (13.04.2015)
Portfolio valuation (by Jones Lang La Salle)	RUB 104,286 mln (31.12.2014)

Portfolio composition ⁽²⁾

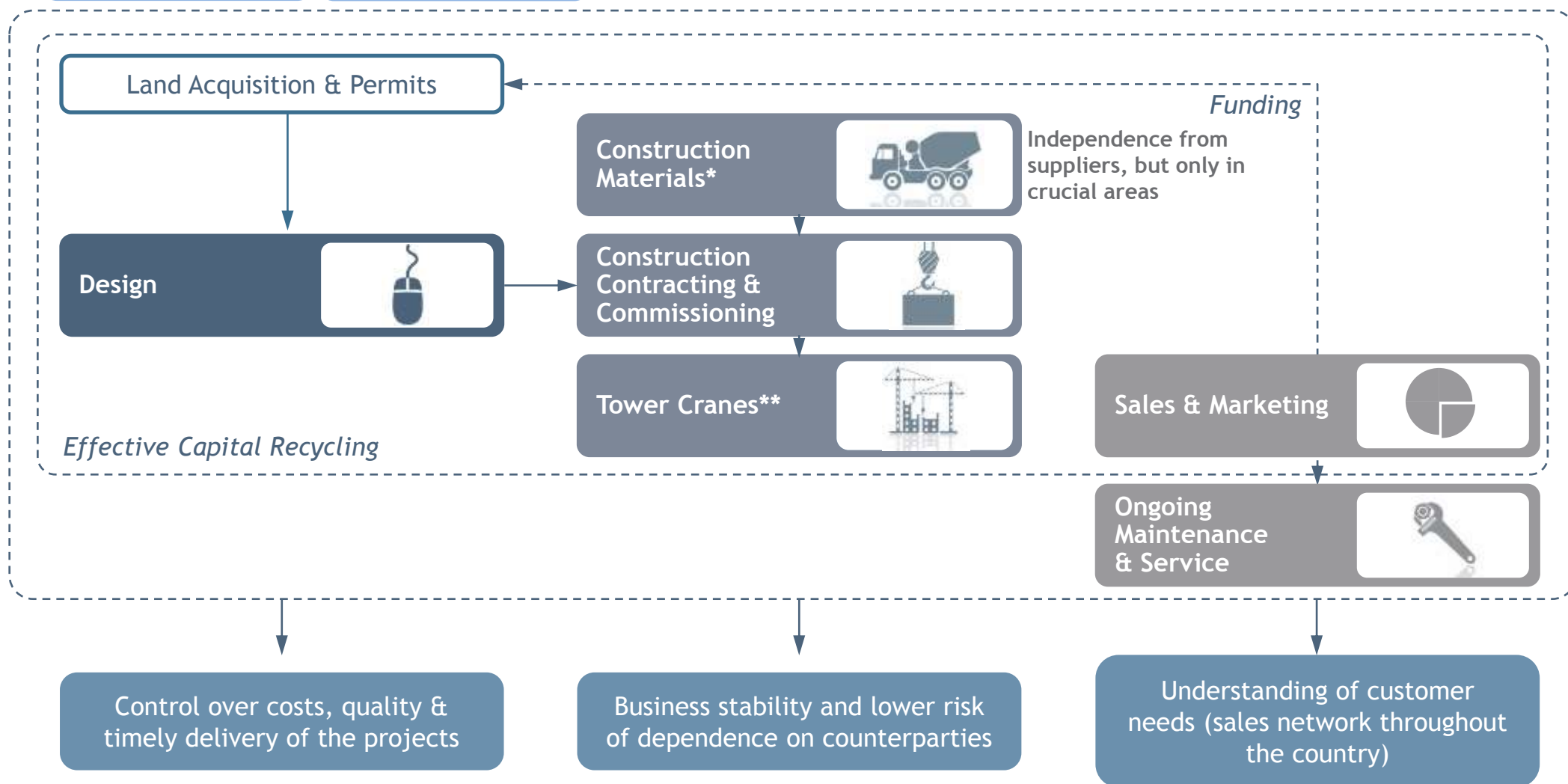


Strategic vertical integration: control over costs, quality and timing

Etalon Group operates in every part of property development process

> 40 business units

> 5,000 people



* Brick plant and concrete products plant. Own production only for "bottleneck" construction materials

