

# 4Q 2012 Operating Results

21 January 2013



# Disclaimer

## IMPORTANT: You must read the following before continuing.

The following applies to the presentation (the “Presentation”) following this important notice, and you are, therefore, advised to read this important notice carefully before reading, assessing or making any other use of the Presentation. In assessing the Presentation, you unconditionally agree to be bound by the following terms, conditions and restrictions, including any modifications to them any time that you receive any information from Etalon Group Limited (“Etalon Group” or the “Company”) as a result of such access.

This Presentation has been prepared by the Company for informational purposes only and does not constitute or form part of, and should not be construed as, an offer or invitation to sell or issue, or any solicitation of any offer to subscribe for or purchase any securities of Company in any jurisdiction or an inducement to enter into investment activity. This Presentation is strictly confidential and may not be copied, distributed, published or reproduced in whole or in part, or disclosed or distributed by recipients to any other person in any form. Failure to comply with this restriction may constitute a violation of applicable laws.

This Presentation (i) is not intended to form the basis for any investment decision and (ii) does not purport to contain all the information that may be necessary or desirable to evaluate the Company fully and accurately, and (iii) is not to be considered as recommendation by the Company or any of its affiliates that any person (including a recipient of this Presentation) participate in any transaction involving the Company or its securities. The information contained in this Presentation has not been independently verified and the Company does not undertake any obligation to do so. No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or the opinions contained herein or any other material discussed in connection with the Presentation. Neither the Company nor any of its directors, officers, employees, shareholders, affiliates, advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this Presentation or its contents or otherwise arising in connection with the Presentation.

Any ‘forward-looking statements’, which include all statements other than statements of historical facts, including, without limitation, forecasts, projections and any statements preceded by, followed by or that include the words ‘targets’, ‘believes’, ‘expects’, ‘aims’, ‘intends’, ‘will’, ‘may’, ‘anticipates’, ‘would’, ‘could’ or similar expressions or the negative thereof, involve known and unknown risks, uncertainties and other important factors beyond the Company’s control that could cause the actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements include statements regarding: our construction programme and future construction and development projects (information concerning which is being provided solely on an indicative basis for information purposes only and is subject to change without notice); strategies, outlook and growth prospects; future plans and potential for future growth; liquidity, capital resources and capital expenditures; growth in demand for products; economic outlook and industry trends; developments of markets; the impact of regulatory initiatives; and the strength of competitors. Such forward-looking statements are based on numerous assumptions by management regarding present and future business strategies and the environment operating in the future. Although the Company believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond its control. Neither the Company, nor any of its agents, employees or advisors intend or have any duty or obligation to supplement, amend, update or revise any of the forward-looking statements contained in this Presentation.

The information contained in this document is provided as at the date of this Presentation and is subject to change without notice. Neither the Company nor any of its agents, directors, officers, employees, shareholders, affiliates, advisors or representatives intend or have any duty or obligation to supplement, amend, update or revise any information contained in this Presentation.

This Presentation contains certain full year financial information based on the Company’s audited consolidated IFRS accounts and certain half year financial information based on the Company’s reviewed IFRS accounts. It also includes certain non-IFRS financial information, such as Earnings before interest, taxes, depreciation and amortization (“EBITDA”) and EBITDA margin, which has not been audited or reviewed by the Company’s auditors.

Neither the Presentation nor any copy of it may be taken or transmitted into the United States of America, its territories or possessions, or distributed, directly or indirectly, in the United States of America, its territories or possessions. This Presentation does not contain or constitute and should not be construed as an offer to sell or the solicitation of an offer to buy securities in the United States. No securities of the Company have been registered or are intended to be registered under the Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any state of the United States, and unless so registered may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Any failure to comply with these restrictions is a violation of U.S. federal or applicable state securities laws.

In any EEA Member State that has implemented the Prospectus Directive, this Presentation is only addressed to and is only directed at qualified investors in any relevant Member State within the meaning of the Prospectus Directive. The expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU, to the extent implemented in any relevant Member State) and includes any relevant implementing measure in any relevant Member State.

This Presentation is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals within the meaning set out in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”) or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons in (i), (ii) and (iii) above together being referred to as “Relevant Persons”). Securities in the Company are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, Relevant Persons. Any person in the United Kingdom who is not a Relevant Person should not act or rely on this Presentation or any of its contents.

Neither this Presentation nor any copy of it may be taken or transmitted into Australia, Canada, South Africa, the Hong Kong Special Administrative Region of the People’s Republic of China or Japan or to any securities analyst or other person in any of those jurisdictions. Any failure to comply with this restriction may constitute a violation of applicable securities law. The distribution of this presentation in other jurisdictions may be restricted by law and persons into whose possession this presentation comes should inform themselves about, and observe, any such restrictions. The Company has not registered and does not intend to register any of its securities under the applicable securities laws of Australia, Canada, South Africa, the Hong Kong Special Administrative Region of the People’s Republic of China or Japan, and, subject to certain exceptions, its securities may not be offered or sold within Australia, Canada, South Africa, the Hong Kong Special Administrative Region of the People’s Republic of China or Japan or to any national, resident or citizen of Australia, Canada, South Africa, the Hong Kong Special Administrative Region of the People’s Republic of China or Japan. Information contained in this Presentation is not an offer, or an invitation to make offers, sell, purchase, exchange or transfer any securities in Russia or to or for the benefit of any Russian person, and does not constitute an advertisement of any securities in Russia. This information must not be passed on to third parties or otherwise be made publicly available in Russia. The Company’s securities have not been and will not be registered in the Russian Federation or admitted to public placement and/or public circulation in the Russian Federation except as permitted by Russian law.

This Presentation does not constitute or form a part of, and should not be construed as, (i) an advertisement of any securities of the Company, or an offer, or an invitation (including an invitation to make an offer) by or on behalf of the Company in the Russian Federation or in any other jurisdiction or (ii) any promise or representation that any such offer or invitation will be made and shall not form the basis of, nor may it accompany, nor form part of, any contract to acquire any securities of the Company in the Russian Federation or in any other jurisdiction.

This Presentation is not directed to, or intended for distribution to or use by, any person or entity that a citizen or resident located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require registration of licensing within such jurisdiction.

By receiving and reading this Presentation, you agree to be bound by the restrictions in this disclaimer, and acknowledge that that you will be solely responsible for your own assessment of the market, the market position of the Company and any securities of the Company and that you will conduct your own analysis and be solely responsible for forming your own view of the potential future performance of the Company’s business.

## 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



1

Deliveries in  
2012

2

Acquisitions in  
2012

3

Launch of Sales  
on New Projects

4

4Q 2012  
Operating Results

5

Key Takeaways

# Deliveries in 2012

## Overview of deliveries

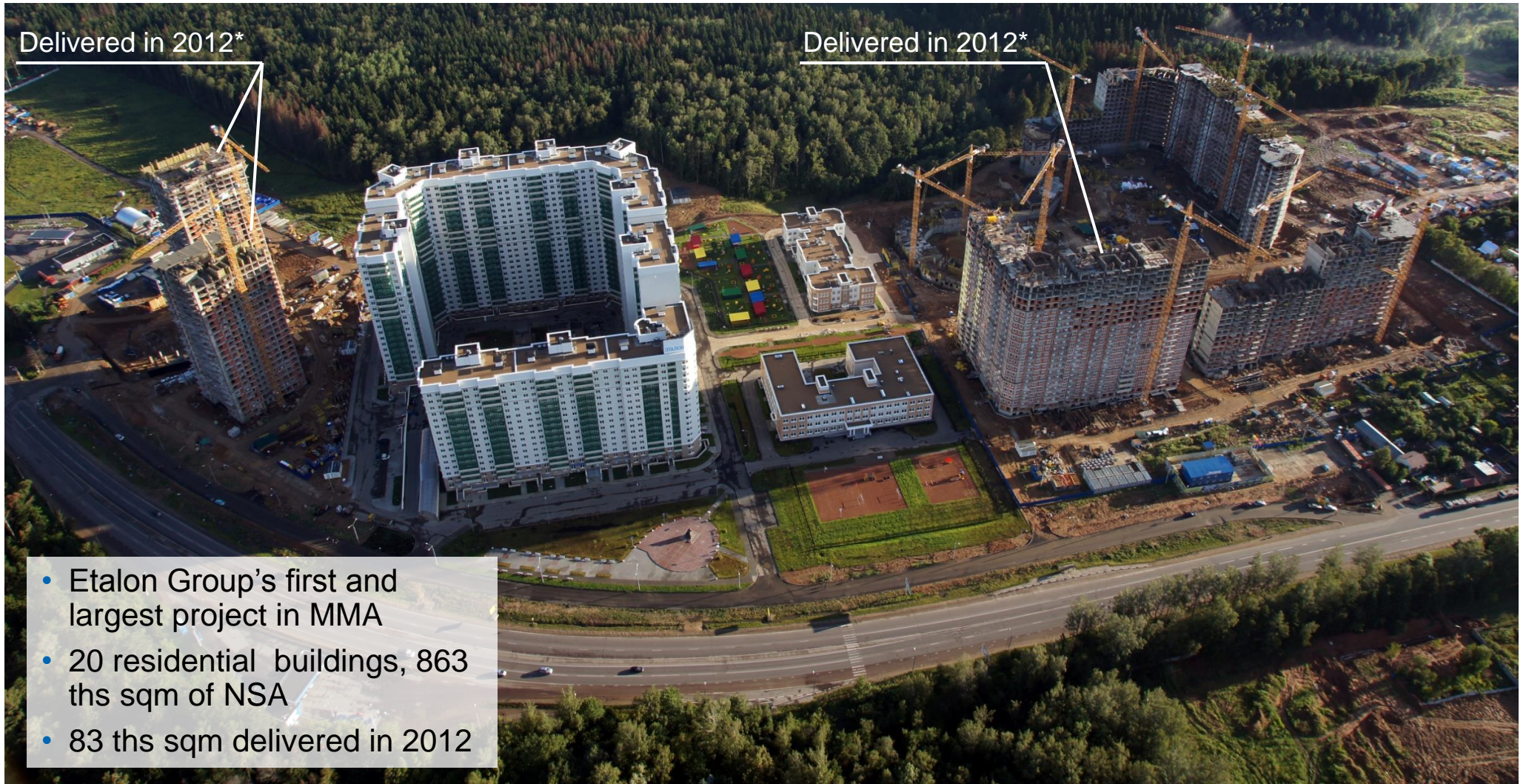
	<b>Project</b>	<b>Region</b>	<b>NSA delivered, '000 sqm</b>
1	Jubilee Estate	SPMA	98
2	Emerald Hills	MMA	83
3	Prestige	SPMA	21
4	Etude	SPMA	23
5	Orbit	SPMA	139
	<b>Total</b>		<b>363</b>

