



Capital
Markets
Day

VISION 2024

18 NOVEMBER
2020



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TODAY'S PRESENTERS



SERGEY EGOROV
Chairman of the Board



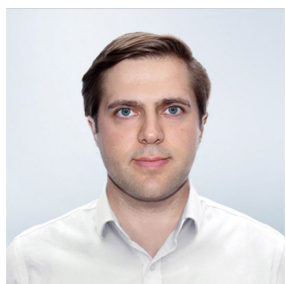
GENNADIY SHCHERBINA
Chief Executive Officer



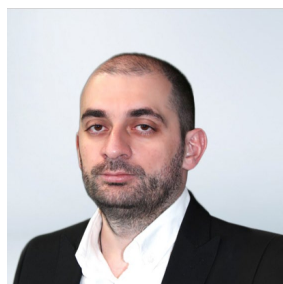
ILYA KOSOLAPOV
Chief Financial Officer



MAXIM BERLOVICH
Head of Moscow Operations



PETR KRYUCHKOV
Head of Corporate
Investments and Strategy



ELBRUS GOBEEV
Head of Construction
Innovations



VASILY FETISOV
Head of Sales,
Moscow Operations



DENNIS VINOKOUROV
Independent
Non-Executive Director

AGENDA

		TIME	SPEAKER
1	ETALON GROUP OVERVIEW	15:10	Gennadiy Shcherbina , CEO
2	MARKET TRENDS	15:30	Petr Kryuchkov , Head of Corporate Investments and Strategy
3	ETALON GROUP STRATEGY TO 2024	15:40	Gennadiy Shcherbina , CEO
4	EVOLUTION OF DESIGN AND CONSTRUCTION TECHNOLOGY	16:10	Elbrus Gobeev , Head of Construction Innovations
5	ZIL-YUG DEVELOPMENT STRATEGY	16:30	Maxim Berlovich , Head of Moscow Operations
	BREAK	15 minutes	
6	SALES AND MARKETING	17:10	Vasily Fetisov , Head of Sales, Moscow Operations
7	FINANCIALS	17:30	Ilya Kosolapov , CFO
8	CORPORATE GOVERNANCE AND MOTIVATION	17:45	Sergey Egorov , Chairman, Dennis Vinokourov , INED
9	ESG	18:00	Petr Kryuchkov , Head of Corporate Investments and Strategy
10	Q&A SESSION	18:10	

ETALON GROUP OVERVIEW

**GENNADIY
SHCHERBINA**
CHIEF EXECUTIVE OFFICER



ETALON GROUP AT A GLANCE

ONE OF THE
LONGEST-ESTABLISHED

>30 years

FOUNDED IN 1987 IN
ST PETERSBURG, WE HAVE
A LONG TRACK RECORD FOR
RELIABILITY AND QUALITY

PROVEN TRACK
RECORD

7 mn
sq m

COMPLETED IN CORE
REGIONS SINCE
INCEPTION

ONE OF THE MOST
RELIABLE DEVELOPERS

#2

ACCORDING TO THE
FORBES RUSSIA
RANKING IN 2019

HIGHEST QUALITY
SCORE

5 out
of 5

ACCORDING TO RUSSIAN
UNIFIED REGISTER OF
RESIDENTIAL REAL
ESTATE DEVELOPERS (ERZ)

STRONG REPUTATION
IN ST PETERSBURG

#3

ETALON GROUP IS THE #3
DEVELOPER BY BRAND
RECOGNITION IN
ST PETERSBURG⁽¹⁾

POWERFUL BRAND
IN MOSCOW

TOP 5

ETALON GROUP IS AMONG
THE TOP 5 DEVELOPERS
IN MOSCOW BY BRAND
RECOGNITION

LARGEST REGIONAL
SALES NETWORK

#1

57 CITIES COVERED BY ETALON
GROUP'S OWN SALES OFFICES
AND PARTNERSHIPS WITH
LOCAL SALES AGENCIES

FULL-CYCLE
VALUE CHAIN

INTEGRATED
BUSINESS MODEL

FROM LAND ACQUISITION
TO DEVELOPMENT AND
PROPERTY MAINTENANCE

INTEGRATED BUSINESS MODEL



DESIGN

- Design bureau
- R&D centre focused on BIM integration and development

GENERAL CONTRACTORS

- 3 general contractors in St Petersburg
- 1 general contractor in Moscow

SUBCONTRACTORS

- Ground-works
- Monolith works
- Tower cranes
- Engineering works
- Facade works
- Fit-out works

SALES

- 57 sales offices nationwide
- Developed partnership programme with regional brokers
- Online sales platform

ONGOING MAINTANANCE

- c. 6 mn sq m under management
- Mobile platform for people living in Etalon Group buildings

