

1H 2020 FINANCIAL RESULTS

30 September 2020



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1H 2020 FINANCIAL RESULTS



RESULTS SUMMARY

TOTAL REVENUE

30.9

BLN RUB

Total revenue amounted to RUB 30,868 mln in 1H 2020

PRE-PPA GROSS PROFIT MARGIN (DEVELOPMENT)

32%

+3 p.p.



Pre-PPA residential development gross profit margin increased by 3 p.p. in 1H 2020

PRE-PPA LTM EBITDA MARGIN

14%

+1 p.p.



1H 2020 pre-PPA LTM EBITDA margin increased by 1 p.p. to 14.2%

NET CORPORATE DEBT/PRE-PPA LTM EBITDA

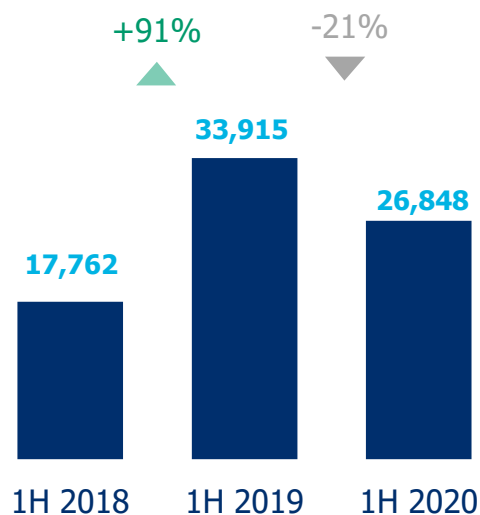
2.1x

Net corporate debt/pre-PPA LTM EBITDA in 1H 2020 amounted to 2.1x

REVENUE ANALYSIS

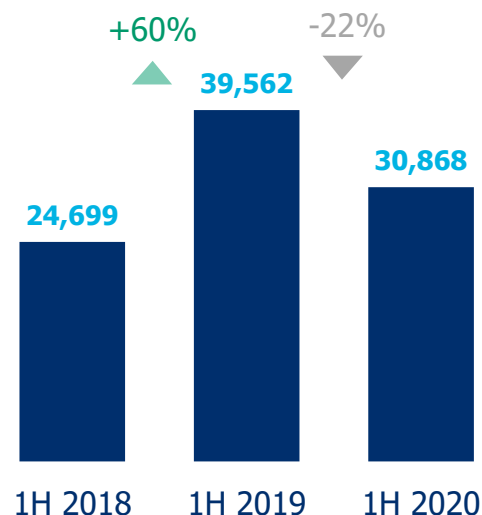
RESIDENTIAL DEVELOPMENT REVENUE

mIn RUB



CONSOLIDATED REVENUE

mIn RUB



REASONS FOR DECREASE IN REVENUE

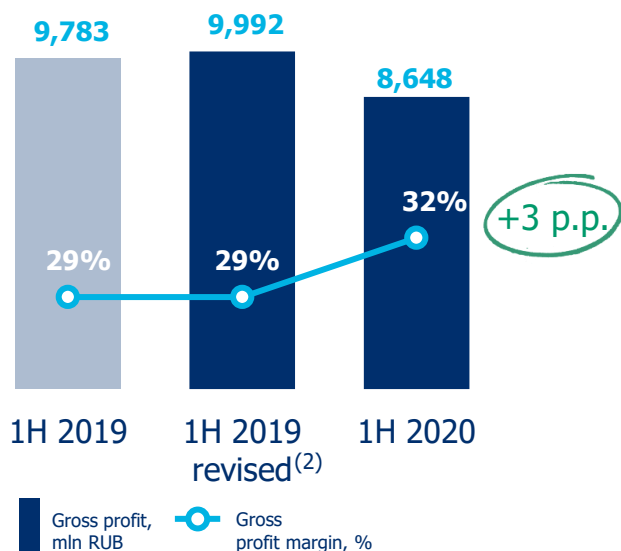
- Lower sales volumes (NCS in 1H 2020 were down 24% y-o-y) due to the COVID-19 restrictions
- Temporary construction ban in Moscow
- Lower share of revenue recognised in the first half of the year as certificates of acceptance for construction work are normally signed in the second half of the year
- **Combined effect on revenue:** around RUB 9 bln forgone