# Jubilee Estate



- Largest completed integrated development project in St. Petersburg
- 13 residential buildings, 602 ths sqm of NSA
- 98 ths sqm delivered in 2012

# Emerald Hills



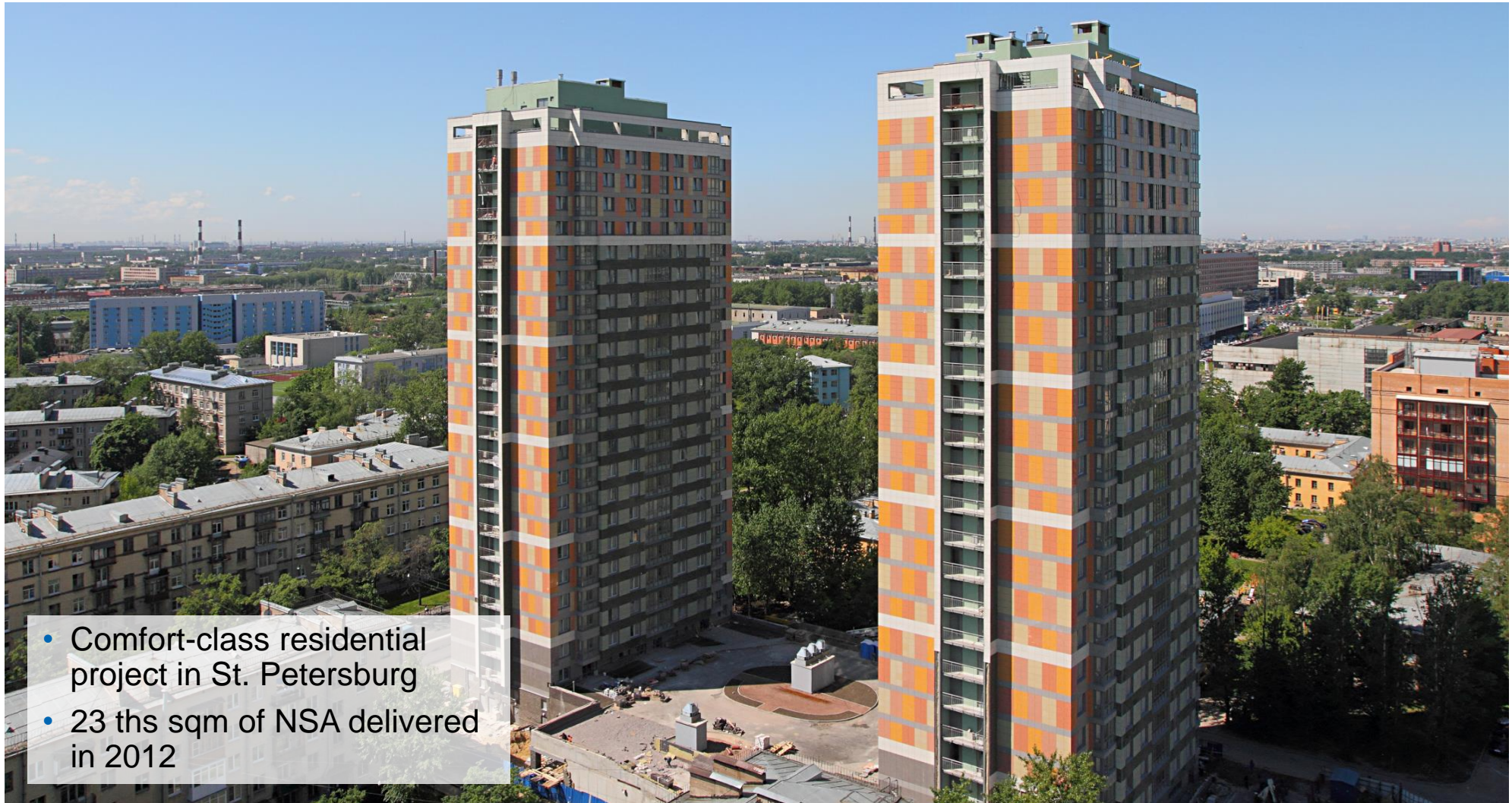
\* Photograph taken in August 2012



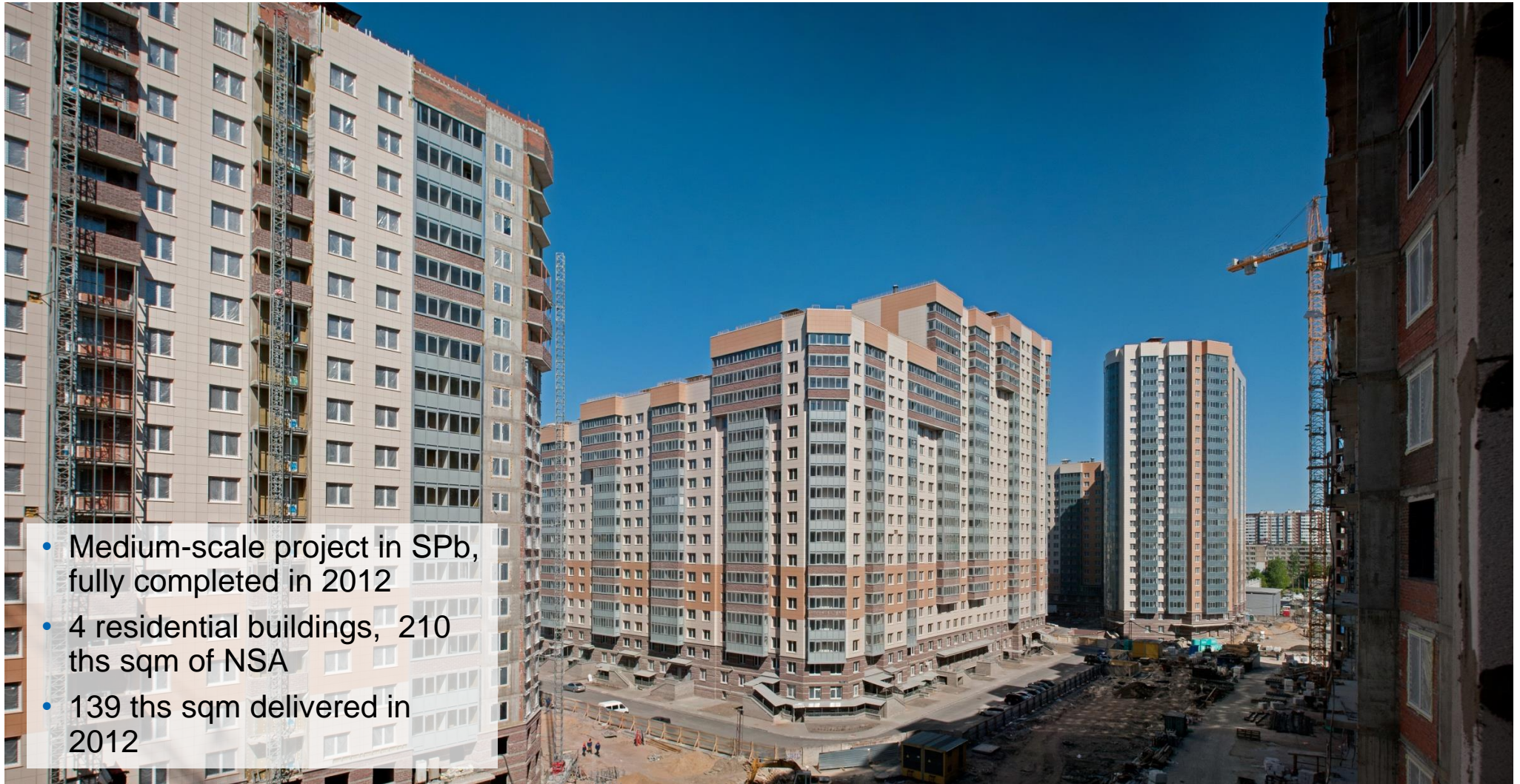
# Prestige



- Business-class residential project in St. Petersburg
- 21 ths sqm of NSA delivered in 2012



