

# Investor presentation

22 November 2012



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## Today's presenting team



**Viacheslav Zarenkov**

**Chairman of the  
Board of Directors**

**Founding shareholder and  
President of Etalon Group**

Founded Etalon in 1987



**Anton Evdokimov**

**CFO of Etalon Group**

**Member of the Board of  
Directors**

With Etalon Group since 1998



**Dmitri Boulkhoukov**

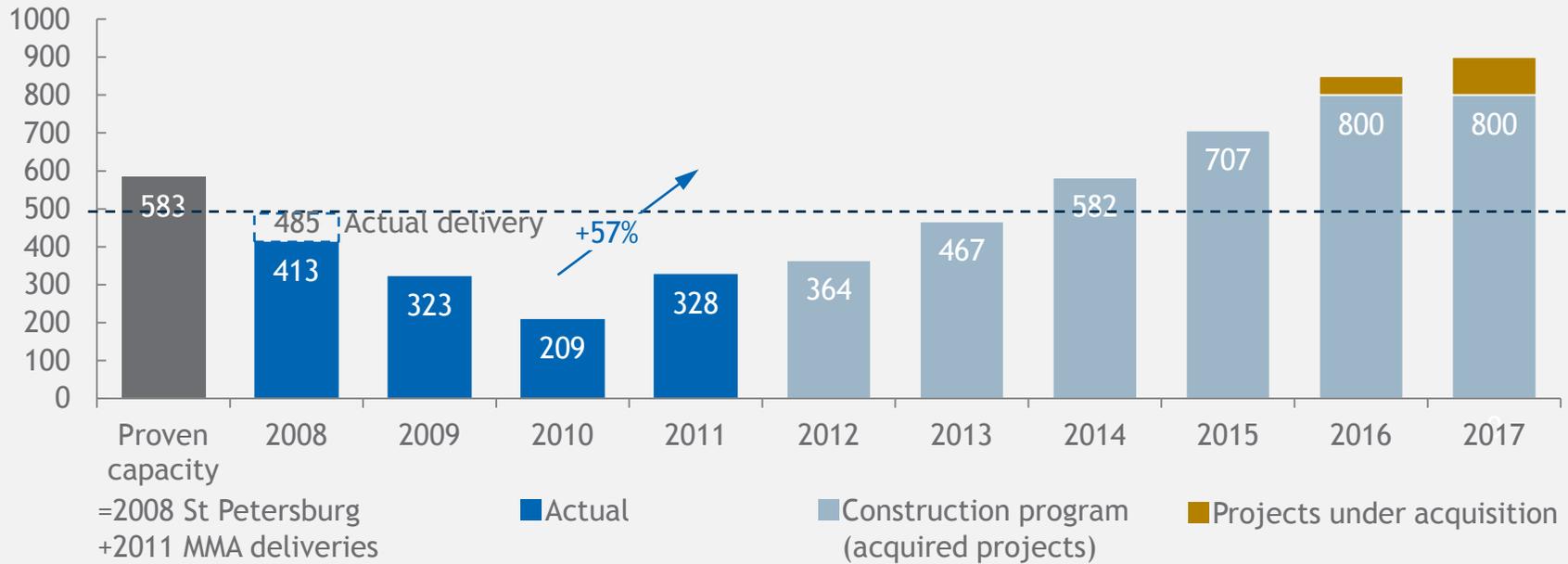
**Head of Investments  
of Etalon Group**