GROSS PROFIT ANALYSIS

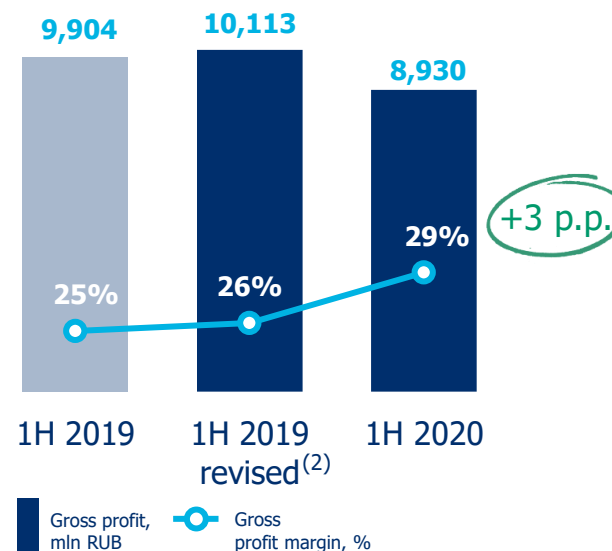


STRONG INCREASE IN MARGINS IN 1H 2020 DUE TO EFFICIENCY MEASURES UNDERTAKEN BY ETALON GROUP

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



PRE-PPA⁽¹⁾ CONSOLIDATED GROSS PROFIT
mln RUB



- Gross profit margins improved in 1H 2020: pre-PPA residential development gross margin **increased by 3 p.p. and reached 33%**, consolidated gross profit margin **increased by 3 p.p. and reached 29%**
- Purchase price allocation in the amount of **RUB 1,412 million was recognised in cost of sales (PPA)**
- Etalon Group's 1H 2020 financial statements have been revised due to adjustments to the provisional amount of Leader-Invest's assets and representation of other taxes from cost of sales to other expenses

Source: IFRS financial statements

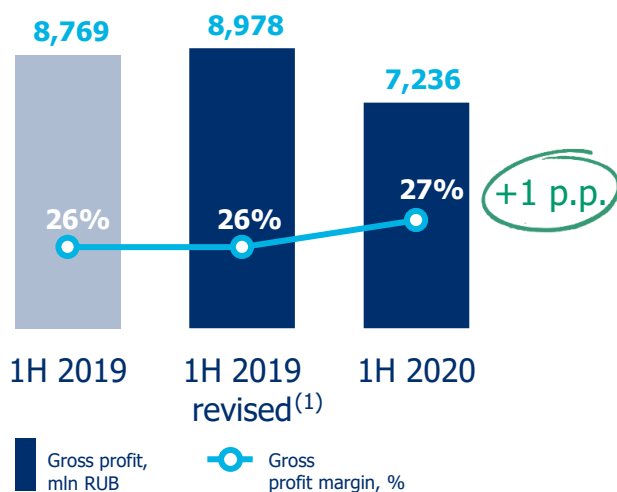
⁽¹⁾ Purchase price allocation

⁽²⁾ Revised due to adjustments to the provisional amount of Leader-Invest's assets and representation of other taxes from cost of sales to other expenses.