- Comfort-class residential project in St. Petersburg
- 23 ths sqm of NSA delivered in 2012



- Medium-scale project in SPb, fully completed in 2012
- 4 residential buildings, 210 ths sqm of NSA
- 139 ths sqm delivered in 2012

# Acquisitions in 2012



## Overview of projects acquired

### Projects acquired in 2012

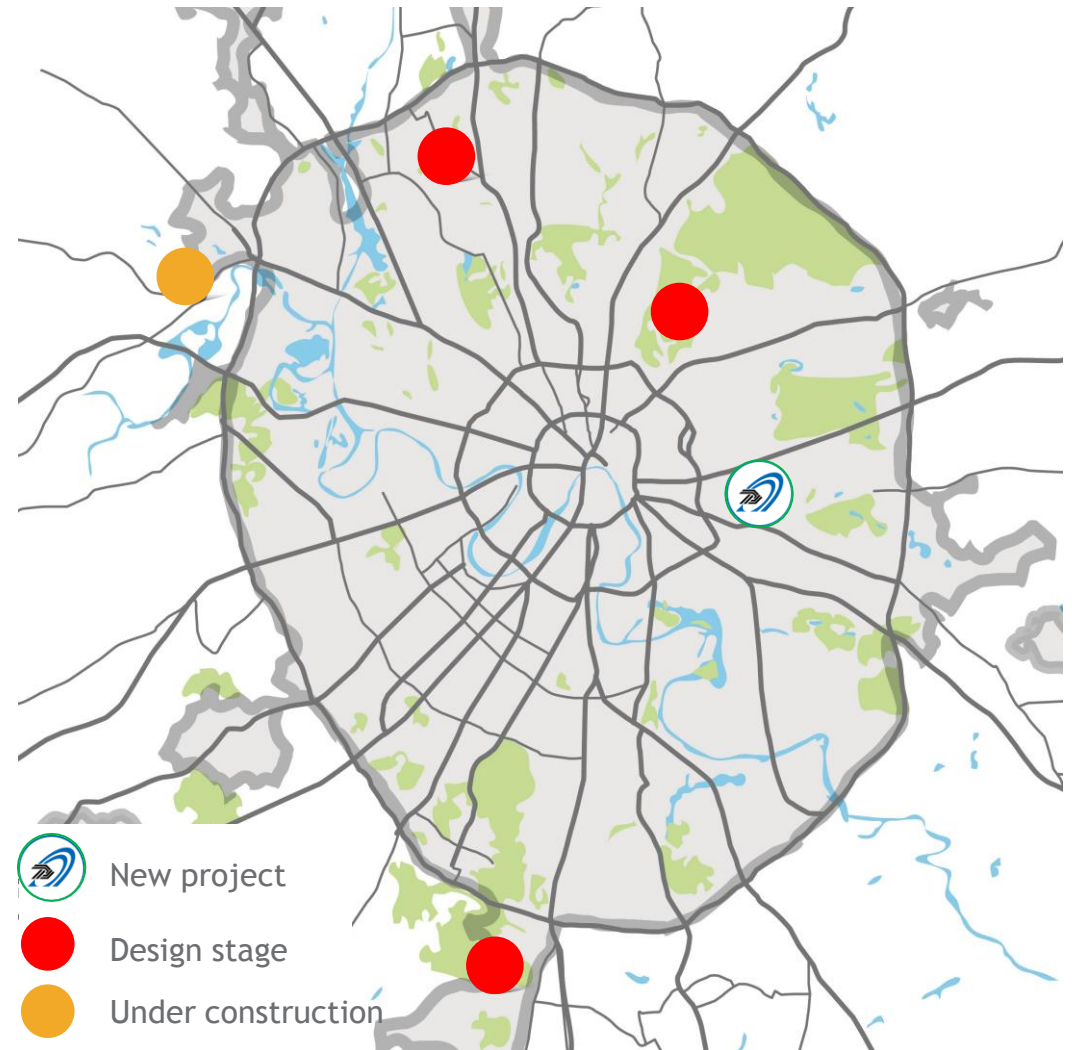
	Project	Region	NSA, '000 sqm	1 <sup>st</sup> building expected delivery
1	Tukhachevskogo street	SPMA	24	2013
2	Galactica	SPMA	680	2016 836 810
3	Prospekt Budennogo	MMA	40	2016
4	Alekseevskiy district	MMA	139	2018
	<b>Total</b>		<b>883</b>	

# 40 ths sqm acquisition in Moscow: Prospekt Budennogo



- 3.5 ha land plot located in Sokolinaya gora district (Eastern administrative division of Moscow)
- Near Shosse Entuziastov, Izmailovskoe Shosse and Prospekt Budennogo, 40 minutes by car to Moscow centre. Shosse Entuziastov metro station and several bus stops within 10 minutes' walk
- Expected NSA of 40 ths sqm
- Etalon Group acquired the project by purchasing the legal entity that holds land rights
- Plan to begin construction in 2H 2013 and deliver in 2016

## Location

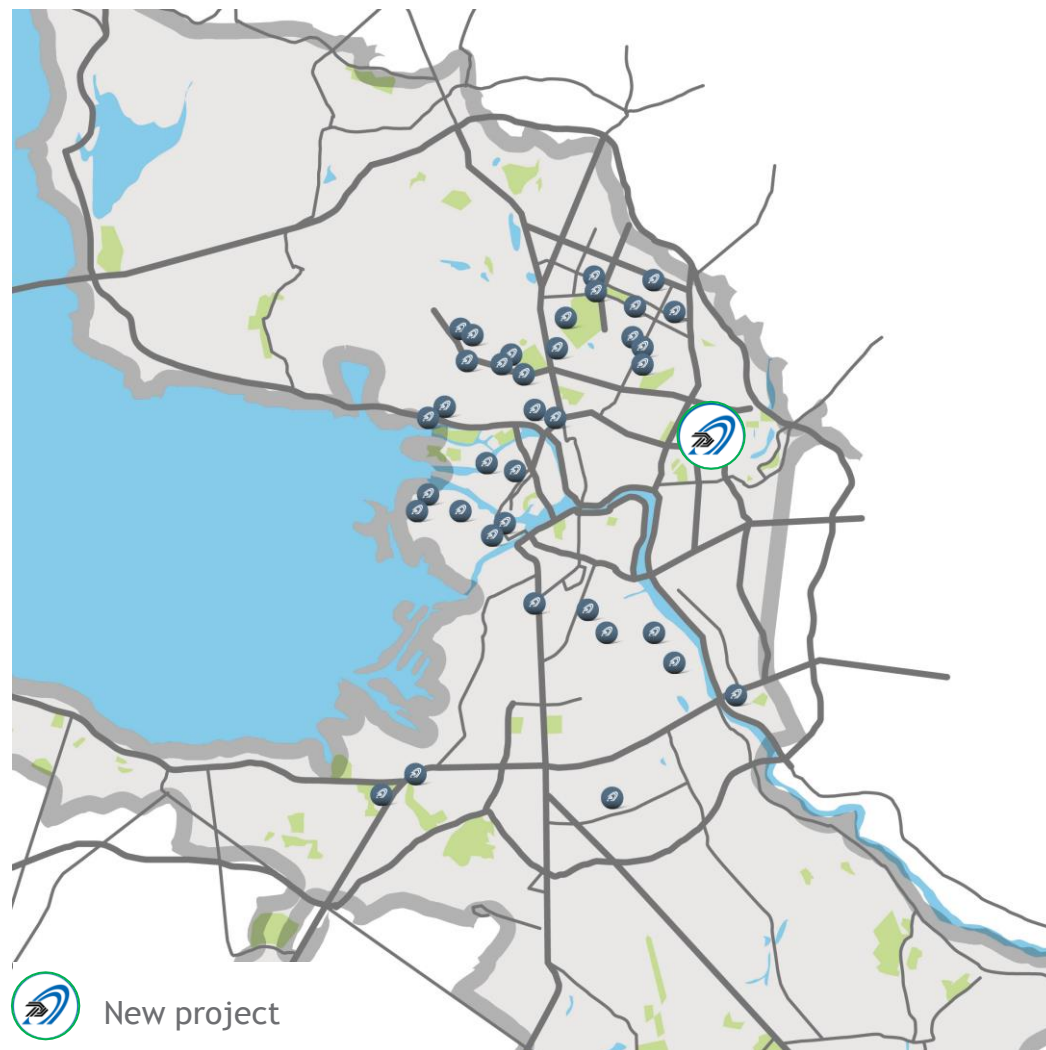


## 24 ths sqm acquisition in St. Petersburg: Tukhachevskogo Street



- 1.1 ha land plot located in Krasnogvardeiskiy district of St. Petersburg
- Site is close to the 50<sup>th</sup> Anniversary of October Park and just fifteen minutes by car from central St. Petersburg
- NSA of 24 ths sqm
- Etalon Group acquired the project by purchasing the legal entity that holds land rights
- Construction is in progress, project is scheduled to be delivered in 2013