**Member of the Board of  
Directors**

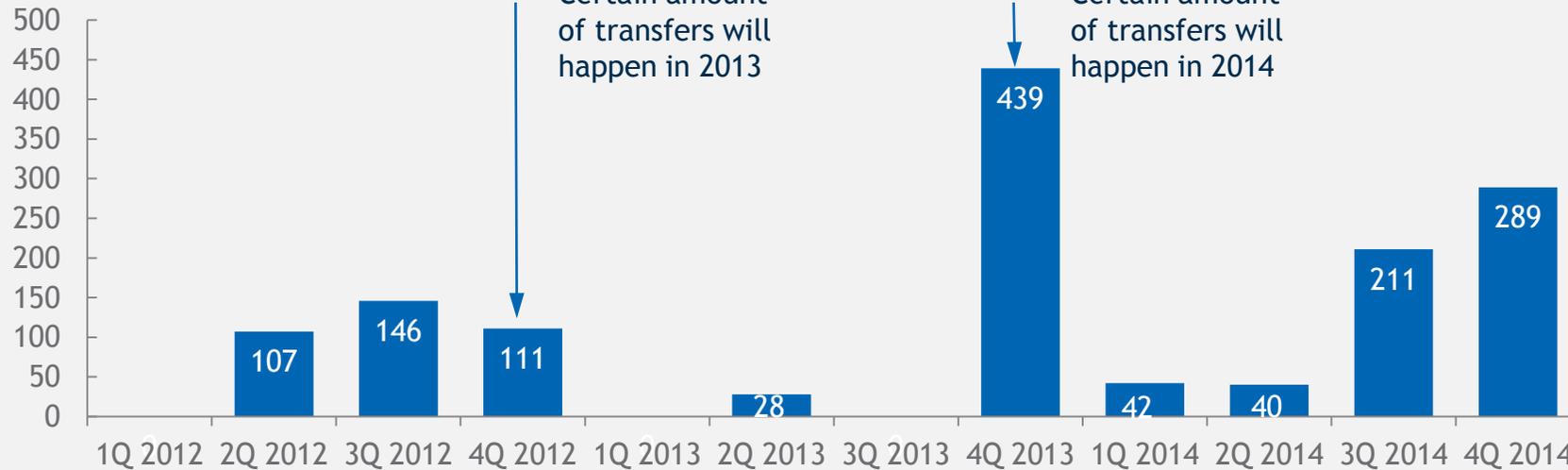
With Etalon Group since 2007

# Construction programme: update

Updated construction programme, ths sqm of NSA



Quarterly deliveries of NSA, ths sqm

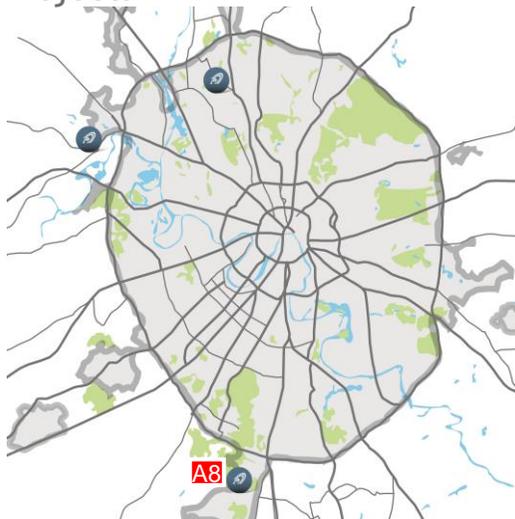


Source: company estimates

# 2012 eight step programme & 25% growth in NCS in 2012

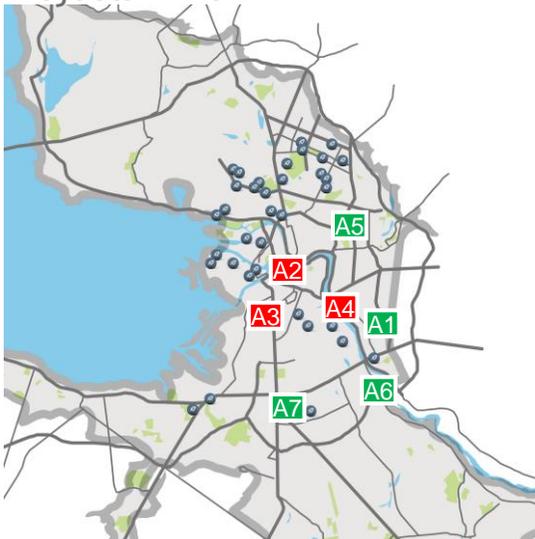
New projects scheduled for launch in 2012

## Projects in MMA

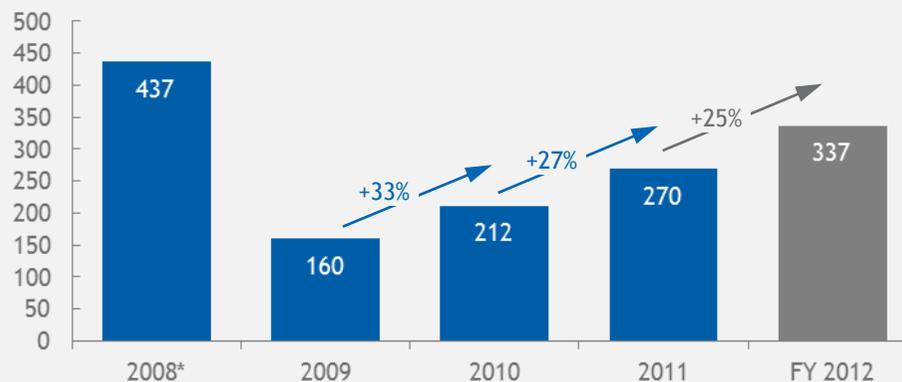


Project	NSA, ths sqm	Status
A2 Tsarskaya stolitsa	384	Expect to launch next year
A8 Etalon-City	419	Expect to launch next year
A1 Lastochkino gneздо	311	Launched
A6 Rechnoy	114	Construction permit obtained, launch due 11/2012
A4 Molodejny	112	Expect to launch before year end
A7 Letniy	65	Launched
A3 Galant	49	Expect to launch before year end
A5 Marshala Tukhachevskogo	24	Launched
<b>Total</b>	<b>1,478</b>	

## Projects in SPMA



## New contract sales, ths sqm



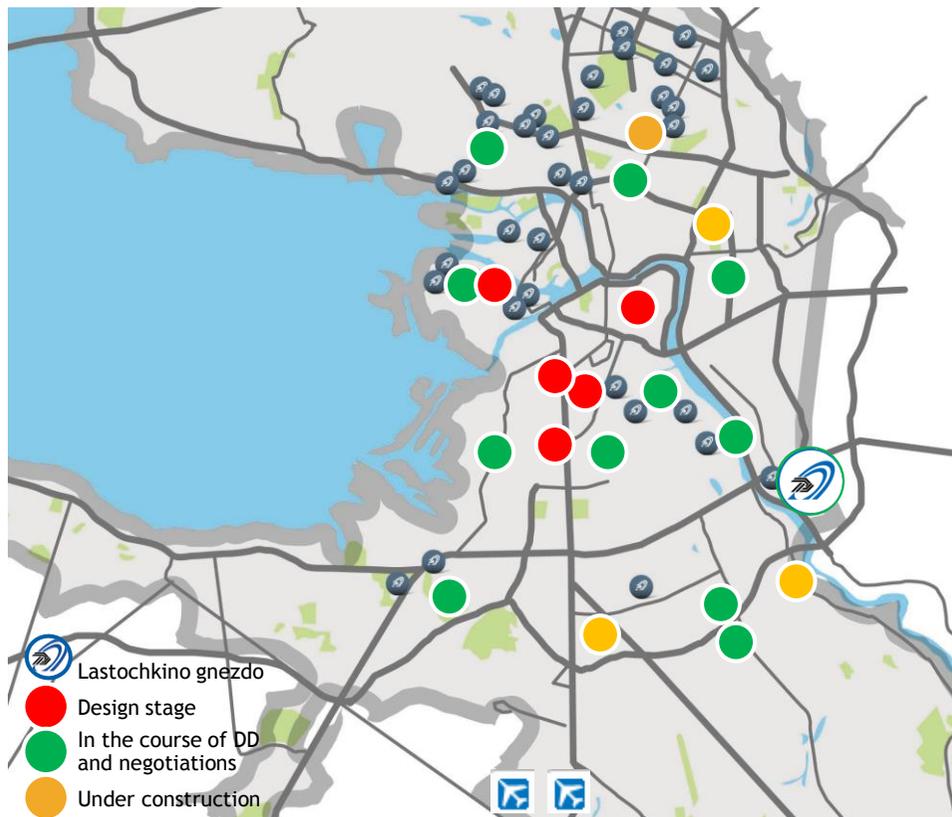
\* Annualized new contract sales based on 1H 2012, St. Petersburg only

# Project Lastochkino gnezdo: Planning permit for 2nd stage obtained

## Overview

- Located close to Neva river in 500 m from Oktyabrskaya embankment (approximately 20 minutes by car to the centre of St. Petersburg) - and just 2 km to the KAD ring road
- Second largest project on sale in St. Petersburg. 311 ths sqm planned NSA
- Consists of 2 phases. Etalon Group launched project in 2012 and plans to complete in 2015
- Cash collections are expected at USD 670 mn

## Location



## Planning permit

226015/2012-14845(2)

  
**ПРАВИТЕЛЬСТВО САНКТ-ПЕТЕРБУРГА**  
**ПОСТАНОВЛЕНИЕ** окуд

12.11.2012 № 1196

Об утверждении проекта планировки с проектом межевания территории, ограниченной Октябрьской наб., проектируемым проездом, проездом № 1, административной границей Санкт-Петербурга, в Невском районе

В соответствии со статьей 45 Градостроительного кодекса Российской Федерации и в целях обеспечения градостроительного развития территории, ограниченной Октябрьской наб., проектируемым проездом, проездом №1, административной границей Санкт-Петербурга, в Невском районе Правительство Санкт-Петербурга