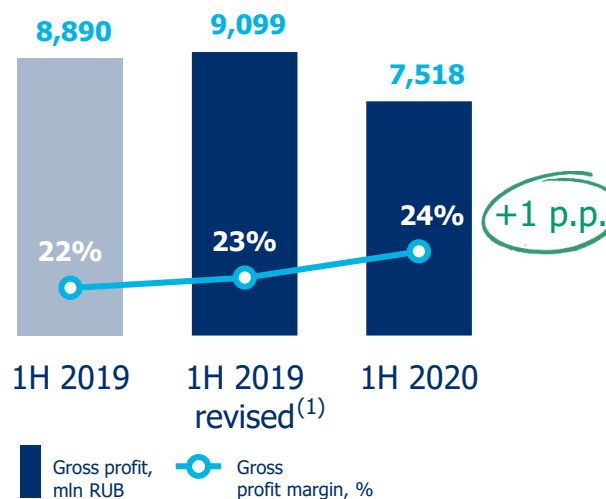
GROSS PROFIT ANALYSIS ADJUSTED FOR PPA

RESIDENTIAL DEVELOPMENT GROSS
MARGIN INCREASED BY 1 P.P. TO 27%

RESIDENTIAL DEVELOPMENT GROSS PROFIT mln RUB



CONSOLIDATED GROSS PROFIT mln RUB



- Etalon Group's stand-alone residential development gross profit margin **increased by 3 p.p. year-on-year to 32%**
- Leader-Invest's stand-alone residential development gross profit margin **amounted to 9%, or 32% on a pre-PPA basis**

Source: IFRS financial statements

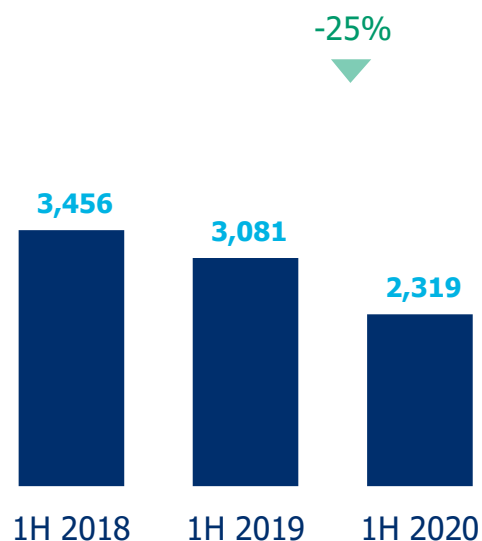
⁽¹⁾ Revised due to adjustments to the provisional amount of Leader-Invest's assets and representation of other taxes from cost of sales to other expenses.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