RESIDENTIAL DEVELOPMENT PROCESS IMPROVED

IN RESPONSE TO NEW REGULATIONS

LANDBANK DEVELOPMENT

ZONING

24–36 months

DESIGN &
PERMITTING

12 months

Moderate
investments

PROJECT EXECUTION

GROUND WORKS &
PREPARATION

6 months

Limited
investments

PROJECT
CONSTRUCTION

18–24 months

Significant
investments

TRANSFER TO
SERVICE COMPANY

PRE-SALES

c. 30%

6 MONTHS

SALES

up
to 50%

18 MONTHS

SALES
POST-COMPLETION

c. 20%

12 MONTHS

ETALON
GROUP
FOCUS
TODAY

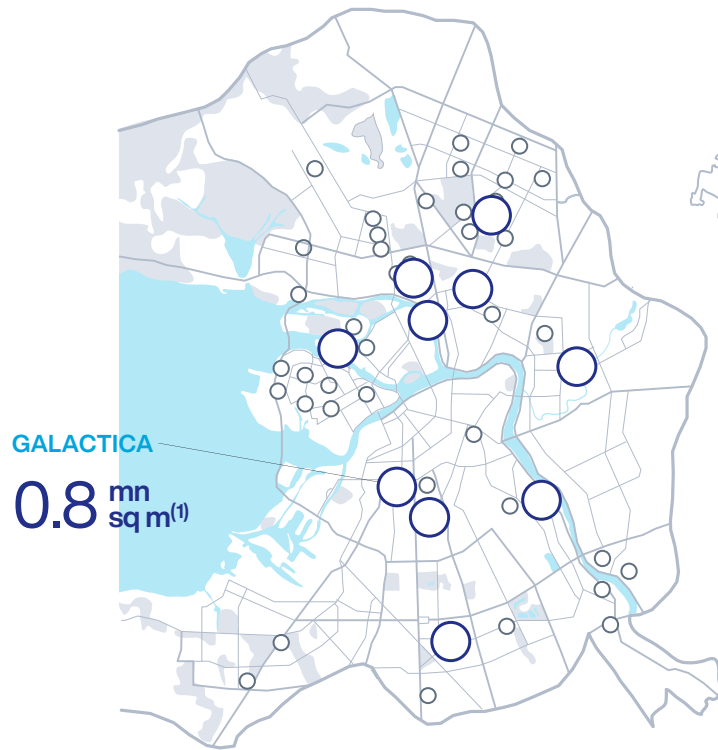
CONSTRUCTION
PERMIT

CONSTRUCTION
START

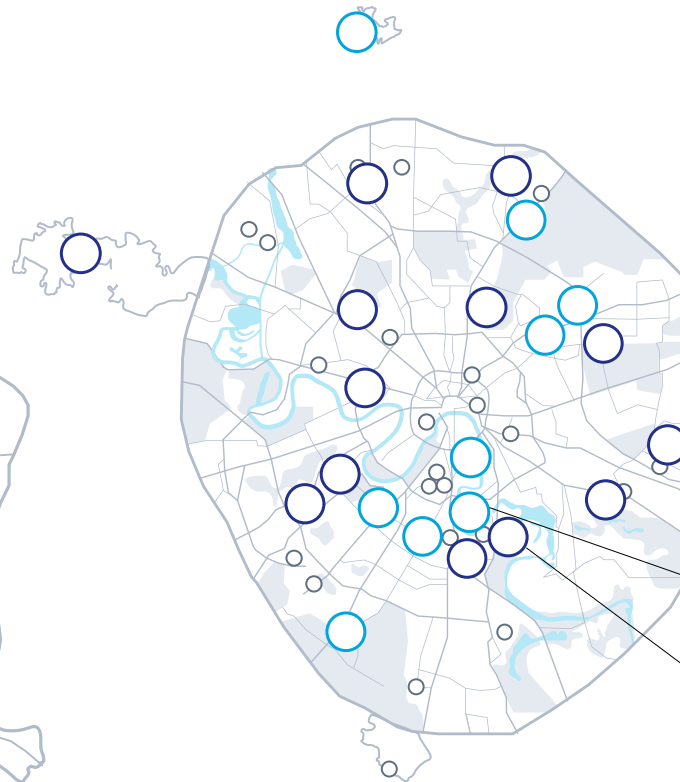
DELIVERY

ETALON GROUP PORTFOLIO OVERVIEW

ST PETERSBURG



MOSCOW



○ Under construction ○ Design stage ○ Completed

LANDBANK SIZE

3.3 mn sq m

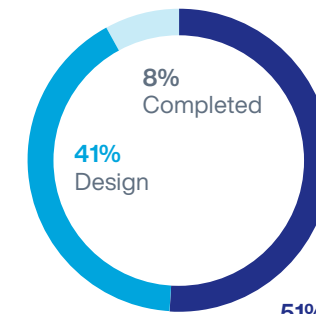
UNSOLD NSA
AS OF 31.12.2019⁽²⁾

LANDBANK VALUE

176 bn RUB

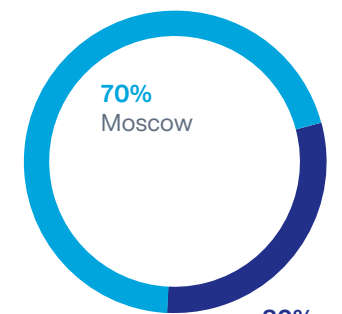
MARKET VALUE OF
PROJECT PORTFOLIO
AS OF 31.12.2019⁽²⁾

LANDBANK BY STAGE



51%
Construction

REGIONAL BREAKDOWN



30%
St Petersburg

⁽¹⁾Total NSA of the project according to Colliers International valuation report as of 31.12.2019
⁽²⁾Colliers International valuation report as of 31.12.2019

OUR CUSTOMER OFFERING TODAY

RESIDENTIAL REAL ESTATE DEVELOPMENT



UPPER-ECONOMY

3%

- Emerald Hills, the last upper-economy project in the portfolio with NSA of 847 thsd sq m, was launched in 2009
- Today, **94% of residential NSA at the project has been sold**

COMFORT

49%

- Galactica, the largest comfort-class project in St Petersburg with **NSA of 814 thsd sq m**, was launched in 2015
- Etalon City, the largest comfort-class project in Moscow, has **NSA of 366 thsd sq m and was launched in 2013**

BUSINESS AND PREMIUM

48%

- The first business-class project, Silver Fountain, was launched in 2017
- In monetary terms, the share of business-class projects in **NCS increased from 7% in 3Q 2017 to 52% in 3Q 2020**

GENERAL CONTRACTING



COMMERCIAL / INDUSTRIAL / SOCIAL

- Expoforum is one of the largest commercial construction projects in St Petersburg. Size: over 200 thsd sq m; capacity: **up to 10 thsd delegates**
- Etalon acted as a **general contractor for Nissan Motor and Ford Motor** companies and built new warehouses

KEY DEVELOPMENTS IN LAST 12 MONTHS

STRONG PRICE DYNAMICS

+21%

AVERAGE APARTMENT PRICE GROWTH IN 3Q 2020 Y-O-Y, WITH 23% AND 14% GROWTH IN MOSCOW AND ST PETERSBURG, RESPECTIVELY

MORTGAGE SALES

64%

OF TOTAL RESIDENTIAL PROPERTY SALES IN 3Q 2020

STRONG POSITION ON MOSCOW MARKET

7%

MARKET SHARE IN MOSCOW JUMPED AFTER LEADER-INVEST ACQUISITION, MAKING ETALON ONE OF THE TOP 5 PLAYERS

STABLE MARKET SHARE IN ST PETERSBURG

8%

DESPITE LIMITED LANDBANK, ETALON RANKS AMONG THE TOP 3 IN ST PETERSBURG

RECOVERY IN PROFITABILITY

+3 p.p.

RESIDENTIAL DEVELOPMENT PRE-PPA GROSS PROFIT REACHED 32% IN 1H 2020 COMPARED TO 29% IN 1H 2019

MINIMUM GUARANTEED DIVIDEND

12 RUB
per GDR

UNDER NEW DIVIDEND POLICY APPROVED IN 2020

ALL-TIME RECORD DELIVERIES

622 thsd
sq m

COMPLETED IN KEY REGIONS IN 2019

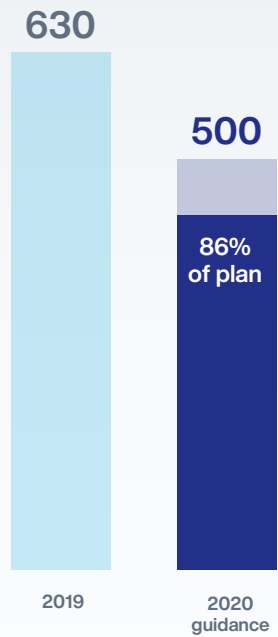
UNDISPUTED BIM LEADER

**FIRST ONLINE
PROJECT
CERTIFICATION**

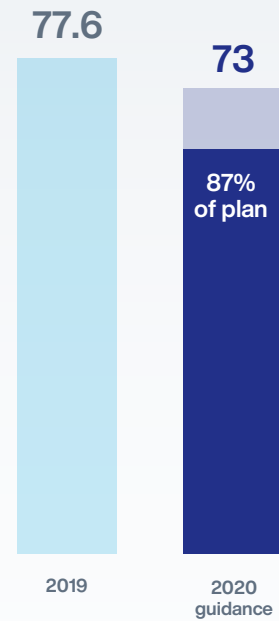
ETALON WAS THE FIRST COMPANY IN RUSSIA TO COMPLETE THE ENTIRE PERMITTING PROCESS ONLINE USING BIM MODELS

ON TRACK TO OUTPERFORM FY 2020 GUIDANCE AFTER 10 MONTHS

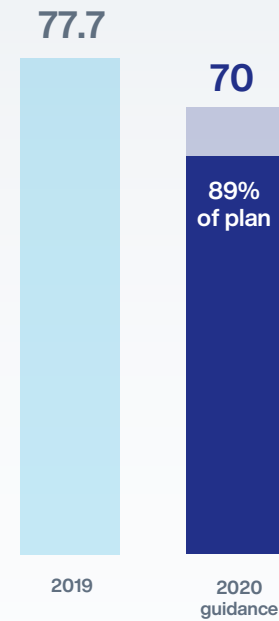
NEW CONTRACT SALES
thsd sq m



NEW CONTRACT SALES
RUB bn



CASH COLLECTIONS
RUB bn



- In October 2020, Etalon sold 60.7 thsd sq m of various types of property for RUB 9.8 bn
- Average apartment price in October reached RUB 191.6 thsd per sq m
- Average downpayment remained at historically high level of 93%
- Barring any additional strict quarantine measures, **FY 2020 results may be on par with FY 2019 performance** in terms of new contract sales in monetary terms and cash collections