### Location

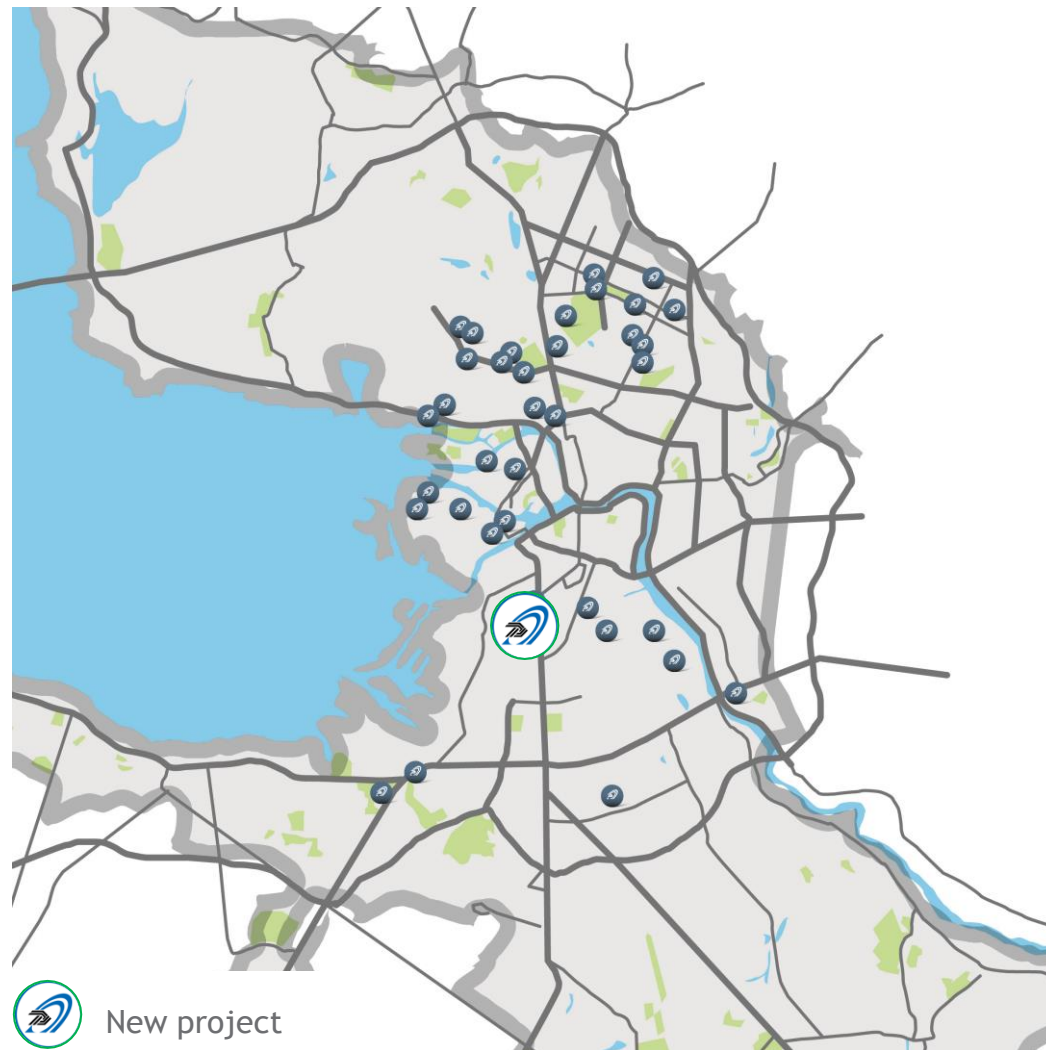


# 680 ths sqm acquisition in St. Petersburg: Galactica

- Unique project combines large scale with close-to-centre location
- NSA of 680 ths sqm
- Project consists of 6 phases - Etalon Group plans to begin construction in 2014 and complete in 2020
- Cash collections expected at USD 2.2 billion
- Project Galactica will create an entirely new comfort-class residential district



## Location



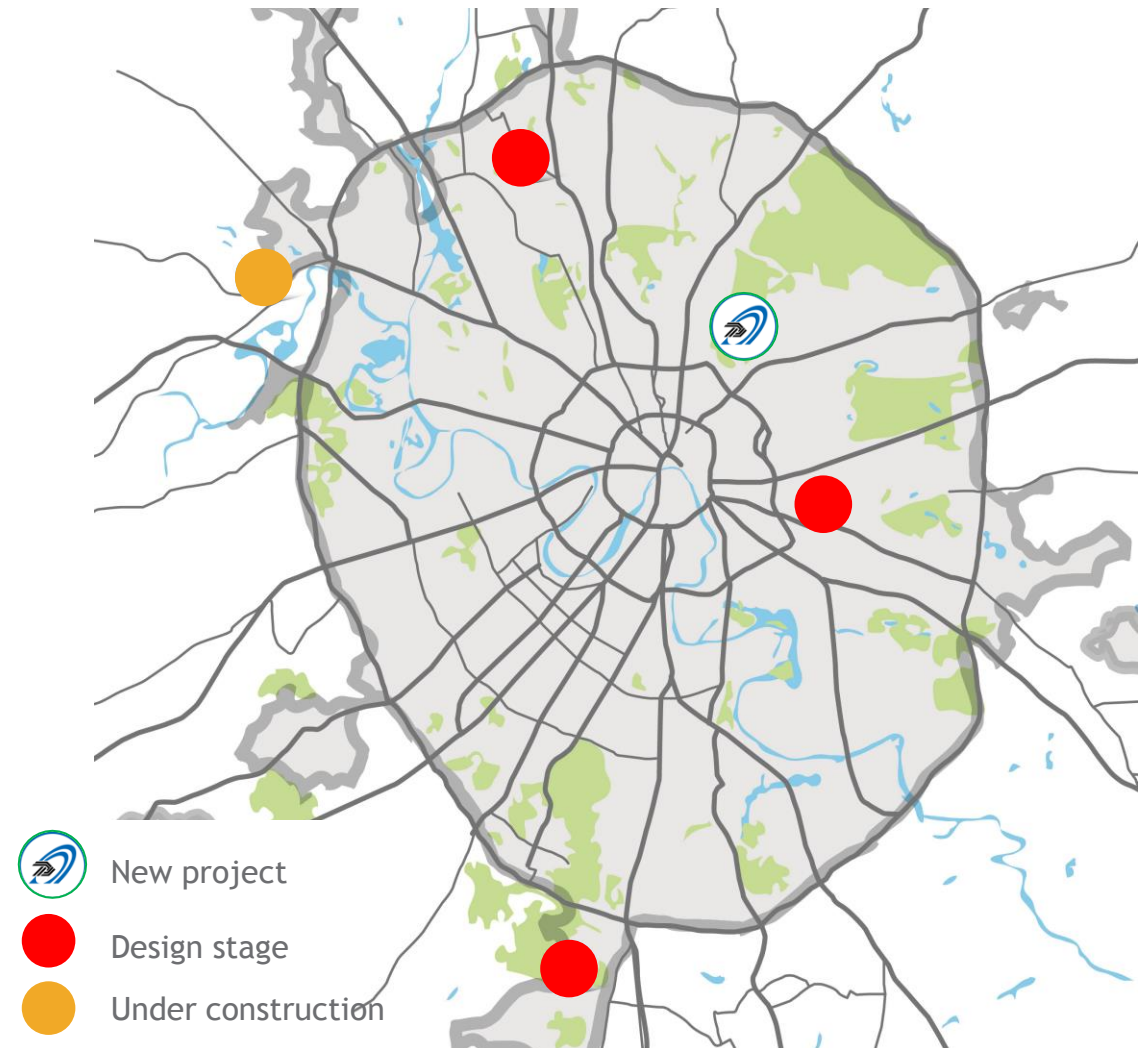


# 139 ths sqm acquisition in Moscow: Alekseevskiy district

## Overview

- 7.9 ha land plot located in Alekseevskiy district (North Eastern administrative division of Moscow)
- The site is close to Prospekt Mira. Alekseevskaya metro station and railway station Moskva-3 are within 10 minutes' walk
- The site is close to Sokolniki Park and just 7 km from the centre of Moscow
- Expected NSA of 139 ths sqm
- Etalon Group acquired the project by purchasing the legal entity which holds the land rights
- Etalon's 5<sup>th</sup> acquisition in MMA, bringing total unsold NSA in the region to c. 1.53 mn sqm
- Further proof of Etalon's commitment to MMA
- Etalon Group plans to begin construction in 2015 and deliver in 2018

## Location



# Launch of sales on new projects



## House on Tukhachevskogo Street



# Molodejny



- Comfort-class residential project in St. Petersburg
- 111 ths sqm of NSA
- Scheduled delivery in 2014