G&A AND SELLING EXPENSES DECREASED IN 1H 2020

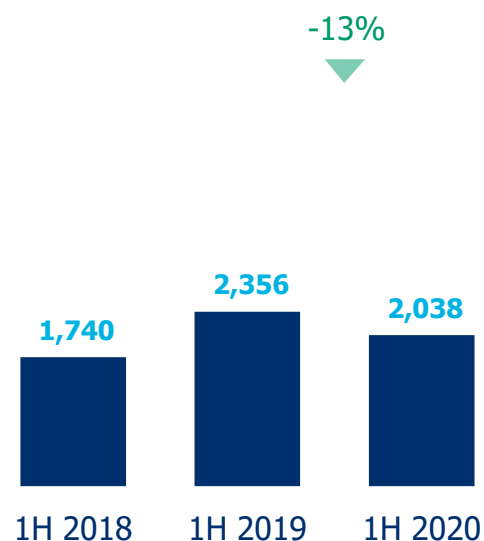
GENERAL AND ADMINISTRATIVE EXPENSES

mln RUB



SELLING EXPENSES

mln RUB



SG&A OPTIMISATION

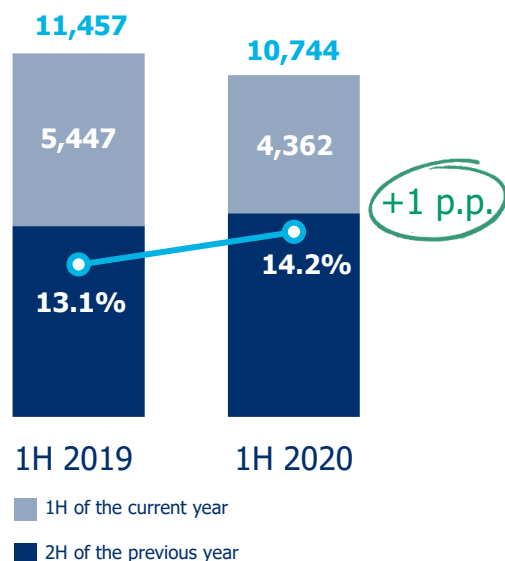
- G&A expenses **decreased by RUB 762 million y-o-y** thanks to stricter cost control
- Selling expenses declined at a slower pace due to the higher share of fixed marketing and advertising expenses frontloaded in 1H 2020
- Initiatives like dynamic pricing and online sales will improve SG&A efficiency going forward

EBITDA AND NET INCOME ANALYSIS

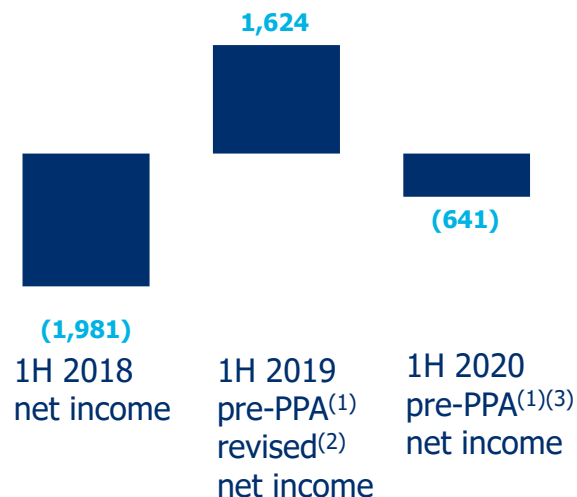


PRICING POLICY AND MEASURES TO IMPROVE EFFICIENCY IMPROVED PRE-PPA LTM EBITDA MARGIN, WHICH ROSE BY 1.1 P.P. YEAR-ON-YEAR TO 14.2%

PRE-PPA LTM EBITDA mln RUB



PRE-PPA NET INCOME mln RUB



IMPACT ON 1H 2020 NET INCOME

- Fixed financial and commercial expenses amplified the impact of foregone revenue on bottom line performance
- Finance income declined by RUB 0.4 bln due to forgone interest from deposits: cash collections in escrow accounts reached RUB 8.8 bln as of 30.06.2020
- Finance costs increased by RUB 0.5 bln due to higher amount of total debt
- A part of gross profit was still taxed despite the pre-tax loss

Source: IFRS financial statements

⁽¹⁾ Adjusted for taxes

⁽²⁾ Revised due to adjustments to the provisional amount of Leader-Invest's assets and representation of other taxes from cost of sales to other expenses