RESULTS OF 2017–2021 STRATEGY IMPLEMENTATION

STRATEGIC GOALS STATED IN 2017

TARGET

STATUS

1	TO BECOME ONE OF THE LARGEST DEVELOPERS IN THE ST PETERSBURG AND MOSCOW MARKETS	15% IN ST PETERSBURG	7% IN MOSCOW		Successfully achieved in Moscow with 7% market share Failed in St Petersburg due to lack of appropriate landbank
2	TO BECOME ONE OF THE MOST PROFITABLE PLAYERS IN THE RUSSIAN RESIDENTIAL DEVELOPMENT MARKET	20% CAGR FOR NET INCOME			Failed to achieve due to weaker profitability and numerous accounting adjustments
3	TO MAINTAIN A STRONG FINANCIAL POSITION	2.0× NET DEBT/ EBITDA RATIO			1.8× net corporate debt/pre-PPA EBITDA despite large scale M&A transaction in 2019
4	TO CONTINUOUSLY INCREASE DIVIDEND DISTRIBUTION	40% ▶ 70% OF IFRS NET PROFIT			Despite low net profit base, Etalon adopted adjustments to its dividend policy, introducing guaranteed minimum dividend of RUB 12 per GDR/share
5	TO MAINTAIN A DISCIPLINED APPROACH TO REGIONAL EXPANSION AND ACHIEVE FURTHER DIVERSIFICATION OF PORTFOLIO	ONLY VALUE ACCRETIVE EXPANSION			Successful entry into business and premium class segments with higher profit margins Avoided expansion into new regions, with current product focused on Moscow and St Petersburg

MARKET TRENDS

**PETR
KRYUCHKOV**

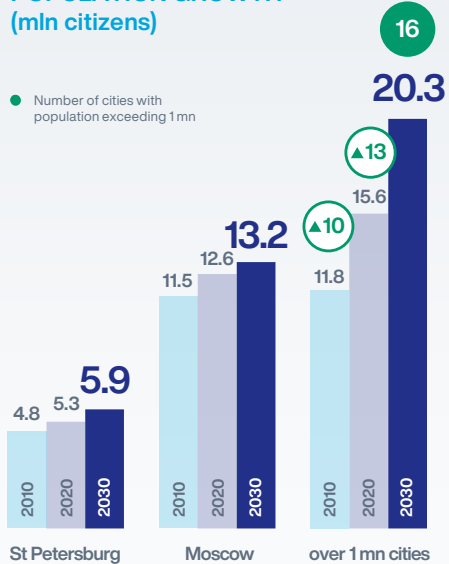
Head of Corporate
Investments and Strategy



REAL ESTATE DEMAND DRIVEN BY CONSUMERS SEEKING BETTER HOUSING



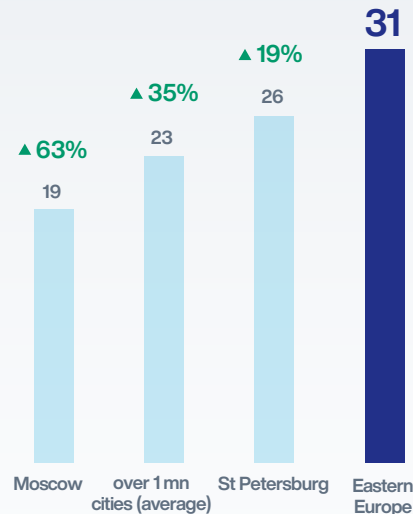
URBANISATION POPULATION GROWTH (mln citizens)



The population of Moscow and St Petersburg, as well as cities with over 1 million residents will continue to grow in the next decade.



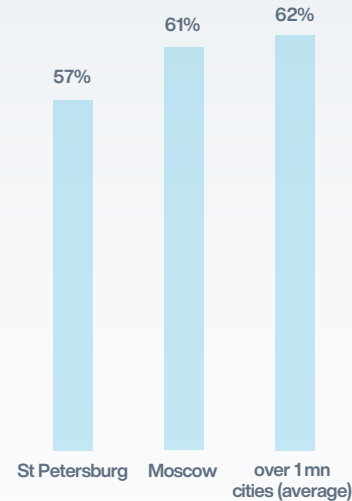
LIVING CONDITIONS HOUSING STOCK PER CAPITA (sq m)



Russia still needs to improve living conditions; average living space per person is 23 sq m in cities with populations over 1 mn.



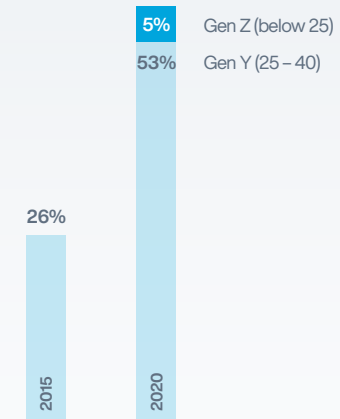
HOUSING STOCK OLDER THAN 1990 (%)



62% of the housing stock in Russia was built before 1990 and does not meet modern standards in terms of comfort, quality of the living environment and infrastructure.



GENERATIONAL CHANGES SHARE OF GENERATION Y AND Z (UNDER 40)

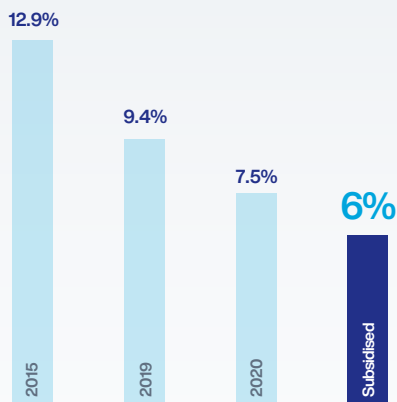


Share of young people without privatised property increased more than two-fold. Millennials are becoming first-time buyers. Even the oldest segment of generation Z has started buying property.

HOUSING AFFORDABILITY IS AT RECORD HIGH LEVEL



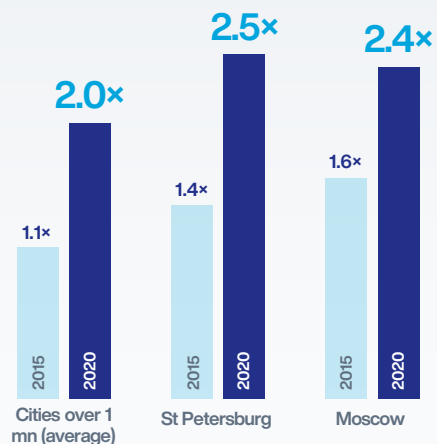
RECORD LOW MORTGAGE RATES
NATIONAL AVERAGE (%)



Mortgage rates decreased to a record low on the back of record low Central Bank key rate and subsidised mortgage programme active through July 2021.



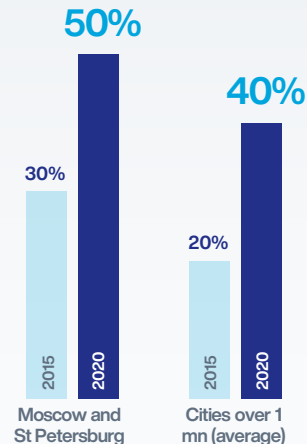
IMPROVED AFFORDABILITY
WAGE TO ANNUITY PMT⁽¹⁾



Record high affordability even without the subsidised rate: in St Petersburg and Moscow it reached 2.3x and 2.1x, respectively.



AFFORDABILITY LEVEL
SHARE OF HOUSEHOLDS THAT CAN AFFORD TO PURCHASE REAL ESTATE



Number of people who can afford a purchase increased almost two-fold: more than 50% of the residents of St Petersburg and Moscow and more than 40% of people in cities with a population over 1 mn can afford it.