**ПОСТАНОВЛЯЕТ:**

1. Утвердить проект планировки территории, ограниченной Октябрьской наб., проектируемым проездом, проездом № 1, административной границей Санкт-Петербурга, в Невском районе в составе:
  - 1.1. Чертеж планировки территории, ограниченной Октябрьской наб., проектируемым проездом, проездом № 1, административной границей Санкт-Петербурга, в Невском районе (красные линии, линии связи, объекты инженерной и транспортной инфраструктуры) согласно приложению № 1.
  - 1.2. Чертеж планировки территории, ограниченной Октябрьской наб., проектируемым проездом, проездом № 1, административной границей Санкт-Петербурга, в Невском районе (линии, обозначающие дороги, улицы, проезды, проходы к водным объектам общего пользования и их береговым полосам; границы зон планируемого размещения объектов капитального строительства) согласно приложению № 2.
  - 1.3. Положение о размещении объектов капитального строительства, характеристиках планируемого развития территории и характеристиках развития систем социального, транспортного обслуживания и инженерно-технического обеспечения, необходимых для развития территории, ограниченной Октябрьской наб., проектируемым проездом, проездом № 1, административной границей Санкт-Петербурга, в Невском районе согласно приложению № 3.
2. Утвердить проект межевания территории, ограниченной Октябрьской наб., проектируемым проездом, проездом №1, административной границей Санкт-Петербурга, в Невском районе в составе:
  - 2.1. Чертеж межевания территории, ограниченной Октябрьской наб., проектируемым проездом, проездом №1, административной границей Санкт-Петербурга, в Невском районе (красные линии, границы зон с особыми условиями использования территории) согласно приложению № 4.

# Appendix



# At a glance

## Presence in rapidly growing markets

- Dominant player in “comfort class” (sweet spot between economy and business class) in Russia
- Focus on “Golden Triangle” of Moscow, Greater Moscow Area and St. Petersburg
- Leader in St. Petersburg\* real estate market with c. 11% market share<sup>(1)</sup>

## Strong delivery track record

- 3.0 mln sqm commissioned since inception in 1987
- 25 years of construction & development experience

## True vertical integration

- All stages of development cycle
- Large-scale multi-phase projects
- Country-wide sales network
- 40 business units with c. 4,000 people

\* St Petersburg metropolitan and Moscow metropolitan areas respectively

<sup>(1)</sup> Average annual market share of total residential completions in the private sector (excluding individual construction) between 2000 and 2011 in St. Petersburg;

<sup>(2)</sup> Net debt as of 31.12.2010, EBITDA for 2010; based on audited consolidated IFRS accounts of Etalon Group; <sup>(3)</sup> 'B' long-term & 'B' short-term corporate credit ratings of SSMO LenSpetsSMU with 'Stable' outlook (last reconfirmed on 10.01.2012);

## Liquidity and credit ratings

- Secure liquidity position supported by pre-sales cash collections
- Low leverage: 0.6x Net debt / EBITDA as of 31.12.2010 <sup>(2)</sup>, Net cash = US\$167 mln as of 31.12.2011
- Credit rating by S&P's: B/Stable/B <sup>(3)</sup>

## Rapidly expanding projects portfolio

- Land bank of 3.78 mln sqm (equivalent of c. 16 Empire State Buildings)
- Land bank sufficient until 2017
- Projects portfolio focused on cash-flow generation
- Focus on comfort class segment
- Land bank secured to 2x delivery volume by 2012 and 4x by 2014

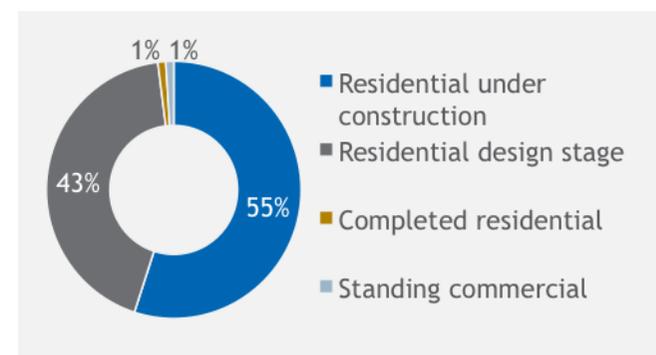
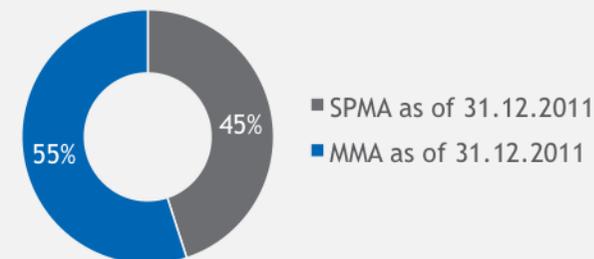
## Corporate governance

- 10 BoD members, five NEDs
- Fully accomplished Board of Directors with appropriate representation of interests of all investor groups
- Quarterly trading updates and semi-annual financial reporting
- Official guidance on deliveries and new contract sales

Ticker	ETLN:LI
Market capitalization	USD 1,401 mln (21.11.2012)
Share price	USD 4.75 (21.11.2012)