** 62 tower cranes (Liebherr and Wolff). Data as of 31.12.2014

Nationwide sales & marketing network supports sustainable contracting

Powerful sales network across the country

Regional population actively buys apartments in Moscow and St. Petersburg



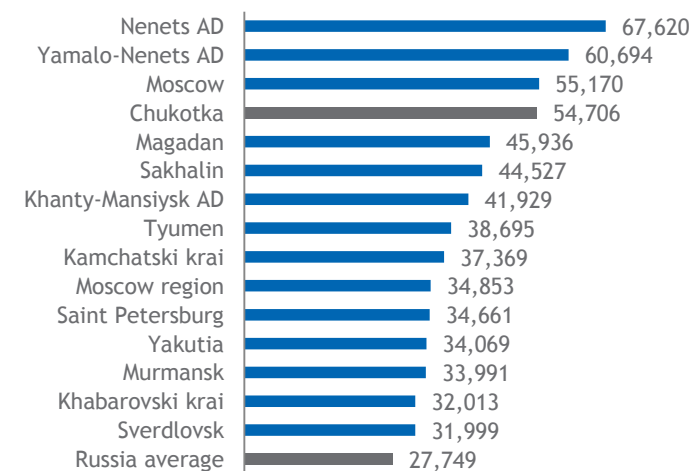
- Etalon Group sales force is focused on the regions with the largest income per capita
- Key markets: SPMA and MMA
- 36 cities covered with 14 sales offices in St. Petersburg and 17 more sales offices nationwide
- External professional marketing and sales service agents engaged nationwide

Etalon Group's regional sales geography⁽¹⁾

Region	Share of total contracts
Leningrad	5.5%
Krasnoyarski krai	2.4%
Kamchatski krai	2.2%
Primorski krai	2.2%
Murmansk	1.8%
Sakhalin	1.4%
Khabarovski krai	1.3%
Samara	1.2%
Other Russian regions	16.9%
Foreigners	2.5%
Total:	37.5%

The Group's flats are sold in 14 out of Russia's 15 richest regions

Average income per capita (RUB)⁽²⁾



Etalon Group's target regions

⁽¹⁾Source: company data for 1Q 2015

⁽²⁾Average monthly cash income per capita, Rosstat's preliminary estimates for 12M 2014

Board of Directors represents interests of all investor groups

FOUNDING
SHAREHOLDERS



Viacheslav Zarenkov

Chairman of the Board of Directors,
Founding shareholder and President

Experience and awards

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

Education

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



Dmitry Zarenkov

Vice-President

Experience and awards

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

Education

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

EXECUTIVE
DIRECTORS



Anton Evdokimov

Chief Executive Officer,
First Vice-President

Experience and awards

- 28 years of experience in construction industry
- Certificate of Honour of the Ministry of Regional Development

Education

- Leningrad Engineering Construction Institute, SPb State University and International Banking Institute, Open University Business School (MSc in International finance, MBA in business strategy)



Boris Svetlichny

Chief Financial Officer

Experience and awards

- Over 26 years experience in finance and senior management with international and Russian companies
- Recent experience included CFO position at Orange in Russia, VP for Finance at Vimpelcom and CFO at Golden Telecom

Education

- University of Massachusetts (BBA in Accounting)
- Carnegie-Mellon University (MBA)



Kirill Bagachenko

Head of Corporate
Investments and IR

Experience and awards

- 10 years' experience in corporate finance and asset management
- Previously held position of senior equity portfolio manager at TKB BNP Paribas Investment Partners
- In 2013 voted one of the top three portfolio managers in Russia by Thomson Reuters Extel Survey

Education

- St. Petersburg State University of Economics and Finance



Michael John Calvey

Senior partner at Baring
Vostok
since 1999

Experience and awards

- Member of the board of Europlan, Volga Gas, Gallery Media Group
- Worked at EBRD, Salomon Brothers, Sovlink Corporation
- Ex-Member of the board of CTC Media, Golden Telecom, Burren Energy

Education

- University of Oklahoma and London School of Economics

NON-EXECUTIVE
DIRECTORS

INDEPENDENT
NON-EXECUTIVE
DIRECTORS



Martin Cocker

Independent Non-
Executive Director

Experience and awards

- 19 years of experience in audit, 5 years - in construction industry
- Runs his own development business in Portugal
- Worked at Deloitte & Touche, KPMG and Ernst & Young in Russia, Kazakhstan and UK