# Letniy



- Comfort-class residential project in St. Petersburg
- 64 ths sqm of NSA
- Scheduled delivery in 2013

# Swallow's Nest



- Medium-scale comfort-class project in St. Petersburg
- 9 residential buildings, 311 ths sqm of NSA
- Scheduled delivery in 2013 - 2015

# Rechnoy



- Comfort-class residential project in St. Petersburg
- 109 ths sqm of NSA
- Scheduled delivery in 2014

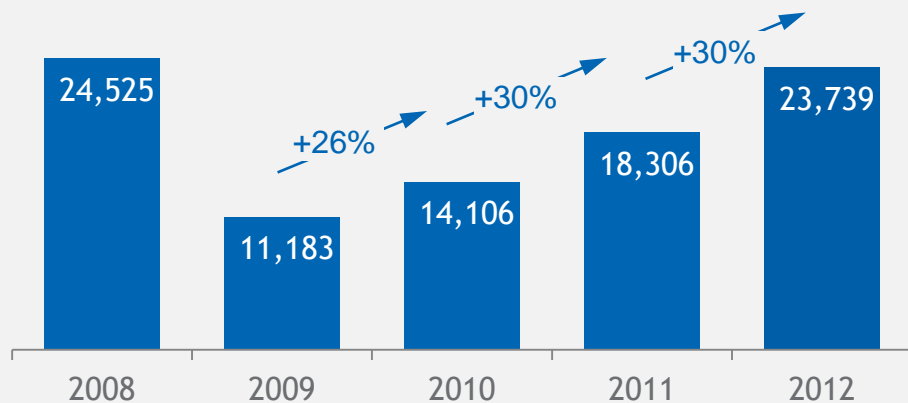
# 4Q 2012 Operating Results



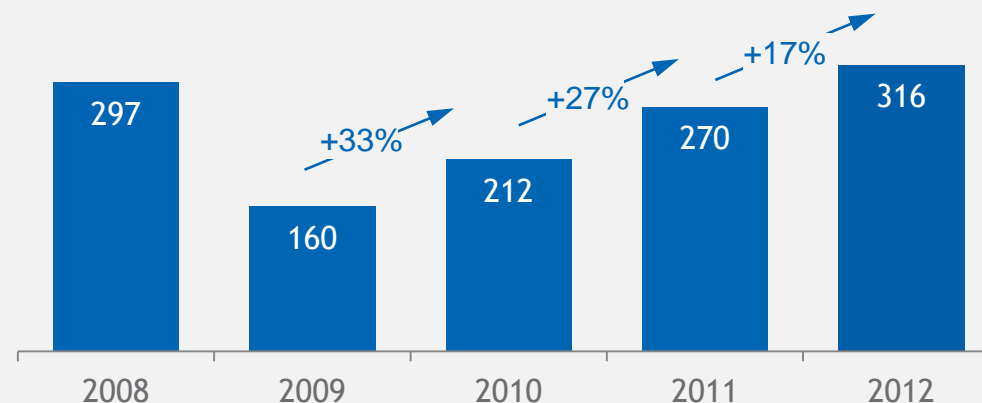


# Growth in new contract sales in 2012

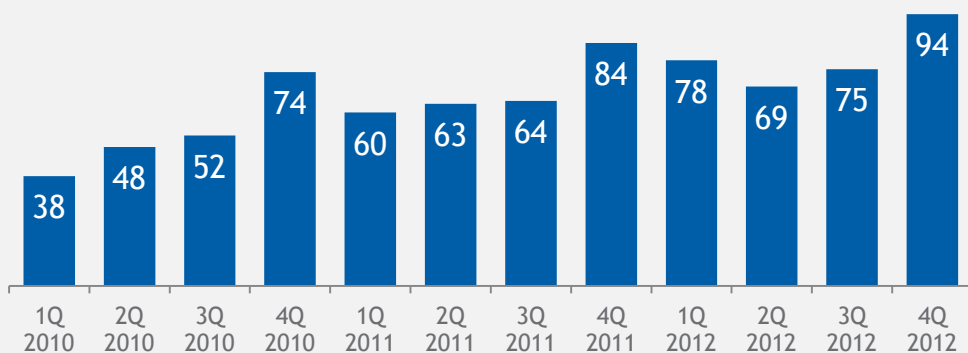
New contract sales, mn RUR



New contract sales, ths sqm



Quarterly new contract sales, ths sqm



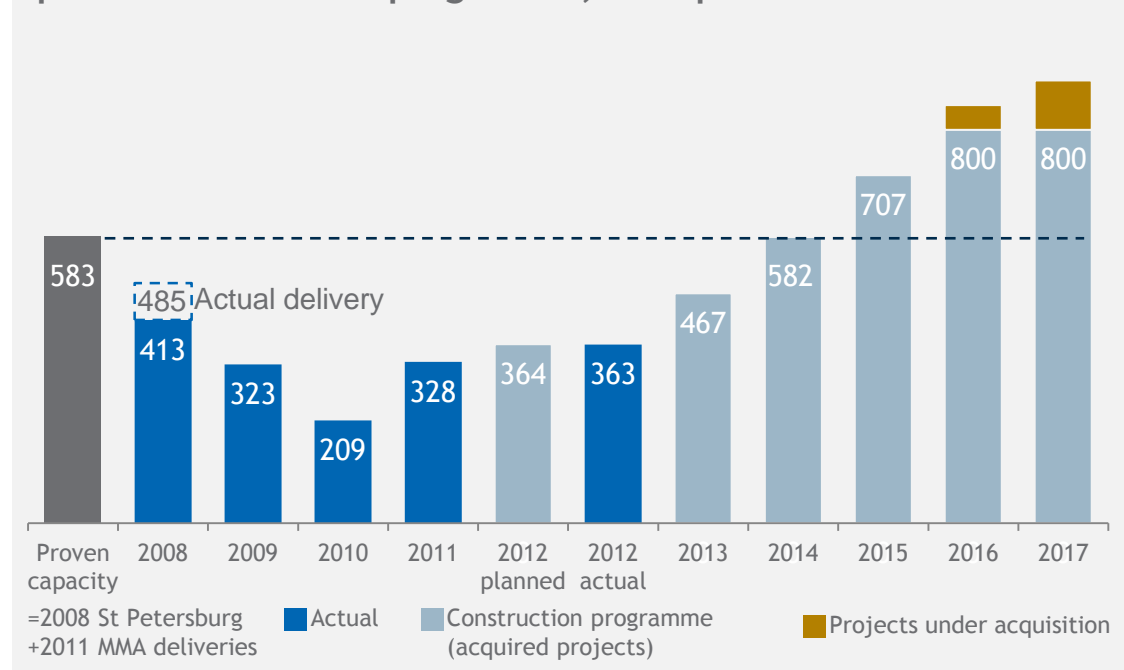
## Significant growth of key sales metrics

- Share of mortgage contracts reached 18% in 4Q 2012
- Average down payment was 72% (significantly above the average of 50% envisaged by business model)
- Share of MMA\* contracts NSA in 4Q 2012 new sales was 21%