WIDE PROGRAMME OF STATE SUPPORT

State support for families with children: from RUB 470 thsd to RUB 1 mn



Tax subsidies for mortgage interest payment: up to RUB 390 thsd

Tax subsidies for property purchase: up to RUB 520 thsd

Regional family support: up to RUB 436 thsd

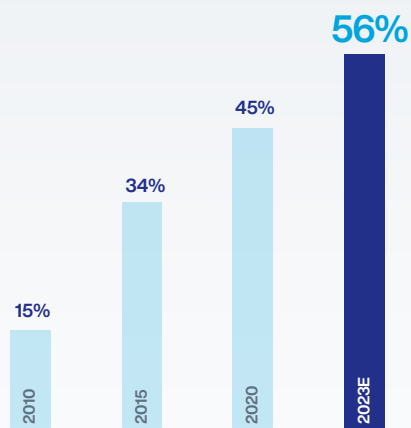
⁽¹⁾ Ratio of average salary to average annuity payment under mortgage loans, including with a subsidised rate of 6.5% for 2020. Source: Rosstat, Bank of Russia

RAPIDLY CHANGING COMPETITIVE LANDSCAPE IN KEY REGIONS



INDUSTRY CONSOLIDATION

SHARE OF TOP 20 PLAYERS IN MOSCOW AND ST PETERSBURG⁽¹⁾



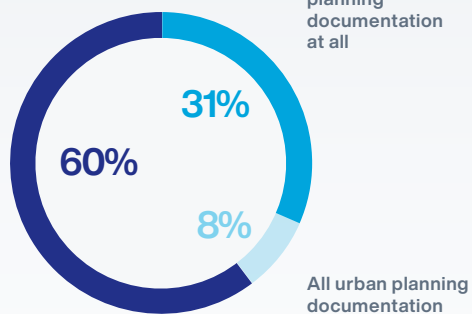
Over the past five years, the share of the 20 largest players in Moscow and St Petersburg **grew from 34% to 45%**.

The transition to escrow accounts and project financing is forcing small players out of the market.



LACK OF APPROPRIATE PERMITTED LAND

Only a part of required urban planning documentation



Out of available land plots for sale, in terms of sq m, 49% are large plots located in suburban areas.

Only 8% of all available plots have complete **urban planning documentation**⁽²⁾

⁽¹⁾ Source: Rosstat, ERZ, Dom.rf; data on Etalon Group's key regions: Moscow, Moscow region and St Petersburg
⁽²⁾ Source: Real estate and Construction journal



RENOVATION PROGRAMME

SIGNIFICANT PRESSURE ON THE MASS-MARKET SEGMENT IN MOSCOW

The Moscow housing renovation programme, which is aimed at a class of buildings constructed in the 1950s and 1960s, will **create additional pressure for players operating in the lower price segment.**



GROWING COMPETITION AMONG TOP PLAYERS

LARGE PLAYERS WILL START TO COMPETE ON EFFICIENCY

Given limited economic growth, the absence of real disposable income growth, a **constant double-digit increase in the price of residential real estate is not sustainable.** Along with rising customer sophistication and expectations, this will result in competition on efficiency among top players.

DEVELOPMENT AND CONSTRUCTION SECTOR WORLDWIDE FACES SIGNIFICANT TRANSFORMATION



INDUSTRIALISATION AND STANDARDISATION

IN EUROPE OVER 50% OF DEVELOPERS HAVE USED OR PLAN TO USE PREFAB

New production technologies, a shift toward off-site production and increasing customer sophistication are triggering **change in the industry**.

In 2020, overall new prefab housing in Europe is assessed at **100.7 thsd units**, with a 2020–2023F **CAGR of 7%**.⁽¹⁾



VALUE CHAIN DIGITALISATION

CONSTRUCTION WORKERS DEVOTE ONLY 30%⁽²⁾ OF TIME TO CONSTRUCTION

93% of construction industry players agree that digitalisation will affect every process⁽²⁾:

- **DATA:** Electronic collection and analysis
- **AUTOMATION:** Use of new technologies to create self-organising systems
- **OPTIMISATION:** Connection and synchronisation of previously separate activities
- **DIGITAL ACCESS:** Product and services promotion



CUSTOMER-CENTRIC APPROACH

CUSTOMER-CENTRIC COMPANIES ARE 60% MORE PROFITABLE⁽³⁾

Customers are looking for greater value for money and prefer to live in neighbourhoods where they have easy access to **everyday urban services**. In response to this demand, the concepts of a **15-minute city** and **walkability approaches** are developing.

And it is paying off: customer-centric companies are **60% more profitable** compared to companies that were not focused on the customer.⁽³⁾



SUSTAINABLE DEVELOPMENT

NEW GENERATIONS ARE WILLING TO PAY MORE FOR SUSTAINABLE PRODUCTS

Builders are incorporating zero-energy techniques to design more efficient, **durable and sustainable structures at a competitive cost**.

Millennials and Generation Z will be the first generations **willing to pay more for sustainable products** (72%⁽⁴⁾ already do so or say they would).

Companies continue to make investments in their **local communities** as a sustainable and strategic business practice.

⁽¹⁾ Source: EY

⁽²⁾ Source: Roland Berger, The remaining 70% is taken up by running errands, transporting materials, cleaning up, rearranging the building site and looking for materials and equipment