⁽³⁾ PPA including RUB 1,412 million was capitalised in cost of sales in 1H 2020

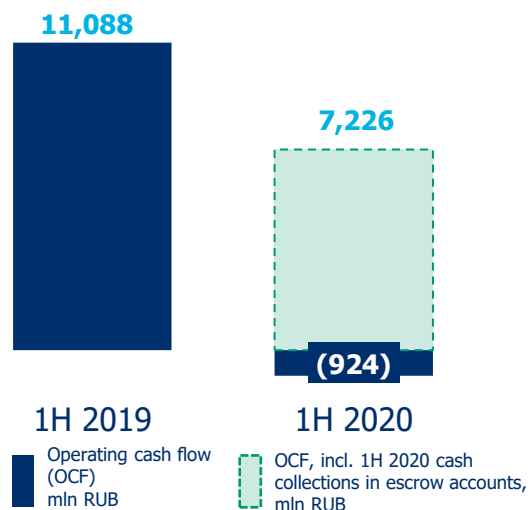
CASH FLOW ANALYSIS



1H 2020 OPERATING CASH FLOW DECLINED DUE TO THE INCREASED CASH INFLOW TO ESCROW ACCOUNTS

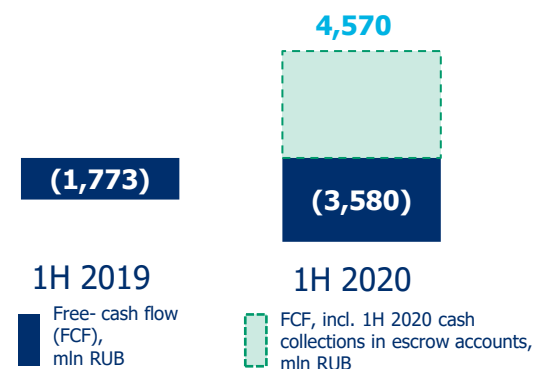
OPERATING CASH FLOW⁽¹⁾

mln RUB



FREE CASH FLOW⁽²⁾

mln RUB



- Cash collections in escrow accounts reached **RUB 8,842 mln** as of 30 June 2020
- 1H 2020 Cash collections amounted to **RUB 8,150 mln**

Source: IFRS financial statements

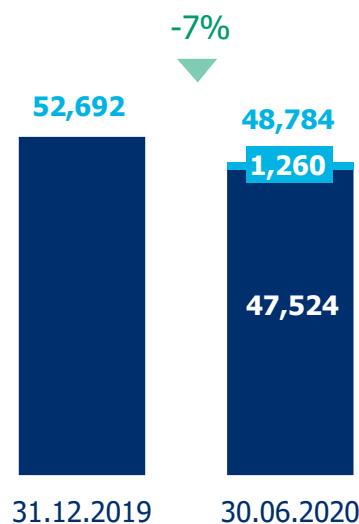
⁽¹⁾ Operating cash flow less interest paid