Education

- University of Keele



Anton Poryadin

Independent Non-
Executive Director

Experience and awards

- 13 years of experience in strategy consulting at A.T. Kearney. Partner and Vice President at A.T. Kearney
- Worked at Barents International Markets B.V., Torno Internazionale S.p.A., St. Petersburg Foundation for Enterprise Development

Education

- SPb Technical University, Business School at the University Of Rochester



Andrew Howat

Independent Non-
Executive Director

Experience and awards

- 30 years of experience in international finance, banking and investment businesses
- Worked as a senior Director at ING Bank in the Corporate Banking and Financial Markets divisions, and as Managing Director of Butterfield Fulcrum
- Chartered member of the Chartered Institute for Securities & Investment

Education

- Farnborough College of Technology



Alexei Kalinin

Senior partner at Baring
Vostok

Experience and awards

- With Baring Vostok since 1999
- Worked at Alfabank and Alfa Capital
- Chairman of the Board of Directors at Volga Gas, member of the board at Samarenergo and two Russian glass companies

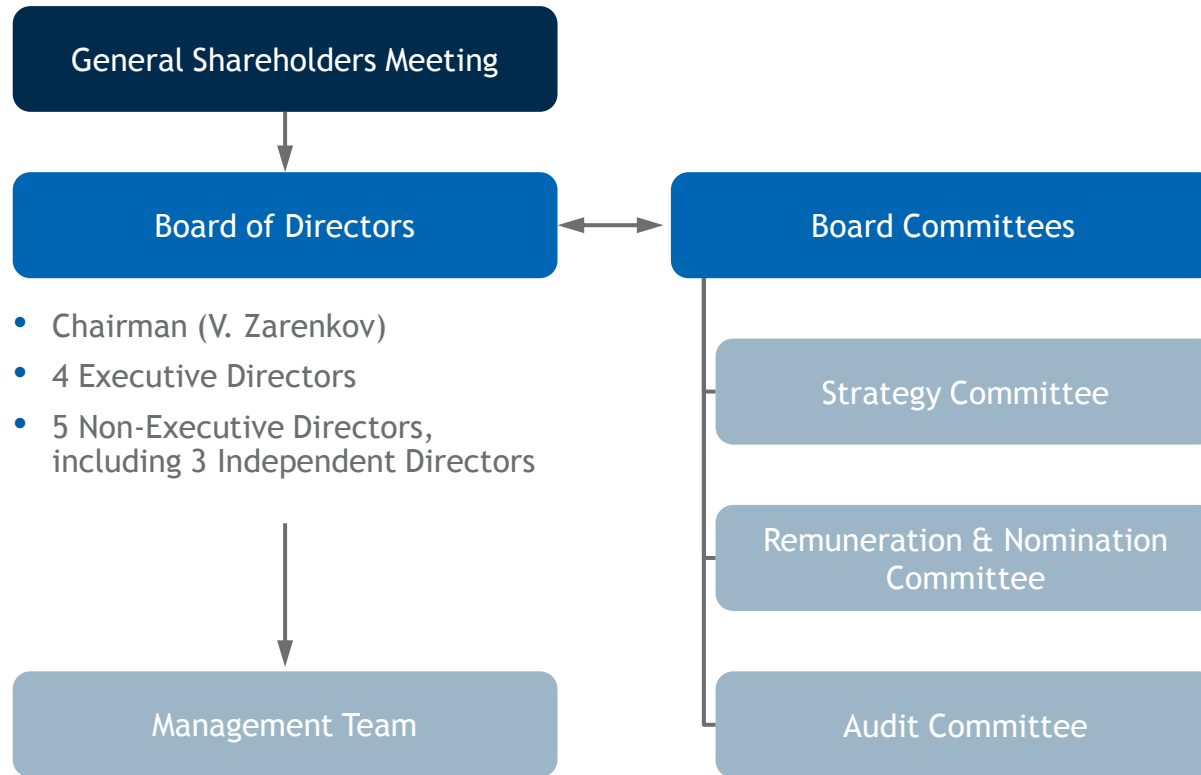
Education

- Moscow Power Engineering University
- PhD in Engineering

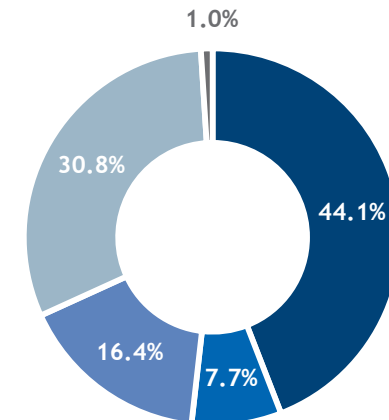
⁽¹⁾ Title granted by President of Russia