⁽³⁾ Source: Deloitte

⁽⁴⁾ Source: Nielsen

ETALON GROUP STRATEGY TO 2024

**GENNADIY
SHCHERBINA**

Chief Executive Officer



CHANGING BUSINESS LANDSCAPE

REQUIRES RETHINKING THE DEVELOPMENT STRATEGY

1

EXPENSIVE LAND IS THE NEW NORMAL, WITH A LIMITED PIPELINE OF GOOD QUALITY PROJECTS

2

GROWING SOCIAL OBLIGATIONS ARE THE NEW NORMAL

3

REDUCTION IN THE NUMBER OF SMALL PLAYERS, BUT GREATER COMPETITION AMONG THE TOP 20 IN MOSCOW AND ST PETERSBURG

4

RENOVATION PROGRAMME IN MOSCOW MAKES THE MASS MARKET SEGMENT THERE LESS ATTRACTIVE

5

LIMITED UPSIDE POTENTIAL FOR HOUSEHOLD INCOME IN THE MEDIUM TERM, ALTHOUGH AFFORDABILITY IS AT RECORD HIGH

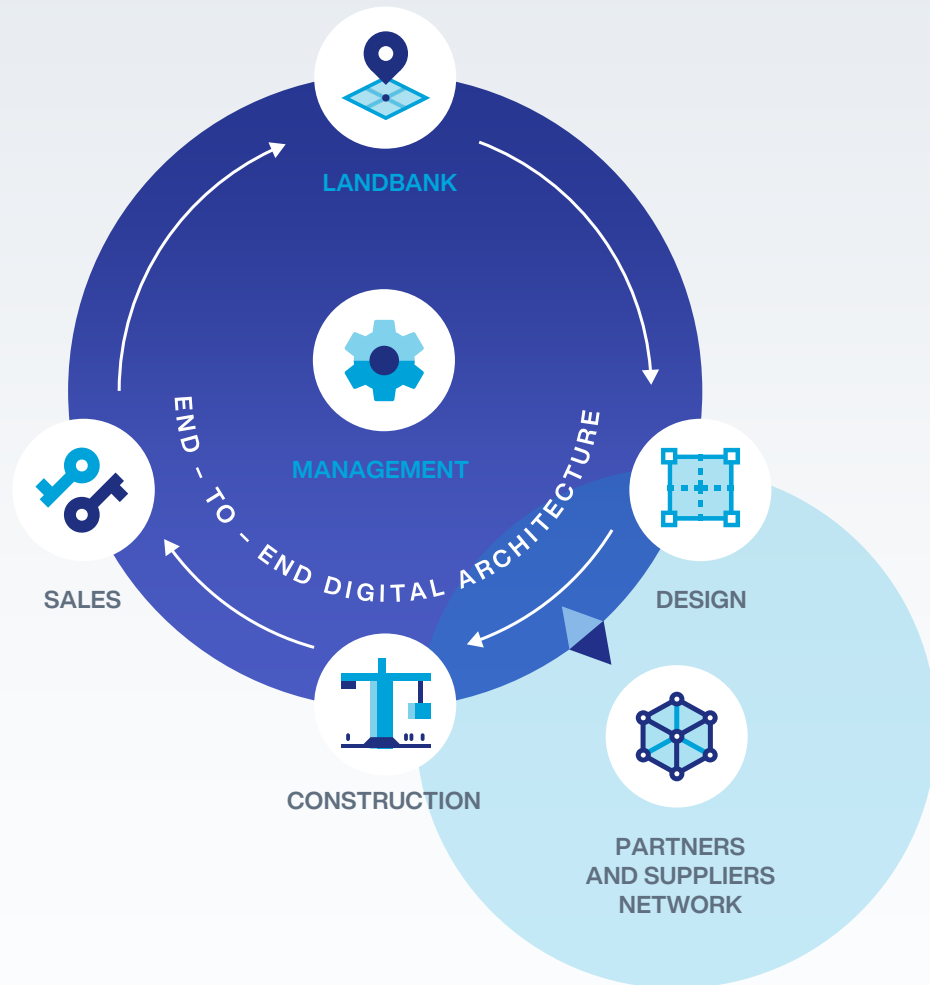
6

GROWING CUSTOMER EXPECTATIONS

7

GROWING INDUSTRY DIGITALISATION

THE STRATEGY TO 2024 AIMS TO REINVENT EACH STEP OF THE VALUE CHAIN



1

EASY TO SCALE FULLY-DIGITAL
END-TO-END ARCHITECTURE

2

LESS CAPITAL-INTENSIVE APPROACH BASED
ON ESTABLISHED RELATIONSHIPS WITH
PARTNERS AND SUPPLIERS

3

LONG-TERM FOCUS ON LANDBANK REPLENISHMENT TO
ACHIEVE LEADERSHIP IN CORE REGIONS (MOSCOW AND
ST PETERSBURG) AND EXPAND BUSINESS TO NEW REGIONS

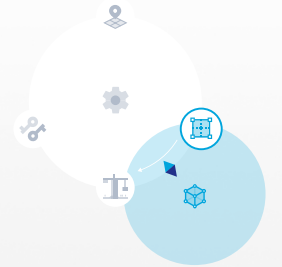
4

LEADERSHIP IN THE USE OF NEW DESIGN AND
HOUSEBUILDING TECHNOLOGIES TO SUPPORT
PROFITABILITY AND CASH FLOW GENERATION

5

CUSTOMER-CENTRIC APPROACH
TO PRODUCT, SALES AND SERVICES

END-TO-END DIGITAL ARCHITECTURE SAVES TIME, MONEY AND MATERIALS



PARTNERS

- 1 Joint ventures
- 2 Share participation
- 3 Long-term exclusive agreements

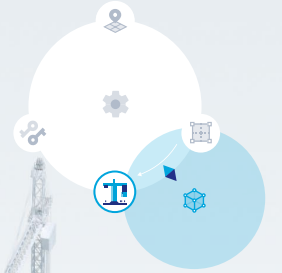


UNIFIED CLOUD-BASED DIGITAL PLATFORM

End-to-end data transfer across the entire value chain



ETALON AIMS TO BE A LEADER IN NEW CONSTRUCTION TECHNOLOGIES



CAST-ON-SITE 2.0

- Monolithic buildings to be standardised based on segment in Etalon Group's new product offering
- First building to be launched in 2021
- Development and improvement of own expertise

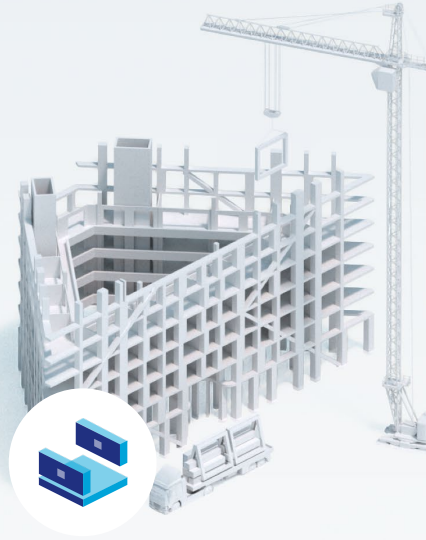
TRADITIONAL ON-SITE



MODULAR

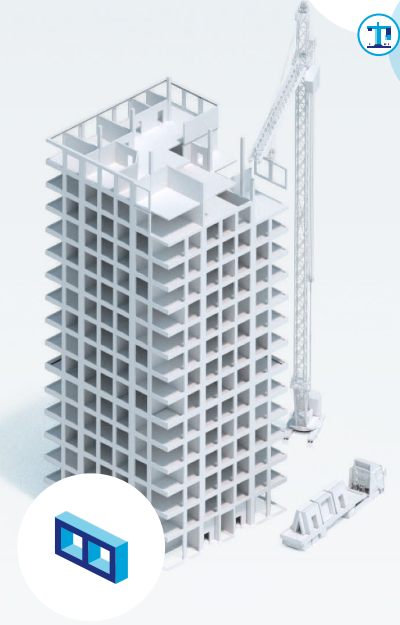
- Fully-finished prefabricated modules in new Etalon Group product offering
- In cooperation with UK-based Q. B. Technology
- First QBT building already completed / first Etalon Group project to be launched in 2022

PLUS NEW INDUSTRIAL



CLT

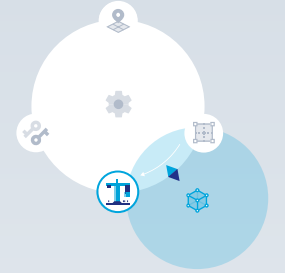
- Hybrid and fully cross-laminated timber (CLT) buildings
- First building to be launched by the end of 2021
- In cooperation with Segezha Group



MODERN PREFABRICATION

- Modern prefabrication technology
- First building to be launched around 2022
- Etalon is considering different partnership options to implement this technique

REINVENTED RESIDENTIAL DEVELOPMENT PROJECT LIFECYCLE



TECHNOLOGY

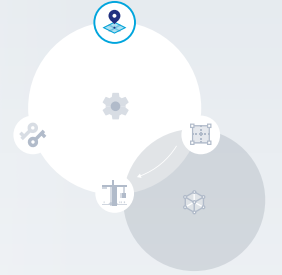
PROJECT IMPLEMENTATION

<p>CAST-ON-SITE</p>	<p>GROUND WORKS & PREPARATION</p> <p>Same</p>	<p>ON-SITE CONSTRUCTION</p> <p>3 months shorter</p>	<p>TRANSFER TO SERVICE COMPANY</p>
<p>INDUSTRIAL</p>	<p>GROUND WORKS & PREPARATION</p> <p>1–2 months longer</p>	<p>ON-SITE CONSTRUCTION</p> <p>6 months shorter</p>	<p>TRANSFER TO SERVICE COMPANY</p>
		<p>PRODUCTION</p> <p>up to 9 months</p>	
	<p>PRE-SALES</p> <p>up to 50% 3–6 months longer</p>	<p>SALES</p> <p>c. 30–40% 3–6 months shorter</p>	<p>SALES POST-COMPLETION</p> <p>c. 20%</p>
	<p>CONSTRUCTION PERMIT GRANTED</p>		<p>BUILDING COMPLETION AND DELIVERY</p>