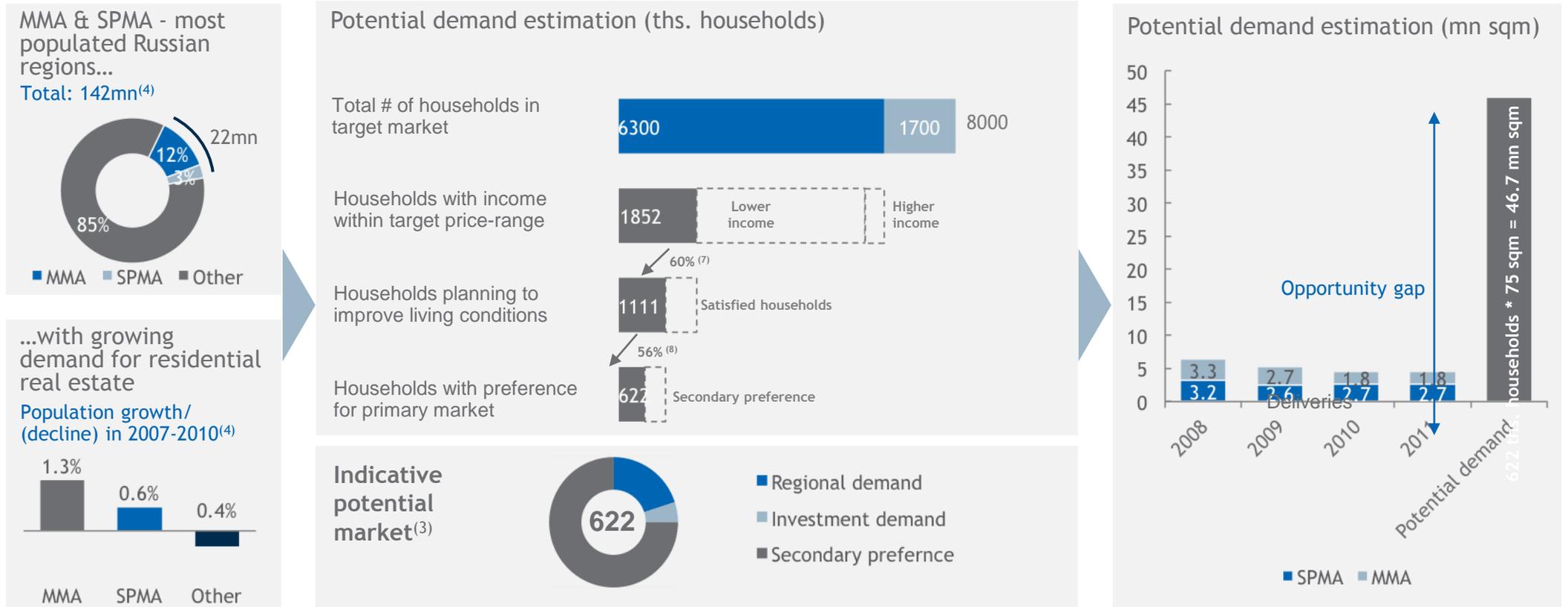
## Portfolio composition

### Total unsold NSA breakdown



# Multiple generations of growth opportunity

## MMA and SPMA are the most attractive residential markets in Russia



**The above set of simple assumptions further supports the existence of significant unsatisfied demand for value-added housing in MMA and SPMA**

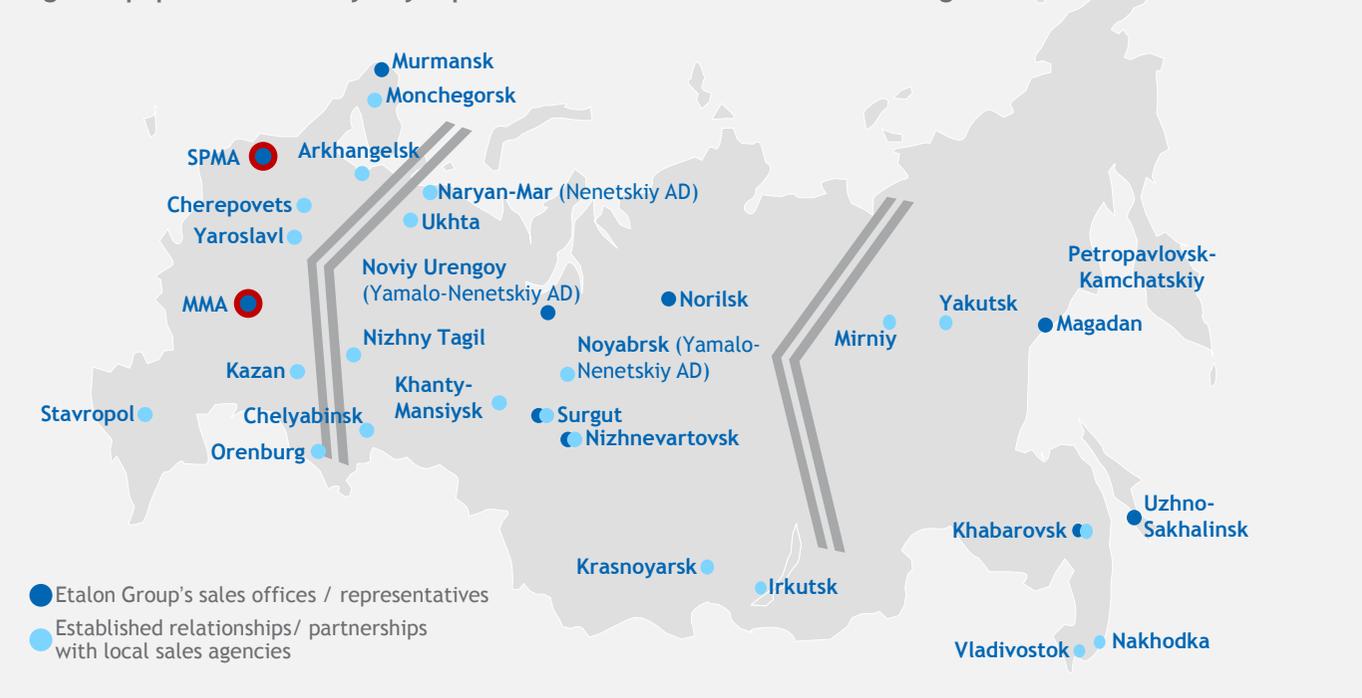
<sup>(1)</sup>Company estimates based on Rosstat's methodology and data; includes additional demand from mortgage users - share of sales with mortgage in total sales is 12%, according to MER (assuming no overlap between mortgage and instalments customers); <sup>(2)</sup>1H2010 new supply volume of Middle Class residential properties on the primary market, according to MIAN and SPb Realty, converted from sqm into housing units, assuming that 1 flat = 85.3 sqm (average flat size in Russia in 2009, Rosstat); <sup>(3)</sup>The demand structure shown on the pie chart is for indicative purposes; <sup>(4)</sup>Rosstat data as of January 2010; <sup>(5)</sup>Residential real estate commissioning, excluding individual construction; <sup>(6)</sup>Calculated as residential real estate commissioning volume in 2009 (excluding individual construction) multiplied by average real estate RUR prices on the primary market in 2009 and divided by end of period official CBR RUR/US\$ exchange rate in 2010 (RUR/US\$ 30.5); <sup>(7)</sup>60% of households plan to improve living conditions (source - Rosstat; Comcon, 2010); <sup>(8)</sup>56% of consumers prefer primary vs. secondary residential real estate market (Source -Metinfo survey in Moscow, 1H 2010)



# 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 disposable income**
- Key markets: **SPMA and MMA**
- **30 cities covered** with 10 sales offices in St. Petersburg and 10 sales offices nationwide
- External professional marketing and sales service agents engaged nationwide

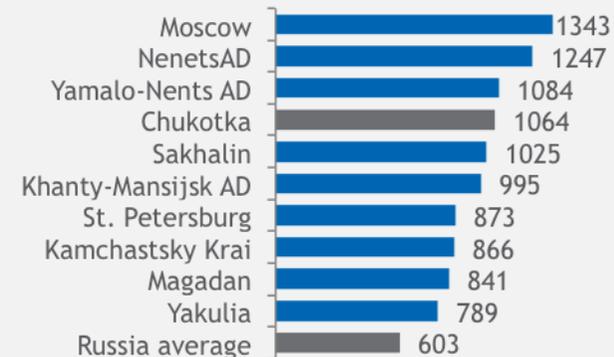
<sup>(1)</sup>Average monthly disposable income, Rosstat data as of 3Q 2010; RUR values were converted into US\$ at official CBR average exchange rate in 3Q 2010 (30.62 RUR/US\$);  
<sup>(2)</sup>Source: management accounts