⁽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

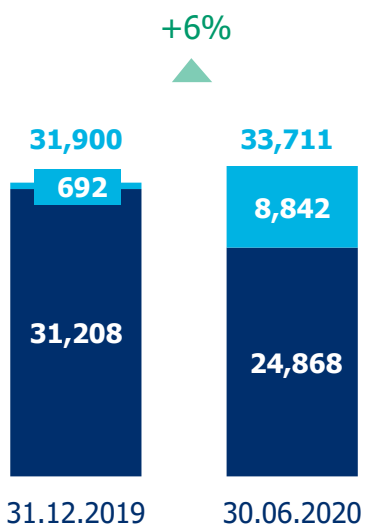
MAINTAINING A STRONG BALANCE SHEET



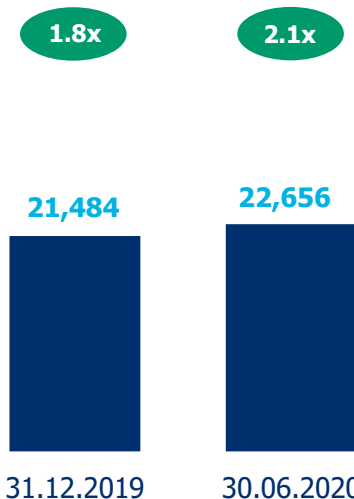
TOTAL DEBT mln RUB



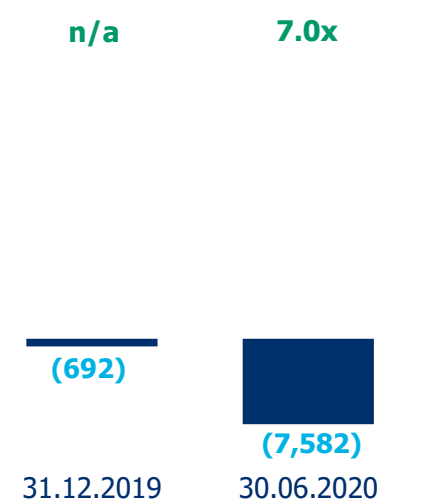
CASH AND CASH EQUIVALENTS mln RUB



NET CORPORATE DEBT mln RUB



NET PROJECT FINANCE DEBT (CASH) mln RUB



Corporate debt, mln RUB

Project debt, mln RUB

Cash & cash equivalents⁽¹⁾, mln RUB

Cash in escrow accounts, mln RUB

Net corporate⁽²⁾ debt, mln RUB

Net corporate debt/pre-PPA LTM EBITDA

Net project⁽³⁾ debt, mln RUB

Coverage ratio for project finance debt

- 100% of **debt denominated in RUB**
- **Average cost of borrowings declined** from 9.40% at the end of 2019 **to 9.05% as of 30.06.2020**
- **Project finance loans are sufficiently covered to receive preferential rates of 3%-4%**
- Average interest rate on deposits **decreased from 5.72% as of 30.06.2019 to 3.90% as of 30.06.2020⁽⁴⁾**

Source: IFRS financial statements

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

⁽²⁾ Excluding project finance loans and cash on escrow accounts

⁽³⁾ Project finance debt less cash on escrow account

⁽⁴⁾ Weighted average interest rate on deposits up to one year, including demand deposits, in RUB. Source: Bank of Russia

ETALON GROUP'S ACTIONS TO IMPROVE FINANCIAL PERFORMANCE



ETALON GROUP IS TAKING A NUMBER OF MEASURES TO FURTHER IMPROVE ITS FINANCIAL PERFORMANCE:

- 1. Acceleration of sales combined with increase in average prices, driven by more affordable mortgages and implementation of strategic initiatives on dynamic pricing and online sales**
- 2. Acceleration of the pace of construction, making it possible to recognise a larger volume of already-contracted space as revenue by the end of 2020**
- 3. Further control and optimisation of administrative costs**
- 4. Lower commercial expenses in 2H 2020 due to frontloaded marketing expenses in 1H 2020**
- 5. Revised strategy that takes into account COVID-19 restriction will be presented by the end of the year**

APPENDIX



INCOME STATEMENT

MLN RUB	1H 2018 restated	1H 2019 revised	1H 2020
Revenue	24,699	39,562	30,868
Cost of sales	(19,126)	(30,463)	(23,350)
Gross profit	5,573	9,099	7,518
General and administrative expenses	(3,456)	(3,081)	(2,319)
Selling expenses	(1,740)	(2,356)	(2,038)
Impairment loss on trade and other receivables	(212)	(142)	(80)
Gain from bargain purchase	-	729	-
Other expenses, net	(1,427)	(720)	(879)
Results from operating activities	(1,262)	3,529	2,202
Finance income	1,104	1,554	1,275
Finance costs	(2,192)	(3,667)	(4,166)
Net finance income/(costs)	(1,088)	(2,113)	(2,891)
Profit before income tax	(2,350)	1,416	(689)
Income tax expense	369	(857)	(1,082)
Profit for the period	(1,981)	559	(1,771)
<i>Profit attributable to:</i>			
Owners of the Company	(1,892)	1,142	(1,772)
Non-controlling interest	1	(583)	1
Profit for the period	(1,891)	559	(1,771)

Source:
IFRS financial statements

BALANCE SHEET



MLN RUB	2019	1H 2020
ASSETS		
Non-current assets		
PP&E	3,561	3,431
Investment property	1,065	853
Other long-term investments	190	71
Trade and other receivables	4,692	4,442
Deferred tax assets	3,921	5,221
TOTAL NON-CURRENT ASSETS	13,429	14,018
Current assets		
Inventories	100,689	97,357
Contract assets, trade and other receivables	25,143	24,775
Short-term investments	203	304
Cash and cash equivalents	31,128	24,678
Other current assets	752	755
TOTAL CURRENT ASSETS	157,915	147,869
Assets held for sale	-	402
TOTAL ASSETS	171,344	162,289
EQUITY AND LIABILITIES		
Equity		
Share capital	15,487	15,487
Retained earnings	37,089	35,317
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	52,576	50,804
Non-controlling interest	-	1
TOTAL EQUITY	52,576	50,805
Non-current liabilities		
Loans and borrowings	42,258	33,623
Contract liabilities, trade and other payables	3,227	1,411
Provision	116	183
Deferred tax liabilities	6,463	7,342
TOTAL NON-CURRENT LIABILITIES	52,064	42,559
Current liabilities		
Loans and borrowings	10,434	15,161
Contract liabilities, trade and other payables	55,581	53,142
Provisions	689	622
TOTAL CURRENT LIABILITIES	66,704	68,925
TOTAL EQUITY AND LIABILITIES	171,344	162,289