\* Moscow metropolitan area

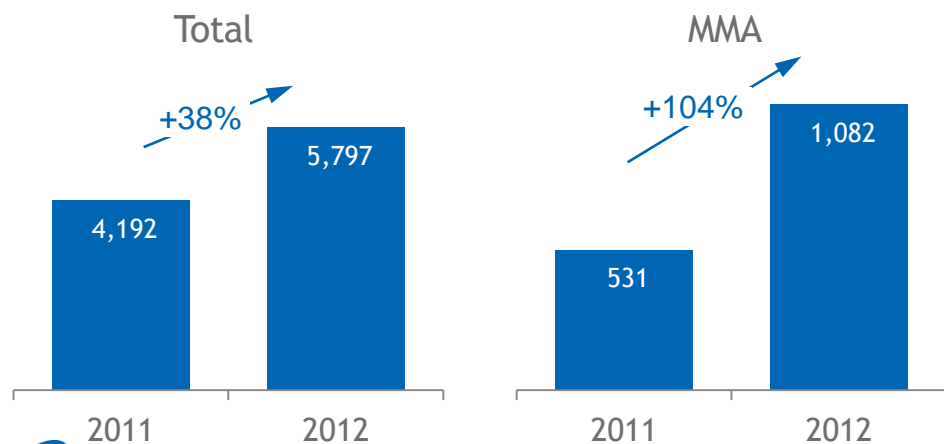
# Deliveries in 2012

Updated construction programme, ths sqm of NSA

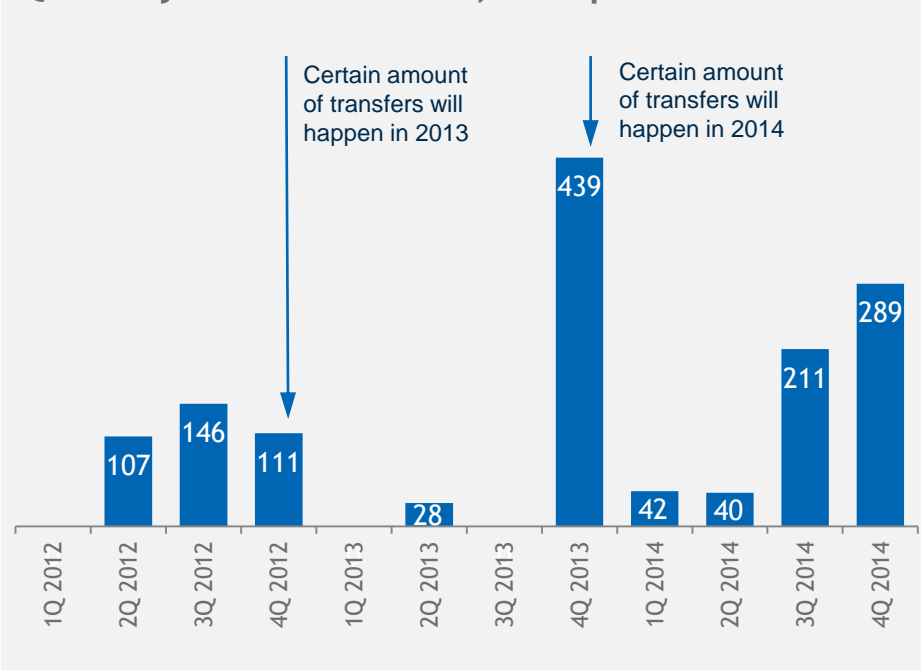


Source: company estimates

## Number of new contracts



Quarterly deliveries of NSA, ths sqm



## 2012 Deliveries and transfer to customers

	2012	2011	Change, %
NSA delivered, sqm	363,120	328,435	11%
Transferred to customers, sqm	240,912	274,558	-12%

# Key takeaways



## Key takeaways

- **New acquisitions**
  - Post-IPO programme completed with acquisition of 883 ths sqm of NSA in Moscow Metropolitan Area and St. Petersburg in FY 2012
- **Deliveries**
  - Deliveries increased by 11% y-o-y to 363 ths sqm - fully inline with revised construction programme, including further successful expansion in MMA with 83 ths sqm delivered at Emerald Hills project in FY 2012
- **New contract sales**
  - New contract sales in FY 2012 increased 30% y-o-y to RUR 24 bln and 17% to 316 ths sqm, driven by higher share of smaller apartments, generally inline with guidance
  - Total number of contracts in FY 2012 increased 38% y-o-y to 5,797; number of MMA contracts up 104% y-o-y to 1,082
  - Share of mortgages increased to 18% in 4Q 2012, highest level in Etalon Group's history
  - In 4Q 2012 average down payment was 72%, significantly above the target of 50% envisaged by the business model
- **Transfers to customers**
  - Transfers to customers decreased by 12% y-o-y to 241 ths sqm of NSA, primarily because 31% of 2012 deliveries were scheduled for 4Q 2012 and significant amount of these deliveries are expected be transferred in 1Q 2013
- **Cash collections**
  - Cash collections from residential operations for the year increased to USD 648 mn (per management accounts)

# 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

## 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

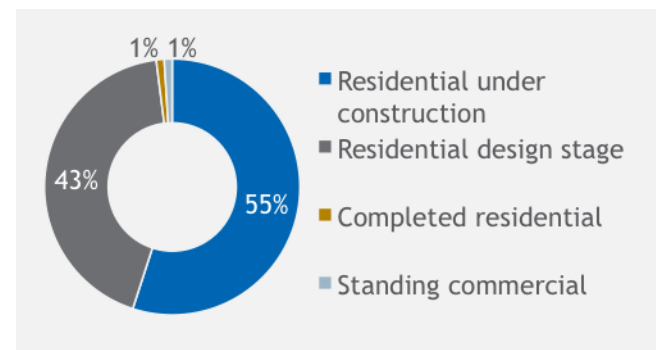
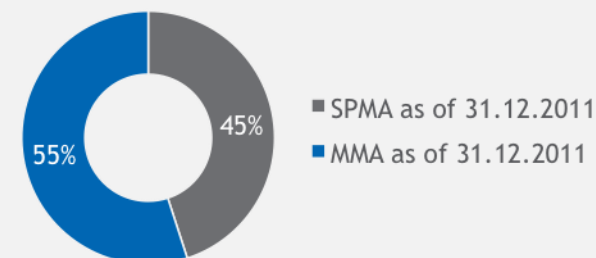
## Corporate governance

- 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 1,510 mln (18.01.2013)
Share price	USD 5.10 (18.01.2013)

## Portfolio composition

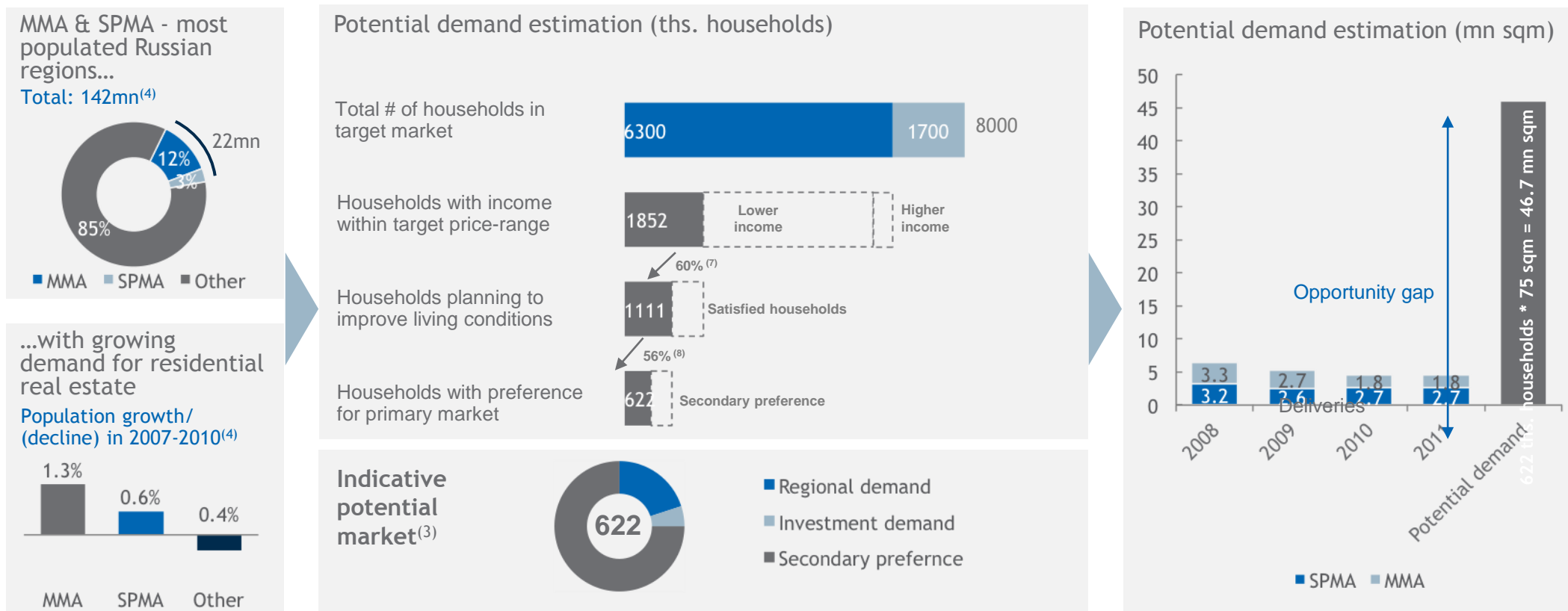
### Total unsold NSA breakdown



\* 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);