Strong corporate governance and shareholding structure

Corporate governance structure



Shareholding structure

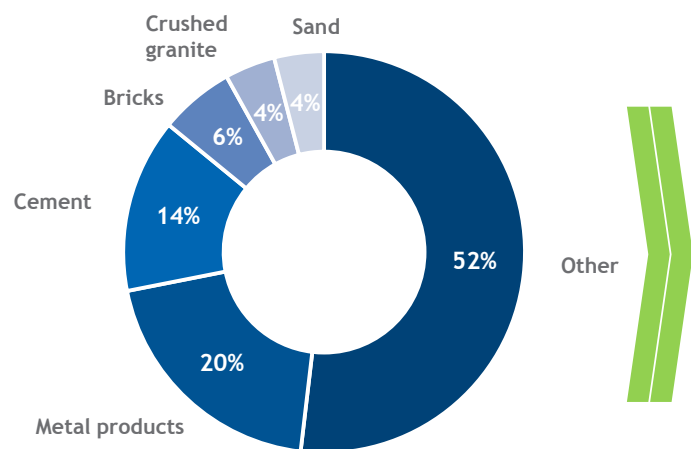


- Zarenkov family
- Management
- Baring Vostok
- Free float
- Etalon Development Ltd

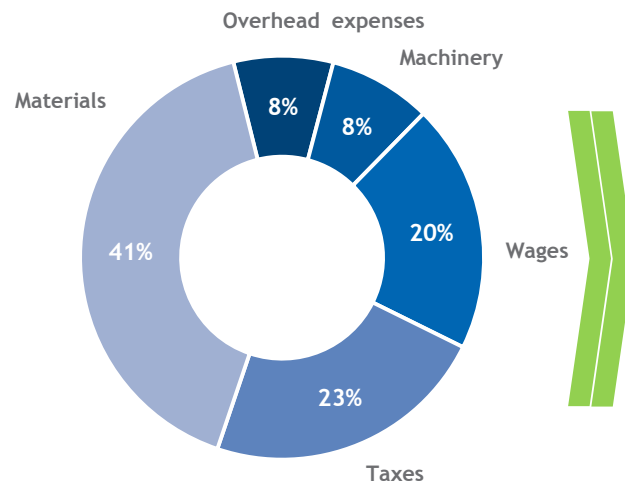
As of 31 December 2014

Typical project cost structure

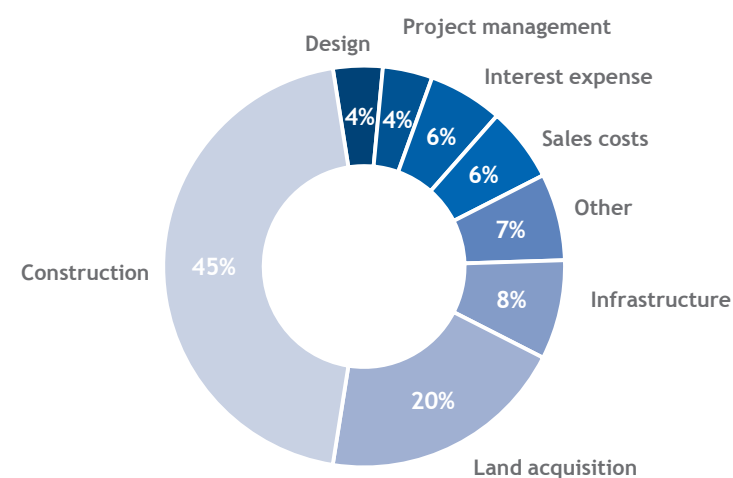
Materials cost structure *
(RUB 12,000 - 18,000 per sqm of NSA)