## Etalon Group's regional sales geography (2010)<sup>(2)</sup>

Region	Share in sales
Leningrad region	3.9%
Khanty-Mansijsk AD	3.2%
Yamalo-Nenets AD	2.0%
Kamchatsky Krai	1.9%
Sakhalin region	1.2%
Magadan region	0.9%
Yakutia	0.6%
Nenets AD	0.2%
Other Russian regions	9.9%
Foreigners	0.6%
<b>Total:</b>	<b>28.5%</b>

## The Group's flats are sold in 9 out of 10 richest Russian regions

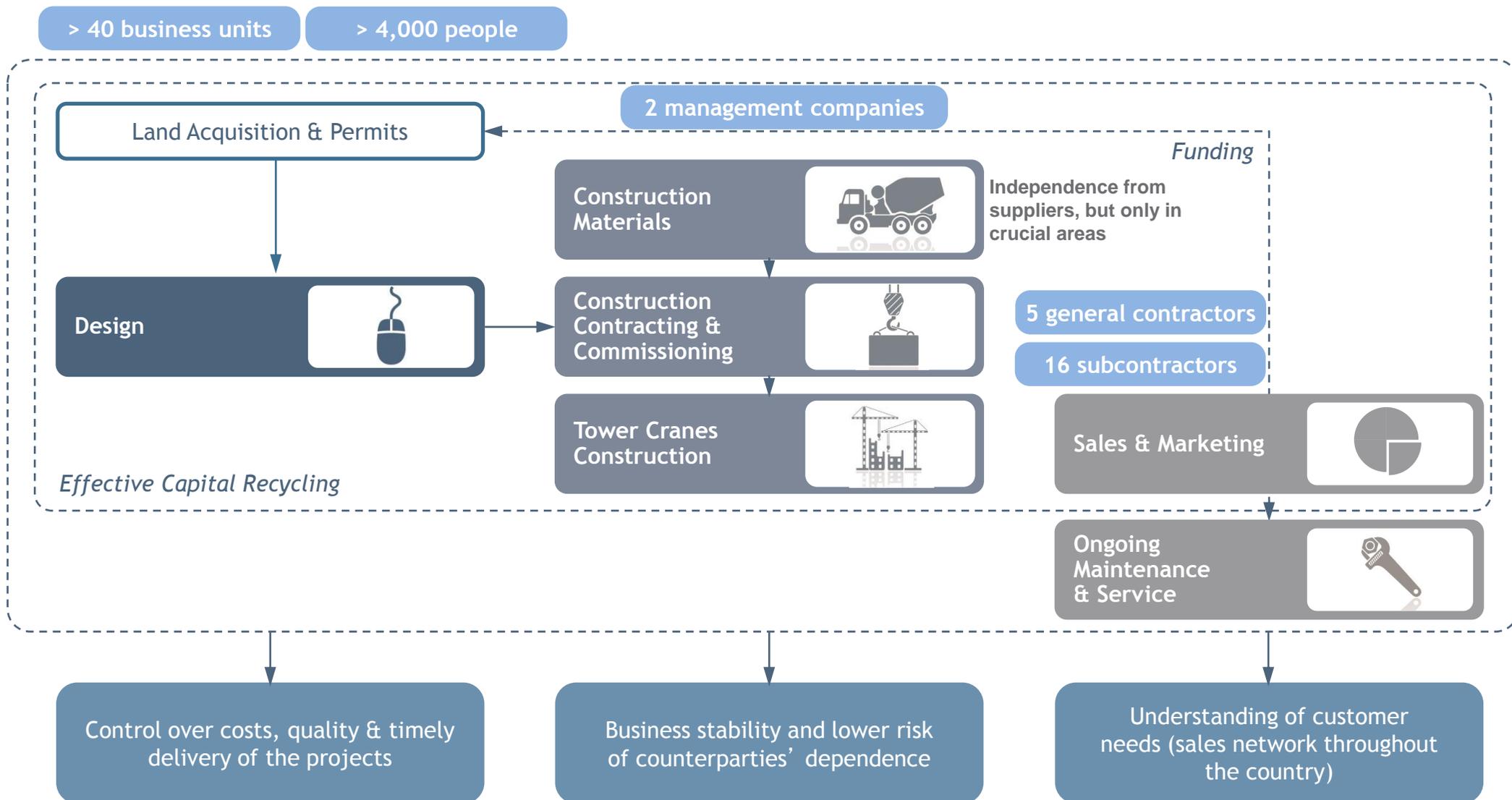
Disposable income (US\$)<sup>(1)</sup>



■ Etalon Group's target regions

# Strategic vertical integration: control over costs, quality and timing

## Etalon Group operates in every part of property development process



<sup>(1)</sup>Brick plant and concrete products plant. Own production only for "bottleneck" construction materials

<sup>(2)</sup>38 Liebherr tower cranes (of which 37 were manufactured in 2006-2008). Data as of 31.12.2010

<sup>(3)</sup>Construction to third parties

# Board of Directors represents interests of all investor groups

## FOUNDERS



### Viacheslav Zarenkov

Chairman of the Board of Directors, Founding shareholder and President of Etalon Group

#### Experience and awards

- 43 years of experience in construction industry
- Honored builder of Russia<sup>(1)</sup>

#### Education

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



### Dmitri Zarenkov

First Vice-President of Etalon Group

#### Experience and awards

- 16 years of experience in construction industry
- Honored builder of Russia<sup>(1)</sup>; Certificate of Honour of the Ministry of Regional Development

#### Education

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

## NON-EXECUTIVE DIRECTORS



### Michael John Calvey

Senior partner at Baring Vostok since 1999

#### Experience and awards

- Member of the board of Europlan, Volga Gas, Gallery Media Group, etc.
- 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



### Alexey 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 of directors at Samarenergo and two Russian glass companies

#### Education

- Moscow Power Engineering University
- PhD in Engineering



### Martin Cocker

INED at Etalon Group

#### Experience and awards

- 16 years of experience in audit, 3 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



### Peter Touzeau

Client Director at International Private Equity Services (Guernsey) Limited

#### Experience and awards

- Director of the General Partners Boards of a number of Guernsey private equity funds
- Director of the Board of the Investment Advisor to the funds investing in Russia, board member of a number of their portfolio companies
- Worked at Sedgwick Management Services (Guernsey) Limited, Marsh Management Services (Guernsey) Ltd