- Longer presale period of up to 12 months
- On-site construction time decreased by 3 months for traditional cast-on-site technology thanks to standardisation
- Construction time decreased by 6 months due to new industrial construction methods
- Simultaneous on-site construction and production of elements for industrial housing construction
- Higher level of funding on escrow accounts before construction starts will make it possible to secure the lowest project finance rate of c. 0%, lowering overall finance costs
- Faster release of funds from escrow

LANDBANK STRATEGY

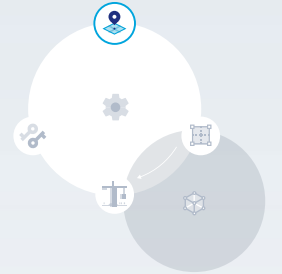
WILL SHIFT TO LONG-TERM PLANNING TO ENSURE SUSTAINABLE NEW SALES GROWTH



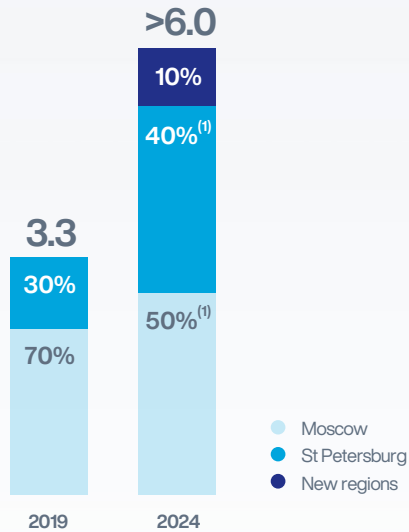
	NOW	STRATEGY
1	FOCUS Moscow, St Petersburg	Moscow, St Petersburg plus new regions
2	PERMITTING STAGE Preferably zoned with project documentation	Unzoned with and without landlord guarantee of receipt of planning permission, plus zoned to compensate for deficit in core regions
3	TIME TO LAUNCH SALES 6–12 months	24–36 months
4	PERMITTING RISK Low	Moderate
5	INVESTMENT HORIZON Short	Long
6	ACQUISITION COST High	Moderate
7	IMPACT ON PROFITABILITY Negative to Moderate	Positive

LANDBANK STRUCTURE

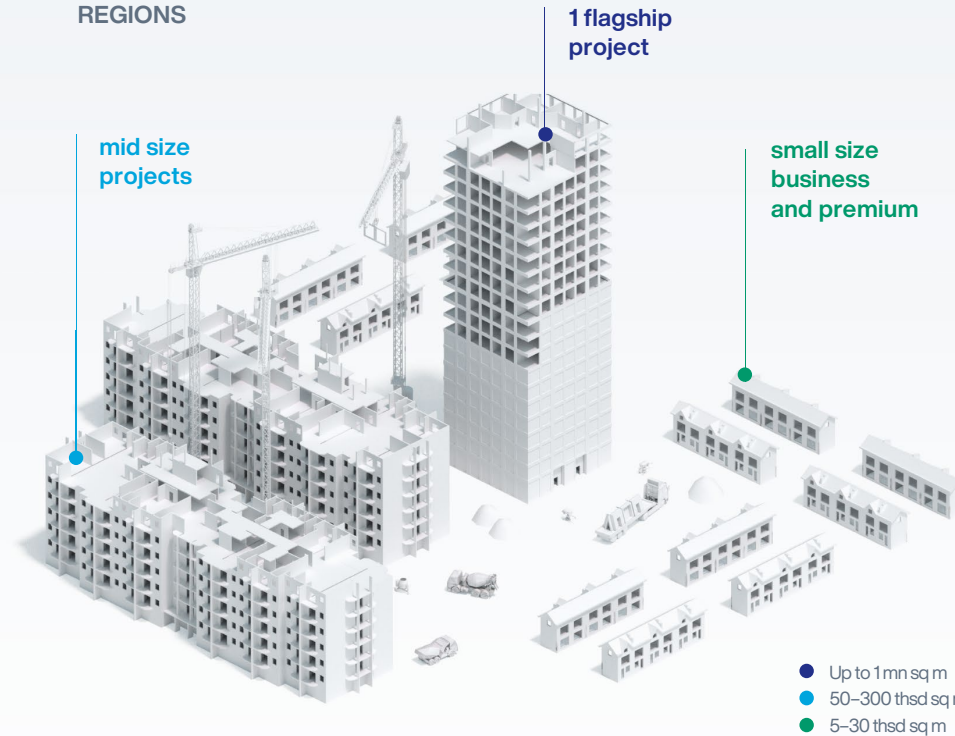
BALANCED BY REGION AND PROJECT SIZE



REGIONAL BREAKDOWN OF
LANDBANK
mn sq m



LANDBANK STRUCTURE BY
PROJECT SIZE IN CORE
REGIONS



REPLENISHMENT PRINCIPLES

Deficit compensation in St Petersburg of **c. 1 mn sq m**, including up to 0.8 mn by the end of 2021

Annual landbank replenishment by at least the same amount as Etalon Group plans to sell during the period

Acquisition of new unzoned land in Moscow and St Petersburg to ensure market share growth by 2023–2024

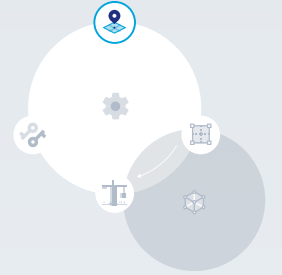
Only value-creative regional expansion with limited entry cost

Targeting presence in at least **5 regions** by 2024

Target balanced portfolio of large-scale, mid- and small-sized projects to ensure diversified product offering

⁽¹⁾Including 20%-30% of unzoned land for potential development

MOST COMPETITIVE IN LAND ACQUISITION DUE TO COST LEADERSHIP STRATEGY



LANDBANK REPLENISHMENT PRICE CALCULATION

**UPPER LIMIT
FIXED**
for each location



FIXED
by new strategy
commitment to
shareholders



MANAGEABLE
component: key focus
area



**OFFER BEST
PRICE**
for land vs competitors

- Cost leadership strategy enables Etalon to be more competitive for new land acquisition while also earning a higher profit margin
- A lower purchasing price for unzoned land creates additional upside potential for profitability
- Automated land screening system provides Etalon faster access to attractive new land for potential development
- Offer a variety of instalment and profit-sharing schemes to decrease pressure on the balance sheet

LIMITED FOR EACH LOCATION

35%
GROSS MARGIN

Higher construction cost with same land acquisition cost makes the Company less profitable than competitors

SWEET SPOT
Aim to minimise to a level more than competitors have

Higher construction cost with same profitability makes the Company less competitive for land acquisition

ACCEPTABLE COST

FINAL ACQUISITION COST

PROFITABILITY UPSIDE

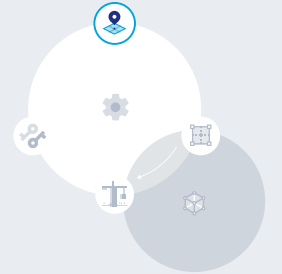
APARTMENT SELLING PRICE

REQUIRED GROSS MARGIN

CONSTRUCTION COST

LAND COST

BALANCED APPROACH TO REGIONAL EXPANSION



SUPPORTED BY LONG TRACK RECORD WORKING IN RUSSIAN REGIONS

REGION POPULATION

c. **1 mn** people

Or candidates with strong population growth trends backed by both natural growth and migration

AFFORDABILITY

At least **20–30%**

Of a region's population who can afford at least Etalon.Start product (mass-market) using mortgage financing to ensure sustainable demand

TARGET PROFITABILITY

SAME AS CORE REGIONS

Backed by lower land acquisition price and appropriate market conditions to guarantee reasonable selling price

ENTRY STRATEGY

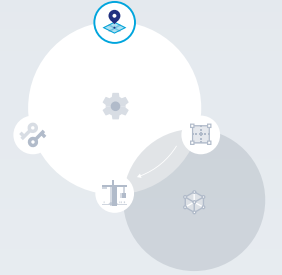
PARTNERSHIP OR PILOT WITH FURTHER EXPANSION

Cooperation with local player or limited size pilot project with option for further expansion if successful