# Multiple generations of growth opportunity

MMA and SPMA are the most attractive residential markets in Russia



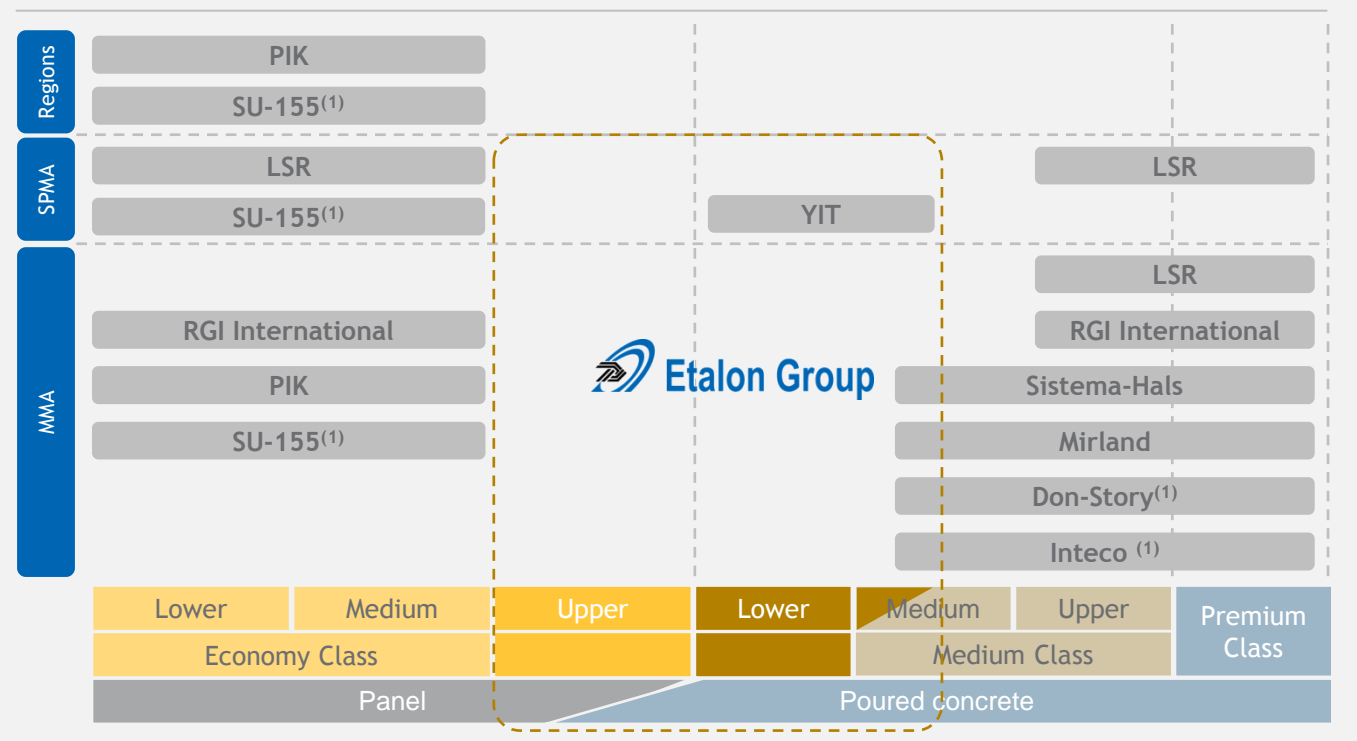
**The above set of simple assumptions further supports the existence of significant unsatisfied demand for value-added housing in MMA and SPMA**

<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 -Metrinfo survey in Moscow, 1H 2010)

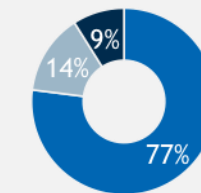
# Unique price, product and market combination

Etalon Group is attractively positioned in high quality, yet affordable real estate segment

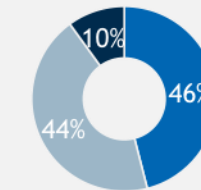
Real estate price segments of presence vs. competitors



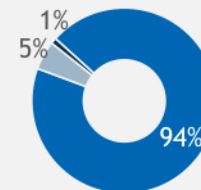
Supply structure by volume<sup>(2)</sup> (2H 2010)



**St. Petersburg**  
Total: 1.1mn sqm



**Moscow**  
Total: 1.9mn sqm



**Moscow Region**  
Total: 13.7mn sqm

■ Economy class ■ Middle class ■ Premium class

- Etalon Group is positioned in Upper Economy Class and Lower Middle Class - market segment with fewer number of competitors
- Economy Class and Middle Class price segments dominate both SPMA and MMA real estate markets, with marginal share of premium class
- Competitive pricing combined with upscale poured concrete technology is able to target a very wide universe of customers

<sup>(1)</sup>Non-public peers

<sup>(2)</sup>Based on the total area of residential apartments available for sale on primary market at the end of 2H 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

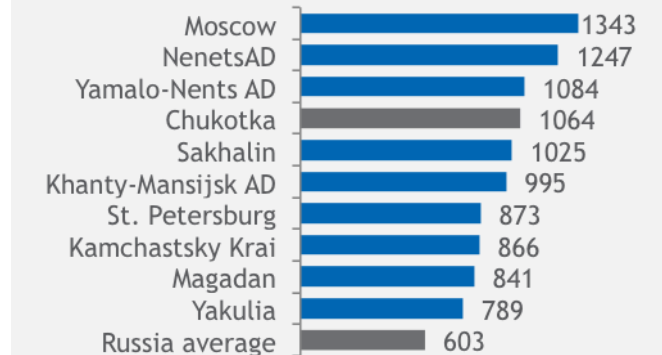
<sup>(1)</sup>Average monthly disposable income, Rosstat data as of 3Q 2010; RUR values were converted into US\$ at official CBR average exchange rate in 3Q 2010 (30.62 RUR/US\$);  
<sup>(2)</sup>Source: management accounts