#### Education

- Oatlands College



### Anton Poriadine

INED at Etalon Group

#### Experience and awards

- 10 years of experience in strategy consulting at A.T. Kearney. Partner and Vice President at A.T. Kearney
- Previously project manager at Barents International Markets B.V., Corporate Development and Project Finance Director at Torno Internazionale S.p.A., deputy General Manager of St. Petersburg Foundation for Enterprise Development

#### Education

- St. Petersburg Technical University and Business School at the University Of Rochester

## EXECUTIVE DIRECTORS



### Alexander Shkuratov

Advisor to the President of Etalon Group

#### Experience and awards

- 6 years of experience in construction industry
- Worked at Baring Vostok, Carlyle Group, E&Y, Deloitte

#### Education

- Finance Academy under the Government of Russia



### Anton Evdokimov

CFO of Etalon Group

#### Experience and awards

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

#### Education

- Leningrad Engineering Construction Institute, SPb State University and International Banking Institute, MBA



### Dmitri Boulkhoukov

Head of investments of Etalon Group

#### Experience and awards

- 6 years of experience in construction industry
- Worked at Renaissance Partners, Carlyle Group, Deloitte, E&Y

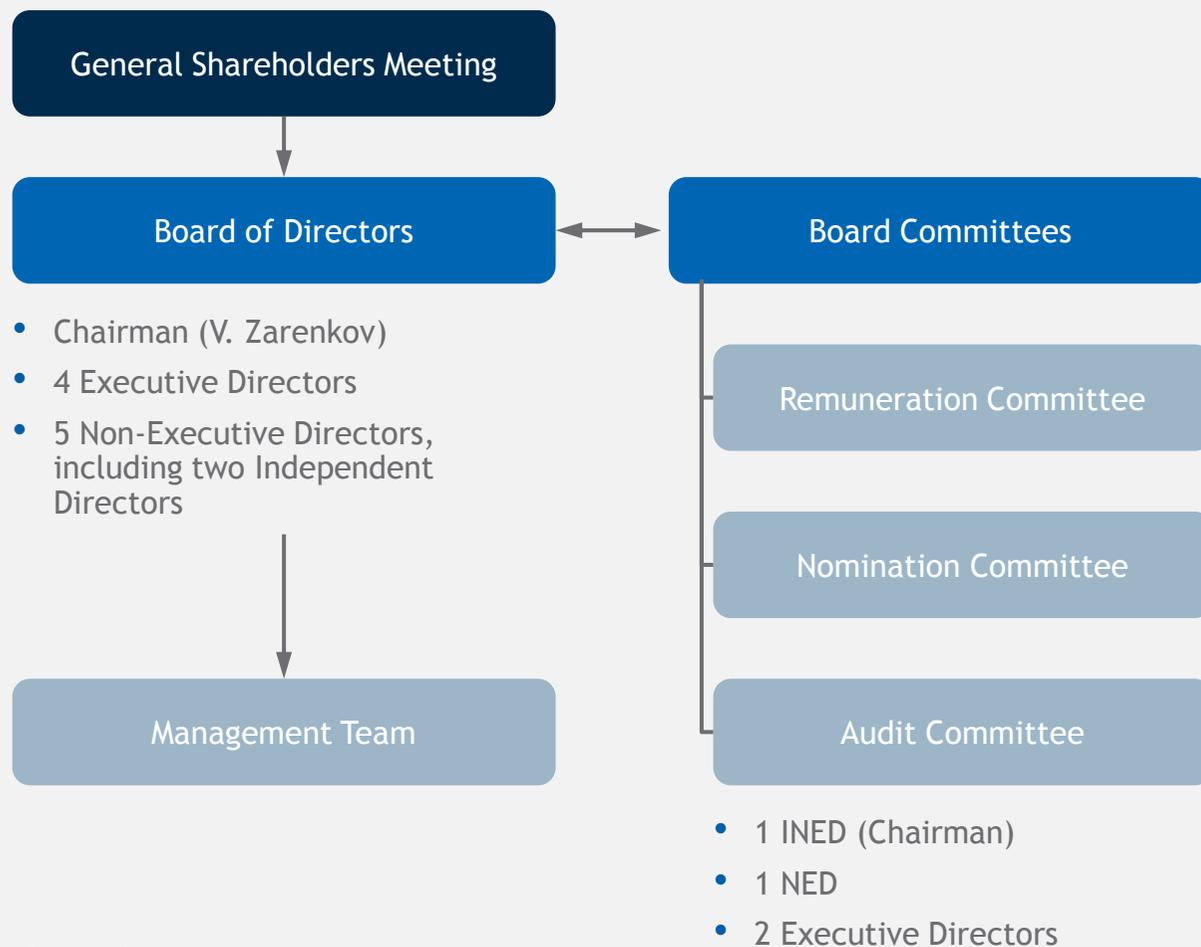
#### Education

- Moscow State University named after Lomonosov

<sup>(1)</sup> Title granted by President of Russia

# Strong corporate governance and cornerstone international investor

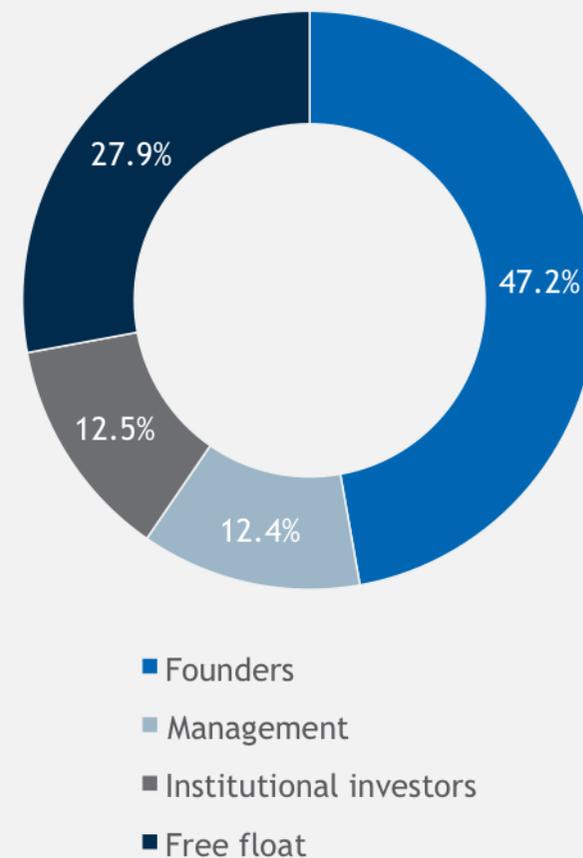
## Corporate governance structure



Source: Company data

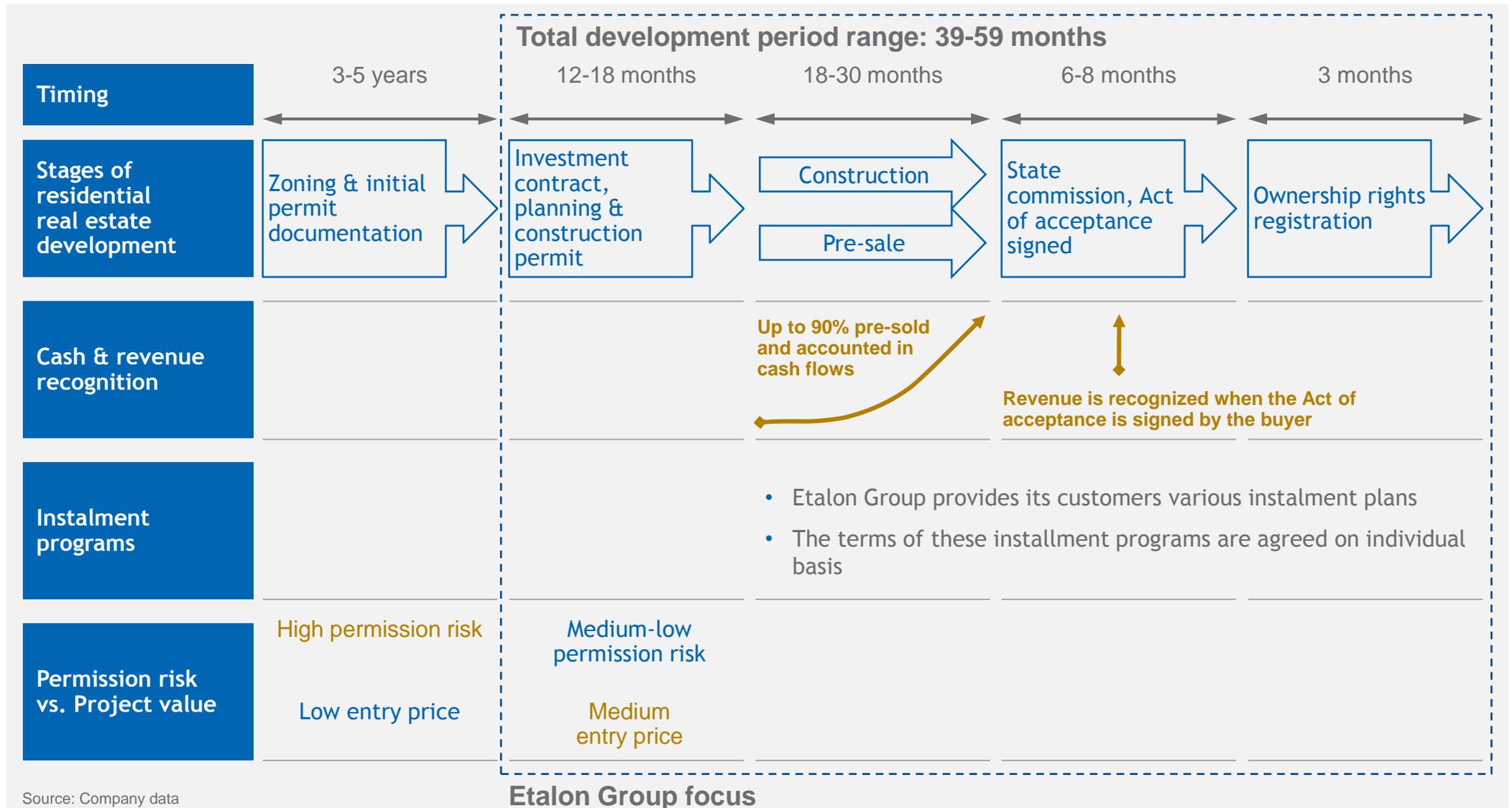
<sup>(1)</sup>includes Baring Vostok

## Current shareholding structure



As of 15 April 2011

# Revenue recognition scheme



Source: Company data

# Industrial construction

## 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 15 milestone projects

•Heat & power station, two hotels, four car assembly plants, shipyards, machinery plant, fitness and sports center etc.