Source:
IFRS financial statements

CASH FLOW STATEMENT

MLN RUB	1H 2018 revised	1H 2019 revised	1H 2020
OPERATING ACTIVITIES			
Profit for the period	(1,981)	559	(1,771)
<i>Adjustments for:</i>			
Depreciation	169	270	385
Gain on disposal of PP&E	7	(14)	(25)
Gain on disposal of investment property	-	-	(23)
Impairment loss on inventories	1,524	458	319
Impairment loss/reversal on trade and other receivables, advances paid to suppliers and investments	212	180	126
	846	-	-
Gain from bargain purchase	-	(729)	-
Finance income, net	1,088	2,113	2,891
Income tax expense	(369)	857	1,082
CASH FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	1,496	3,694	2,984
Change in inventories	(4,833)	7,357	2,781
Change in accounts receivables	4,391	(1,862)	2,635
Change in accounts payable	(2,068)	(9,286)	(2,870)
Change in provisions	(654)	(316)	-
Change in contract assets	1,023	(333)	(1,513)
Change in contract liabilities	8,492	13,454	(3,210)
Income tax paid	(600)	(1,620)	(1,731)
Interest paid	(1,146)	(2,056)	(2,504)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	6,101	9,032	(3,428)
INVESTING ACTIVITIES			
Proceeds from disposal of non-current assets	6	51	92
Proceeds from disposal of investment property	8	-	62
Interest received	431	1,238	723
Acquisition of PP&E	(266)	(335)	(306)
Loans given	(19)	(2)	(8)
Loans repaid	34	18	29
Acquisition of subsidiary, net of cash acquired	-	(10,481)	-
(Acquisition)/disposal of other investments	(37)	59	1
NET CASH FROM /(USED IN) INVESTING ACTIVITIES	157	(9,452)	593
FINANCING ACTIVITIES			
Proceeds from borrowings	3,609	15,719	1,367
Repayments of borrowings	(4,716)	(2,126)	(4,958)
Acquisition of own shares	(651)	-	-
Payments of lease liabilities	-	(363)	(52)
Dividends paid	-	(13)	-
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	(1,758)	13,217	(3,643)
Net increase/(decrease) in cash and cash equivalents	4,500	12,797	(6,478)
Effect of FX rate fluctuations	240	(66)	28
Cash & cash equivalents at the end of the period	18,865	35,797	24,678

Source:
IFRS financial statements

EBITDA CALCULATION



MLN RUB	1H 2018 restated	1H 2019 revised	1H 2020
Comprehensive income	(1,981)	559	(1,771)
Income tax expense	(369)	857	1,082
Interest expense on loans and finance lease	2,191	3,561	3,906
Net foreign exchange loss	-	66	-
Other finance costs	-	-	31
Interest income on bank deposits	(200)	(386)	(340)
Interest income on cash and cash equivalents	(231)	(756)	(383)
Interest income SFC	-	(96)	(59)
Net foreign exchange gain	(121)	-	(28)
Bank fees and commissions	93	93	51
Borrowing costs	483	473	64
SFC in cost of sales	74	204	12
Depreciation	169	270	385
EBITDA	108	4,845	2,950
Gain from bargain purchase	-	(729)	-
Purchase price allocation (PPA)	-	1,331	1,412
Pre-PPA EBITDA	108	5,447	4,362

Source:
IFRS financial statements



1H 2020 FINANCIAL RESULTS

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