## 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

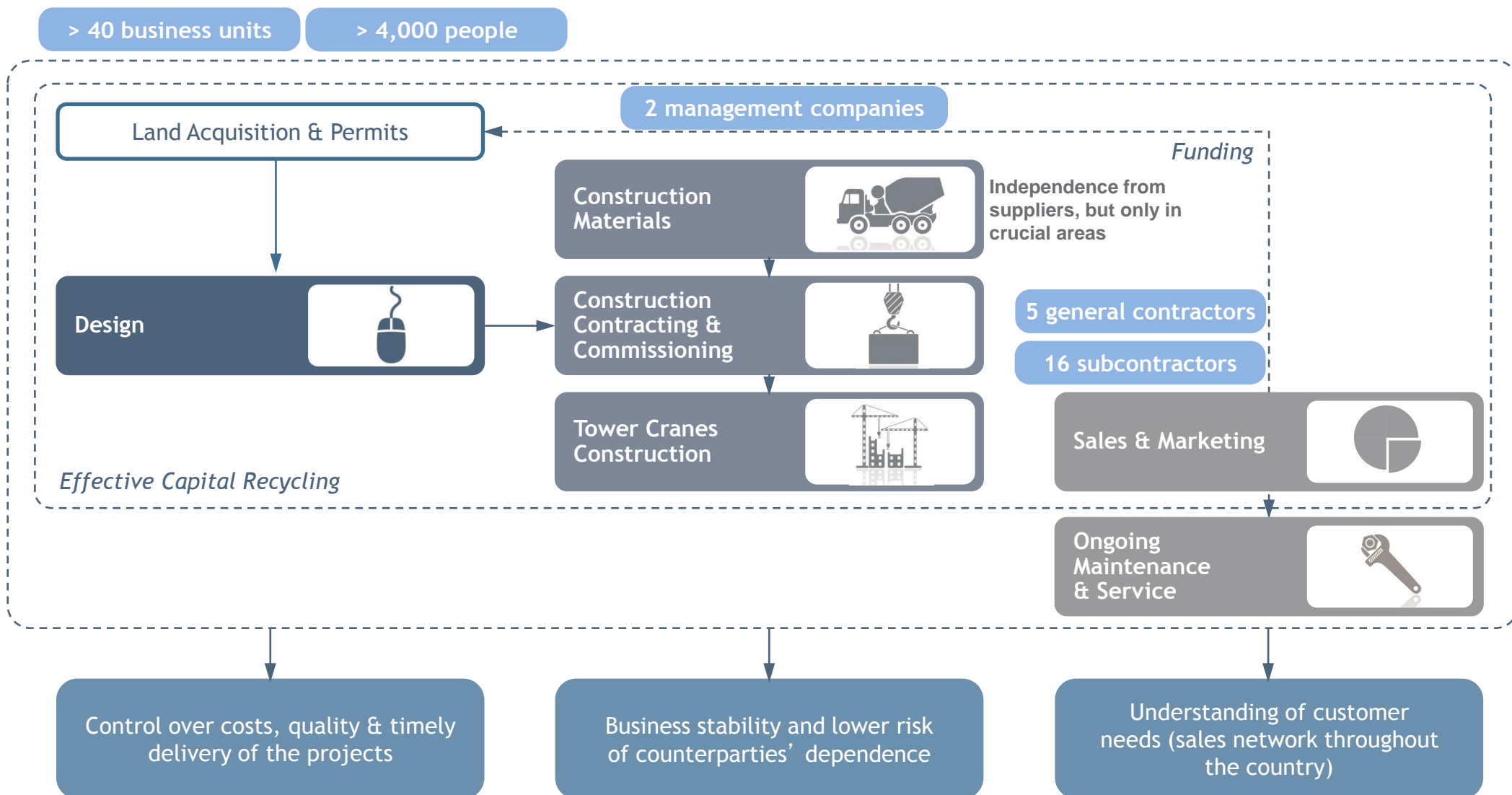
Disposable income (US\$)<sup>(1)</sup>



■ 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 Boulkhovkov

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

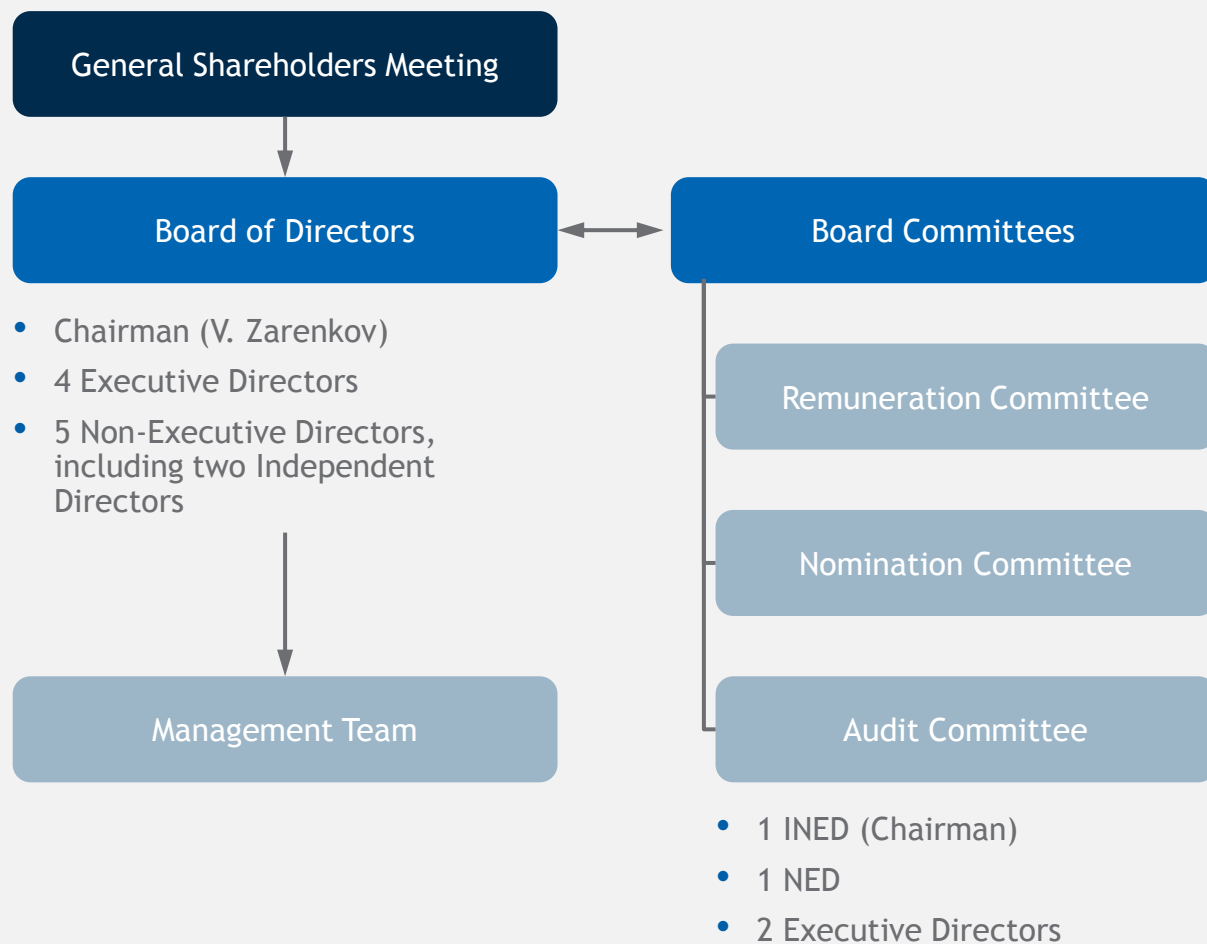
#### Education

- Moscow State University named after Lomonosov

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

# Strong corporate governance and cornerstone international investor

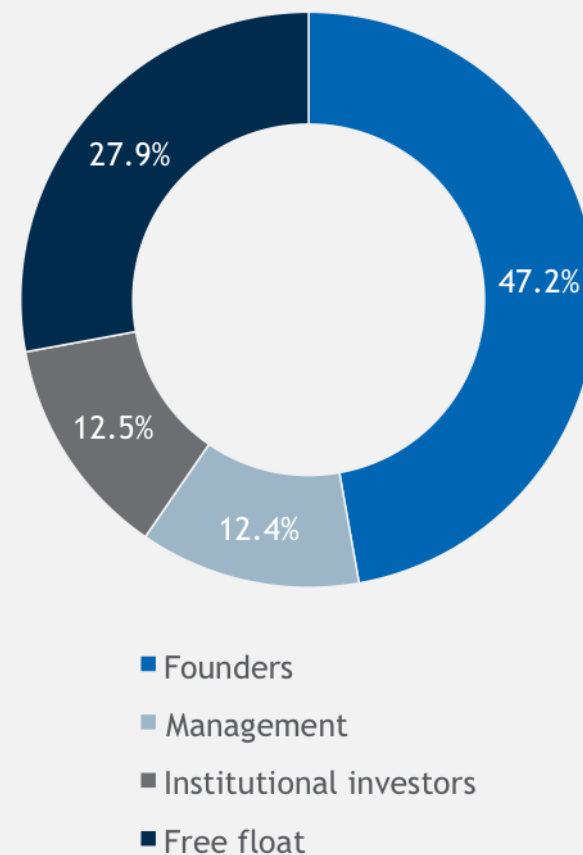
## Corporate governance structure



Source: Company data

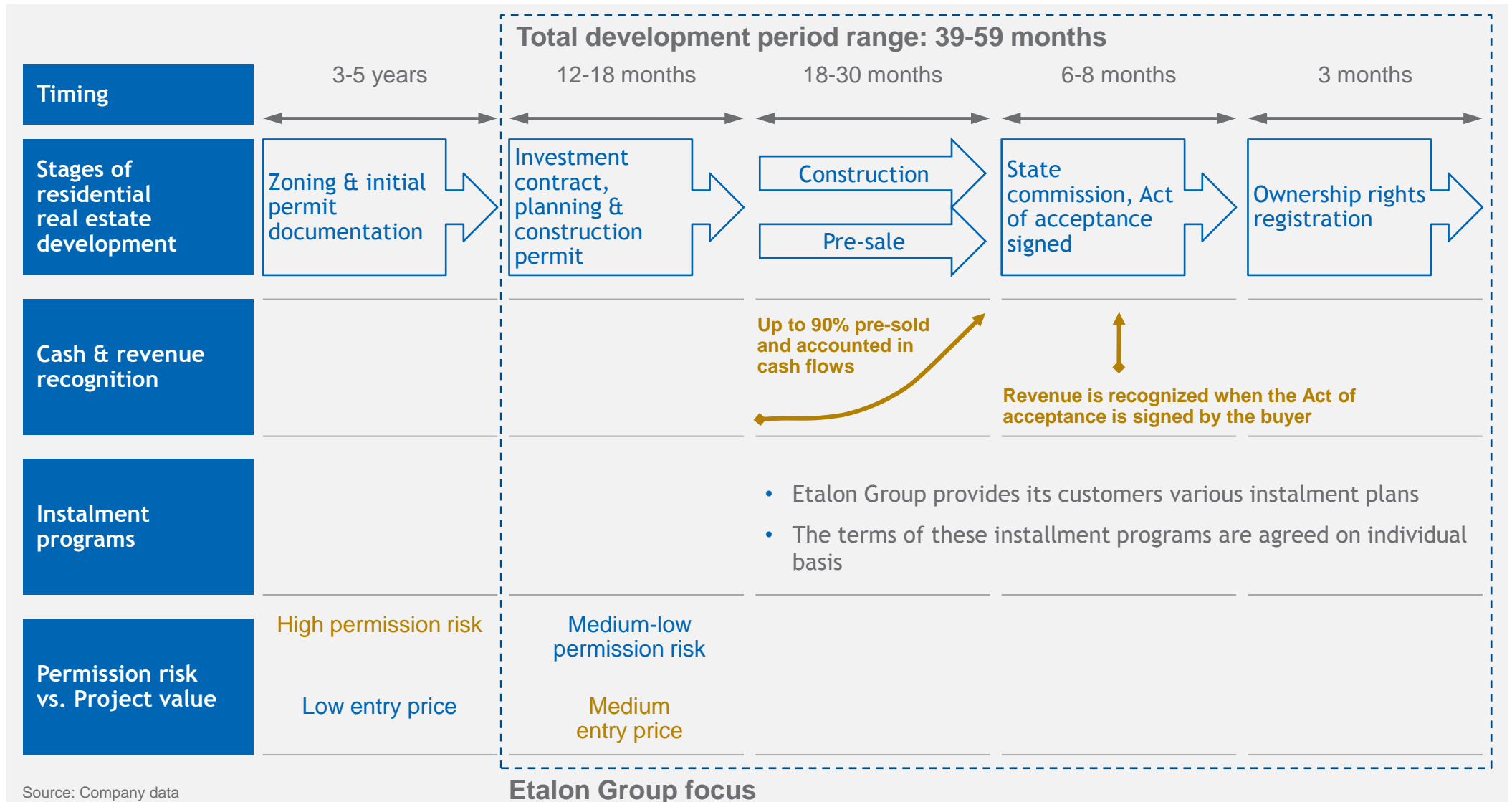
<sup>(1)</sup>includes Baring Vostok

## 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



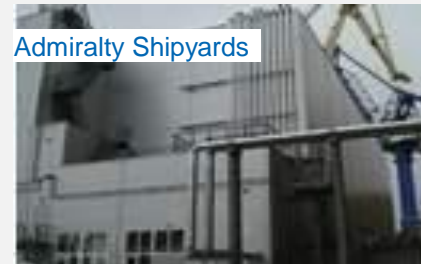
Poling & road infrastructure construction

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

**Etalon Group Limited**  
Ogier House  
St Julian's Avenue  
St Peter Port  
Guernsey  
GY1 1WA

Tel: +44 (0)20 8123 1328  
Fax: +44 (0)20 8123 1328  
Email: [info@etalongroup.com](mailto:info@etalongroup.com)