## Strategy

•12 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 industrial projects completed by Etalon Group

Toyota



Poling and gridding

Ford



Design & construction (increase of production capacities)

GM



Poling & road infrastructure construction

Nissan



Infrastructure & site for the finished good

Admiralty Shipyards



Construction of workshop & transportation utilities

Pulkovo customs



Full construction cycle

Satellite Antennas Production Plant



Turn-key project, which involved design and construction of an industrial building

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

Mn USD	2009	2010	2011	1H 2011	1H 2012
Revenue	635.6	668.7	773.8	329.6	397.7
Cost of sales	(347.0)	(364.6)	(404.5)	(166.4)	(255.1)
<b>Gross profit</b>	<b>288.6</b>	<b>304.1</b>	<b>369.3</b>	<b>163.1</b>	<b>142.6</b>
General and administrative expenses	(45.3)	(67.4)	(79.2)	(35.7)	(39.1)
Selling expenses	(4.1)	(19.4)	(29.1)	(11.8)	(12.7)
Other expenses, net	(6.2)	(5.8)	(0.9)	1.3	(0.9)
<b>Results from operating activities</b>	<b>233.0</b>	<b>211.5</b>	<b>260.1</b>	<b>116.9</b>	<b>89.9</b>
Finance income	7.1	9.3	49.0	8.2	12.0
Finance costs	(33.0)	(22.0)	(2.0)	(0.7)	(3.1)
<b>Net finance costs</b>	<b>(25.9)</b>	<b>(12.6)</b>	<b>47.0</b>	<b>7.5</b>	<b>8.9</b>
Share of profit of equity accounted investees (net of income tax)	0.1	0.0	0.0	0.0	0.0
<b>Profit before income tax</b>	<b>207.1</b>	<b>198.9</b>	<b>307.1</b>	<b>124.5</b>	<b>98.8</b>
Income tax expense	(45.1)	(44.6)	(53.9)	(28.2)	(21.3)
<b>Profit for the period</b>	<b>162.0</b>	<b>154.3</b>	<b>253.1</b>	<b>96.3</b>	<b>77.5</b>
<i>Profit attributable to:</i>					
Owners of the Company	155.4	152.3	249.5	95.3	76.6
Non controlling interest	6.6	1.9	3.7	1.0	0.9
<b>Profit for the period</b>	<b>162.0</b>	<b>154.3</b>	<b>253.1</b>	<b>96.3</b>	<b>77.5</b>

Source: audited consolidated IFRS accounts for 2009, 2010, 2011 and condensed consolidated IFRS accounts for 6M 2012