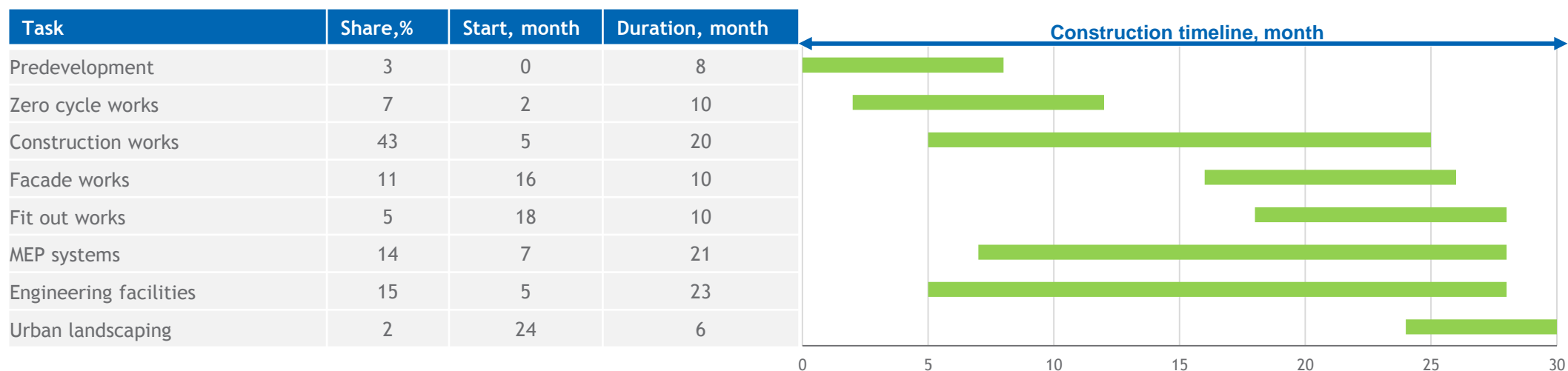
Construction cost structure *
(RUB 29,000 - 39,000 per sqm of NSA)



Total cost structure *
(RUB 59,000 - 72,000 per sqm of NSA)

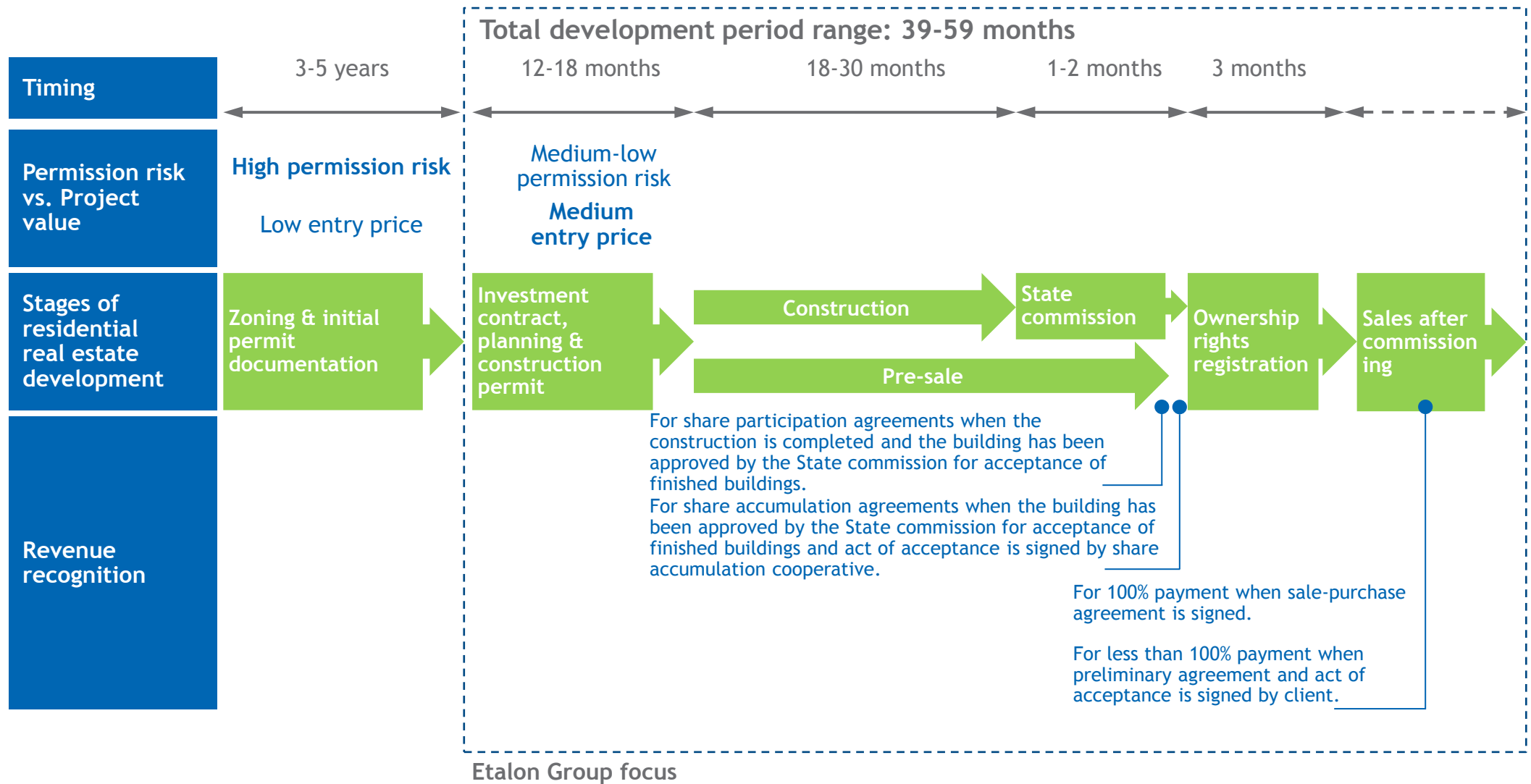


Typical project lifecycle*



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

Residential development scheme



Source: Company data

Construction services

Description

- Etalon Group is a leader in industrial construction in the North-West region of Russia with superb track record throughout its history

Track-record

- We have contributed to 24 milestone projects
- Heat & power station, two hotels, four car assembly plants, shipyards, machinery plant, fitness and sports centre etc.

Strategy

- 3 projects under way
- Etalon Group plans to continue developing its industrial construction operations and maintain its share in total business

Diversification benefits

- Ability and expertise to provide quality construction services to well-known international and local companies facilitates Group's brand development
- Allows to maintain skilled work force during market downturn

Selected key projects



Toyota
Poling and gridding



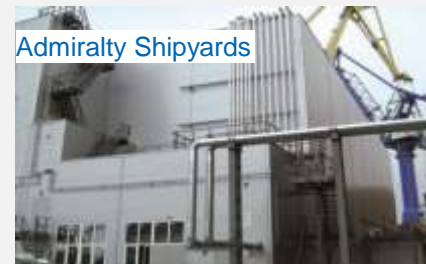
Ford
Design & construction (increase of production capacities)



GM
Poling & road infrastructure construction



Nissan
Infrastructure & site for the finished goods



Admiralty Shipyards
Construction of workshop & transportation utilities



Pulkovo customs
Full construction cycle



ExpoForum
Full construction cycle



North-West Heat & Power Station
Foundation construction for a cooling tower and main building



Almazov Medical Complex
Renovation of the existing building and building up two additional floors

Income statement

mIn RUB	2011	2012	2013	2014
Revenue	22,741	26,894	39,921	51,481
Cost of sales	(11,888)	(17,494)	(27,553)	(35,685)
Gross profit	10,853	9,400	12,368	15,796
General and administrative expenses	(2,328)	(2,324)	(3,157)	(4,178)
Selling expenses	(854)	(958)	(1,023)	(1,474)
Other expenses, net	(27)	(209)	(40)	(913)
Results from operating activities	7,644	5,909	8,148	9,231
Finance income	1,441	749	691	1,717
Finance costs	(60)	(132)	(342)	(553)
Net finance income	1,381	617	349	1,164
Profit before income tax	9,025	6,526	8,497	10,395
Income tax expense	(1,585)	(1,526)	(1,833)	(2,026)
Profit for the period	7,440	5,000	6,664	8,369
<i>Profit attributable to:</i>				
Owners of the Company	7,332	4,979	6,629	8,345
Non-controlling interest	108	21	35	24
Profit for the period	7,440	5,000	6,664	8,369