# Balance sheet

Mn USD	2009	2010	2011	30/06/2012
<b>Assets</b>				
<b>Non-current assets</b>				
PP&E	55.0	54.5	62.4	65.6
Other long-term investments	1.1	1.3	2.7	1.5
Trade and other receivables	26.7	26.7	17.1	14.4
Deferred tax assets	36.9	8.6	21.1	16.3
Other non-current assets	0.1	1.1	2.9	0.3
<b>Total non-current assets</b>	<b>119.7</b>	<b>95.1</b>	<b>106.2</b>	<b>98.0</b>
<b>Current assets</b>				
Inventories	883.5	841.6	995.2	1,054.6
Trade and other receivables	128.2	130.1	232.1	249.8
Short-term investments	0.9	11.2	41.2	92.4
Cash and cash equivalents	113.0	119.3	449.8	404.5
Other current assets	0.8	1.9	1.1	0.4
<b>Total current assets</b>	<b>1,126.4</b>	<b>1,104.0</b>	<b>1,719.4</b>	<b>1,801.8</b>
<b>Total assets</b>	<b>1,246.1</b>	<b>1,199.1</b>	<b>1,825.6</b>	<b>1,899.8</b>

Mn USD	2009	2010	2011	30/06/2012
<b>Equity and Liabilities</b>				
<b>Equity</b>				
Share capital	64.6	64.0	465.2	456.0
Retained earnings	176.1	333.2	549.8	609.7
<b>Total equity attributable to equity holders of the Company</b>	<b>240.6</b>	<b>397.3</b>	<b>1,015.0</b>	<b>1,065.7</b>
Non-controlling interest	25.6	15.1	11.6	13.3
<b>Total equity</b>	<b>266.2</b>	<b>412.3</b>	<b>1,026.6</b>	<b>1,079.0</b>
<b>Non-current liabilities</b>				
Long-term debt	85.1	219.9	262.6	227.5
Long-term trade and other payables	12.6	8.6	1.5	0.9
Provision	2.7	2.7	2.4	1.9
Deferred tax liabilities	27.8	1.3	3.0	8.3
<b>Total non-current liabilities</b>	<b>128.2</b>	<b>232.4</b>	<b>269.5</b>	<b>238.5</b>
<b>Current liabilities</b>				
Loans and borrowings	108.2	46.7	60.6	102.8
Trade and other payables	679.8	468.6	420.5	443.9
Provisions	63.6	39.0	48.4	35.5
<b>Total current liabilities</b>	<b>851.6</b>	<b>554.4</b>	<b>529.5</b>	<b>582.3</b>
<b>Total equity and liabilities</b>	<b>1,246.1</b>	<b>1,199.1</b>	<b>1,825.6</b>	<b>1,899.8</b>

Source: audited consolidated IFRS accounts for 2009, 2010, 2011 and condensed consolidated IFRS accounts for 6M 2012

# Cashflow statement

Mn USD	2009	2010	2011	1H 2011	1H 2012
<b>Operating Activities</b>					
Profit for the period	162.0	154.3	253.1	96.3	77.5
<i>Adjustments for</i>					
Depreciation and amortisation	6.5	9.4	9.0	4.4	6.8
(Gain)/loss on disposal of PP&E	(2.0)	(0.0)	(3.1)	(2.1)	(0.9)
Loss on disposal of subsidiaries	0	0.2	0.0	0.0	0.0
Share of profit on equity accounted investees	(0.1)	0.0	0.0	0.0	0.0
Gain/(loss) on disposal of other investments	0.0	0.0	(0.8)	(0.8)	0.0
Finance cost, net	24.3	16.1	(48.5)	(7.4)	(7.8)
Impairment losses on loans given	2.4	0.0	0.0	0.0	0.0
Income tax expense	45.1	44.6	53.9	28.2	21.3
<b>Cash from operating activities before changes in working capital</b>	<b>238.2</b>	<b>224.6</b>	<b>263.7</b>	<b>118.6</b>	<b>96.9</b>
Change in inventories	81.6	50.0	(180.6)	(62.0)	(68.1)
Change in accounts receivable	(26.0)	(6.6)	(98.4)	(32.0)	(13.1)
Change in accounts payable	(196.2)	(219.2)	(27.8)	(15.3)	46.9
Change in provisions	13.2	(24.2)	12.5	(5.3)	(13.4)
Change in other current assets	(0.5)	(1.1)	0.8	1.0	0.7
Income tax paid	(15.9)	(35.6)	(64.5)	(48.0)	(30.6)
Interest paid	(26.0)	(26.8)	(37.4)	(19.2)	(15.6)
<b>Net cash provided by operating activities</b>	<b>68.6</b>	<b>(39.0)</b>	<b>(131.8)</b>	<b>(62.2)</b>	<b>3.7</b>

Mn USD	2009	2010	2011	1H 2011	1H 2012
<b>Investing Activities</b>					
Proceeds from disposal of non-current assets	3.4	1.0	4.0	3.4	1.3
Interest received	6.3	3.1	4.8	2.4	8.2
Acquisition of PP&E	(7.0)	(10.8)	(24.7)	(6.7)	(9.7)
Loans given	(8.4)	(3.5)	(8.6)	(2.1)	(0.4)
Loans repaid	0.2	2.0	8.0	1.9	0.8
Acquisition of subsidiaries, net of cash acquired	0.5	0.3	0.0	0.0	0.0
Disposal of subsidiaries, net of cash disposed of	0.0	(1.2)	(0.6)	0.0	0.0
Acquisition of other investments	0.0	(9.1)	(34.9)	(17.3)	(54.9)
<b>Net cash used in investing activities</b>	<b>(4.9)</b>	<b>(18.3)</b>	<b>(52.1)</b>	<b>(18.4)</b>	<b>(54.7)</b>
<b>Financing activities:</b>					
Proceeds from IPO	0.0	0.0	458.9	472.2	0.0
Proceeds from issue of share capital	0.0	0.0	0.0	0.0	0.0
Acquisition of non-controlling interest	0.0	(3.2)	(0.1)	0.0	0.0
Proceeds from disposal of non-controlling interest	0.0	0.0	0.8	0.8	0.0
Proceeds from borrowings	272.2	355.3	216.2	79.8	90.6
Repayments from borrowings	(303.4)	(283.7)	(164.0)	(27.2)	(80.1)
Acquisition of own shares	0.0	0.0	(15.6)	0.0	(0.4)
Dividends paid	(1.0)	(1.3)	0.0	0.0	0.0
<b>Net cash (used in) from financing activities</b>	<b>(32.1)</b>	<b>67.1</b>	<b>496.1</b>	<b>525.6</b>	<b>10.1</b>
<b>Net increase in cash and cash equivalents</b>	<b>31.6</b>	<b>9.9</b>	<b>312.2</b>	<b>445.0</b>	<b>(40.9)</b>
<b>Cash &amp; cash equivalents at the end of the period</b>	<b>107.5</b>	<b>119.7</b>	<b>492.8</b>	<b>565.2</b>	<b>434.2</b>

Source: audited consolidated IFRS accounts for 2009, 2010, 2011 and condensed consolidated IFRS accounts for 6M 2012

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