Source: IFRS financial statements for 2011, 2012, 2013, 2014

Balance sheet

mln RUB	2011	2012	2013	2014	mln RUB	2011	2012	2013	2014
Assets					Equity and Liabilities				
Non-current assets					Equity				
PP&E	2,009	2,380	1,962	2,503	Share capital	14,980	14,967	14,967	14,983
Investment property	-	-	1,142	808	Retained earnings	17,704	22,688	29,332	36,537
Other long-term investments	88	60	275	1,036	Total equity attributable to equity holders of the Company	32,684	37,655	44,299	51,520
Trade and other receivables	551	433	1,332	2,521	Non-controlling interest	372	408	387	351
Deferred tax assets	679	434	560	885	Total equity	33,056	38,063	44,686	51,871
Other non-current assets	92	11	10	10	Non-current liabilities				
Total non-current assets	3,419	3,318	5,281	7,763	Loans and borrowings	8,456	12,811	10,176	12,411
Current assets					Trade and other payables	48	980	785	2,854
Inventories	32,047	41,522	50,057	57,525	Provision	77	65	89	114
Trade and other receivables	7,473	11,058	15,078	15,074	Deferred tax liabilities	98	226	826	1,456
Short-term investments	1,327	6,870	5,008	1,221	Total non-current liabilities	8,679	14,082	11,876	16,835
Cash and cash equivalents	14,484	10,716	8,139	14,631	Current liabilities				
Other current assets	34	32	7	66	Loans and borrowings	1,950	3,825	3,043	3,880
Total current assets	55,365	70,198	78,289	88,517	Trade and other payables	13,539	16,966	22,300	21,460
Total assets	58,784	73,516	83,570	96,280	Provisions	1,560	580	1,665	2,234
					Total current liabilities	17,049	21,371	27,008	27,574
					Total equity and liabilities	58,784	73,516	83,570	96,280

Source: IFRS financial statements for 2011, 2012, 2013, 2014

Cashflow statement

mln RUB	2011	2012	2013	2014
Operating Activities				
Profit for the period	7,440	5,000	6,664	8,369
<i>Adjustments for</i>				
Depreciation	265	417	343	417
Gain on disposal of PP&E	(92)	(49)	(15)	(52)
Loss on disposal of subsidiaries	1	28	-	-
Gain on disposal of equity accounted investees	(24)	-	-	-
Impairment loss on investment property	-	-	-	280
Impairment loss on inventories	-	-	-	466
Finance income, net	(1,425)	(544)	(337)	(1,164)
Income tax expense	1,585	1,526	1,833	2,026
Cash from operating activities before changes in working capital	7,750	6,378	8,488	10,342
Change in inventories	(5,308)	(7,633)	(7,837)	(6,890)
Change in accounts receivable	(2,893)	(3,024)	(5,080)	(1,427)
Change in accounts payable	(818)	4,074	4,880	1,184
Change in provisions	367	(992)	1,109	594
Change in other current assets	24	3	25	(59)
Income tax paid	(1,897)	(1,833)	(907)	(1,645)
Interest paid	(1,098)	(1,097)	(1,724)	(1,588)
Net cash from/(used in) operating activities	(3,873)	(4,124)	(1,046)	511

mln RUB	2011	2012	2013	2014
Investing Activities				
Proceeds from disposal of non-current assets	117	71	15	66
Interest received	140	552	611	823
Acquisition of PP&E	(726)	(844)	(431)	(653)
Loans given	(253)	(371)	(55)	(178)
Loans repaid	234	363	85	174
Acquisition of subsidiaries, net of cash acquired	-	-	10	-
Disposal of subsidiaries, net of cash disposed of	(17)	(8)	(20)	7
(Acquisition)/disposal of other investments	(1,027)	(5,506)	1,606	3,038
Net cash used in investing activities	(1,532)	(5,743)	1,821	3,277
Financing activities				
Proceeds from IPO	13,487	-	-	-
Acquisition of non-controlling interest	(3)	(3)	(10)	(83)
Proceeds from disposal of non-controlling interest	24	-	-	-
Proceeds from borrowings	6,353	12,140	5,937	10,763
Repayments of borrowings	(4,821)	(5,552)	(9,668)	(8,498)
Acquisition of own shares	(459)	(13)	-	16
Dividends paid	-	-	-	(1,124)
Net cash from/(used in) financing activities	14,581	6,572	(3,741)	1,074
Net increase/(decrease) in cash and cash equivalents	9,176	(3,295)	(2,966)	4,862
Effect of FX rate fluctuations	1,672	(473)	389	1,630
Cash & cash equivalents at the end of the period	14,484	10,716	8,139	14,631

Source: IFRS financial statements for 2011, 2012, 2013, 2014

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