ESTABLISHED TRACK RECORD IN REGIONAL MARKETS



VALUE CREATING, ARMS-LENGTH ACQUISITIONS TO ACCELERATE BUSINESS GROWTH



RATIONALE

- **Deficit compensation** in St Petersburg
- **Expansion** into new regions

FUNDING

- **Own cash**
- **LBO** if it allows maintaining a robust financial position (net corporate debt to pre-PPA EBITDA not exceeding 2x-3x)
- **New equity**
- **Combination** of cash and equity

CRITERIA

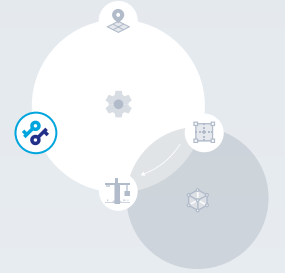
- Landbank size **c. 1 mn sq m**
- **Only value-accretive transactions** (gross profit of 35%; ROIC > 20%)
- **Limited overlap** for project portfolio in core regions
- **High transparency** of both business and ownership structure
- **Considerable operating synergies**
- **Ability to implement new design and construction solutions** that are aligned with the Company's target offering

SUCCESSFUL TRACK RECORD

- **Full integration** of Leader-Invest with a portfolio of 1.9 mn sq m completed within 8 months of acquisition
- Etalon **share in Moscow reached 7%** of total annual sales in the region
- **Achieved strong operating synergies:**
 - Leader-Invest projects **price increased by 52%** on a like-for-like basis in 3Q 2020 y-o-y
 - All Leader-Invest projects delivered on time
 - ZIL-Yug is ready for a launch in 1Q 2021
 - Elimination of duplicate functions
- **Strong deleveraging trend: gross corporate debt decreased by RUB 7.6 bn for 9 months 2020**, supported by cash flow generation from Leader-Invest projects



SEAMLESS CUSTOMER JOURNEY TO INCREASE ENGAGEMENT



TARGETING INCREASED CUSTOMER LIFETIME VALUE AND NPS

SEARCH

Lead

PURCHASE

Customer

WAITING

Owner

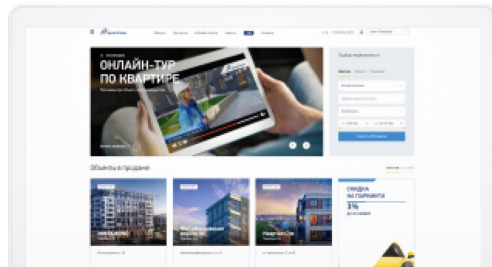
RESIDENCE

Resident

FULL CYCLE ONLINE SALES

- Facility information
- Information on lots
- Option to schedule site visit
- Option to choose
- Documents, requisites, promotions
- Option to buy online

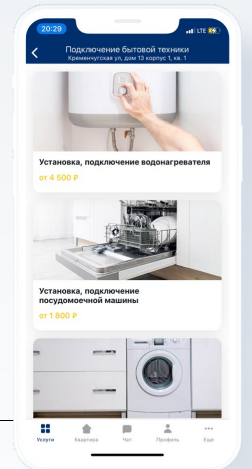
- Post-sale service
- Payment schedule
- Push notification of keys availability
- Order design project, calculating cost of repairs, interior items



WEB PLATFORM WITH PERSONAL ACCOUNT

B2C SERVICES TO CUSTOMERS LOYALTY

- Communal services payments
- Additional services
- Chat with service company
- Surveys and meetings
- Feedback



MY ETALON HOME APP

NOW

VISION 2024



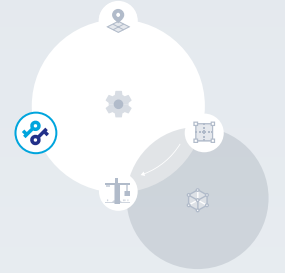
ONE INTERFACE MY ETALON HOME APP 2.0.

MORE SERVICES: platform with large partner network
BONUS PROGRAMME for real estate purchase and service
USE OF BONUSES to pay for additional services

Creating higher value for clients during their lifetime:
 from first purchase to use of additional services and repeat purchase

Leading NPS backed by best-in-class customers loyalty
Online feedback on product and other areas

NEW CUSTOMER OFFERING DRIVEN BY DIGITAL TRANSFORMATION



RESIDENTIAL REAL ESTATE DEVELOPMENT

ETALON. START

- Standardised product for mass-market residential housing (economy)
- 20% of new residential property offering
- St Petersburg, regions



ETALON. COMFORT

- Standardised product for mid-market segment (comfort and business)
- 70% of new residential property offering
- Moscow, St Petersburg, regions



ETALON. PLUS

- Standardised product for hi-end property (premium and above)
- 10% of new residential property offering
- Moscow, St Petersburg



B2B AND B2C SERVICES

ETALON. B2B

Services for business customers

Additional cash inflow to cover R&D costs

- Analytics
- Architecture and design
- Fee-development
- Access to new building construction technologies
- Project management and construction control

ETALON. SERVICE

Services for Etalon Group projects residents

Value-added services to improve loyalty

- Further increase in number of available services via My Etalon Home mobile app
- Creating a unified app for buyers and current residents at Etalon Group properties (My Etalon Home App 2.0)

STRENGTHENING LEADERSHIP THROUGH TRANSFORMATION

VISION 2024

RESULTS

1

Easy to scale business model
backed by end-to-end digital transformation

2X INCREASE IN VOLUMES UNDER CONSTRUCTION

2

Leadership through partnership, limiting capex while creating a best-in-class residential development platform

MAJOR FEDERAL PLAYER

3

Long-term land bank focus supported by acquisition of un-zoned land and strong experience in zoning procedures, as well as wider geographical footprint

HIGHEST NPS AND CLV LEVELS

4

Cost and speed leadership backed by product standardisation throughout entire product offering and leadership in new construction technologies

STRONG DOUBLE-DIGIT GROWTH IN SALES

5

Best-in-class customer experience driven by development of B2C services and further improvement of communication at all steps of the customer journey

INDUSTRY LEADING PROFITABILITY: GROSS PROFIT MARGIN OF 35%

EVOLUTION OF DESIGN AND CONSTRUCTION TECHNOLOGY

**ELBRUS
GOBEEV**

Head of Construction
Innovations



PRODUCT DIVERSIFICATION AND STANDARDISATION IN RESPONSE TO NEW DEMANDS

STANDARDISED SOLUTIONS FOR EACH CLASS:

- Facades
- Common areas
- First floor and parking
- Engineering facilities

THREE CLASSES OF REAL ESTATE



MASS-MARKET

ETALON.
START



MID-MARKET

ETALON.
COMFORT



HIGH-END

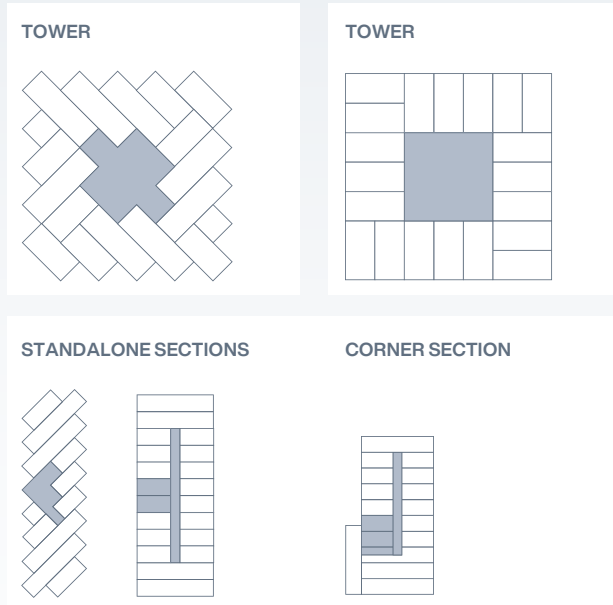
ETALON.
PLUS

385 STANDARD LAYOUTS

STUDIO						27
1 BEDROOM						164
2 BEDROOM						136
3 BEDROOM						34
4+ BEDROOM						24
	XS	S	M	L	XL	

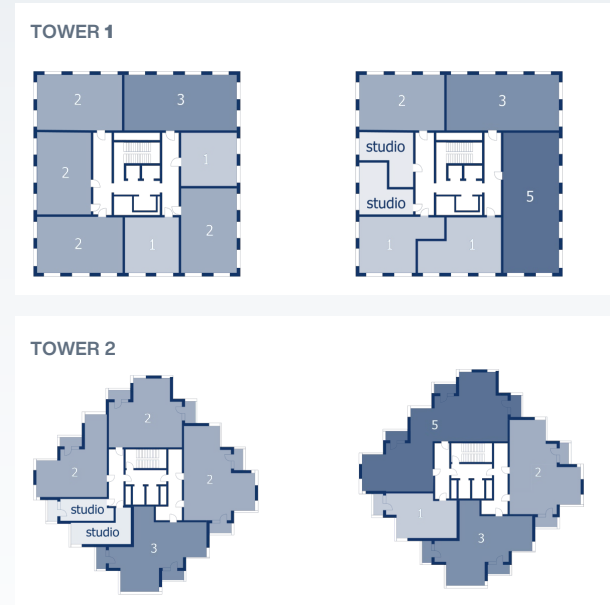
MAINTAINING DIVERSITY OF OFFERING WHILE STANDARDISING PRODUCT

MULTIPLE COMBINATIONS
OF REPEATING ELEMENTS



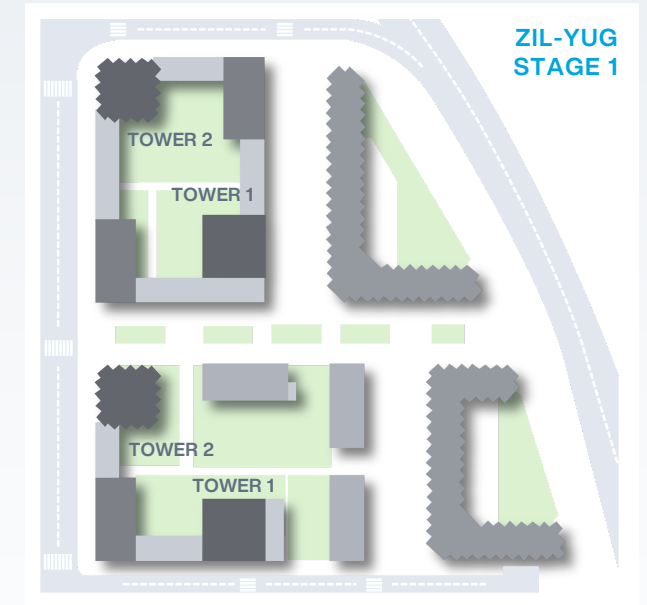
MULTIPLE COMBINATIONS
BASED ON STANDARDISED
ELEMENTS

STANDARDISED
SECTION LAYOUTS



DIFFERENT BUILDINGS—SAME APPROACH
SAME BUILDING—DIFFERENT APARTMENT
LAYOUTS FOR EACH FLOOR

STANDARDISED
MASTERPLAN LAYOUT



FITTED TO FORM OF EACH
LAND PLOT

DESIGN STAGE AUTOMATION

ETALON.
PARTNERSHIP

parametric

INPUTS

- Library of standardised apartments layouts
- Target mixture of studios, 1-, 2- and 3+ bedroom apartments
- Library of standardised build-in commercial layouts
- Facade and engineering solutions for each residential property class (Etalon.Start, Etalon.Comfort and Etalon.Plus)
- Different housing construction technologies (cast-on-site, modular, CLT and prefabrication)
- Standardised social infrastructure layouts

AUTOMATION

- Automated master plan for each construction technology and property class
- Detailed budget and output for RFP to suppliers
- Full integration with BIM Revit system
- Online project certification
- Automated project and working documentation underway

RESULTS

- Go/No go decision-making before land acquisition backed by detailed information on potential project (99% accuracy)
- One-day master planning stage
- Full design stage automation by 2022 (incl. project and working documentation)



MODULAR BUILDING CONSTRUCTION

ETALON.
PARTNERSHIP

QB.technology

TECHNOLOGY OVERVIEW

Modular construction of multi-storey buildings with finished and ready-to-assemble modules prepared at the factory.

EXPECTED IMPACT

40%
SHORTER
CONSTRUCTION
CYCLE

**FULLY
FIT-OUT**

>20%
LOWER
CONSTRUCTION
COSTS

**BETTER
QUALITY**

**LIMITED
CAPEX**

**ZERO
WASTE**

PARTNERSHIP HIGHLIGHTS

- Etalon Group has exclusive right to develop and use the technology in Russia
- Etalon to certify the technology in Russia for residential building construction
- Etalon to build a production plant for modular construction

FOCUS AREA

- Short-term
- Apartments (as developer)
 - Hotels (as general contractor)
- Mid-term
- Etalon.Start and Etalon.Comfort residential buildings for mass- and mid-market segment



MODULAR CONSTRUCTION PRODUCTION

ETALON.
PARTNERSHIP

QB.technology



METAL FRAME
PRODUCTION

2 WEEKS



FINISHED MODULE
PRODUCTION

3 WEEKS



FIT-OUT
WORK

1 WEEK

MODULAR CONSTRUCTION ON SITE

ETALON.
PARTNERSHIP

QB.technology



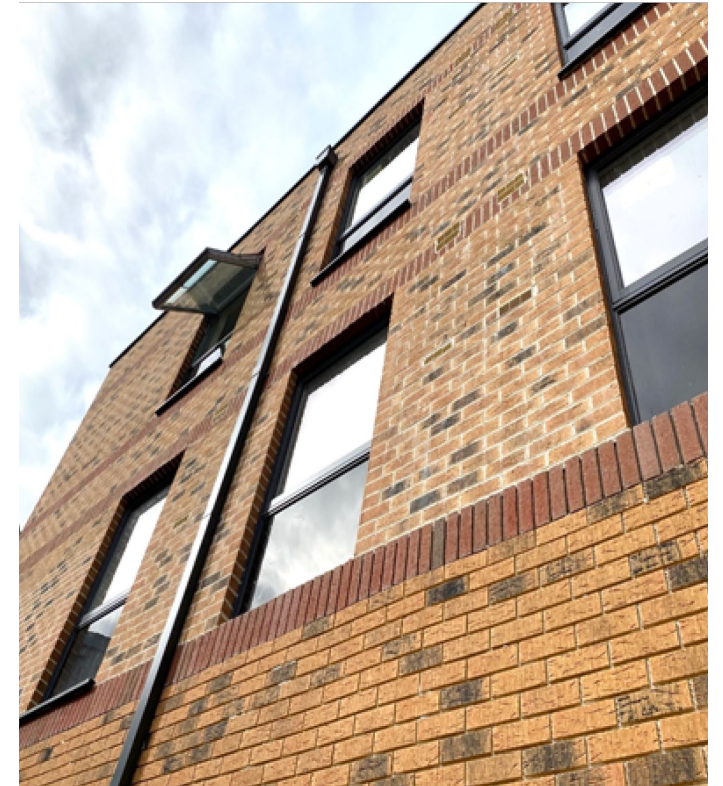
**CAST-IN-PLACE
CORE**

6 TO 20 WEEKS



**FINISHED MODULE
INSTALLATION**

6 TO 18 WEEKS



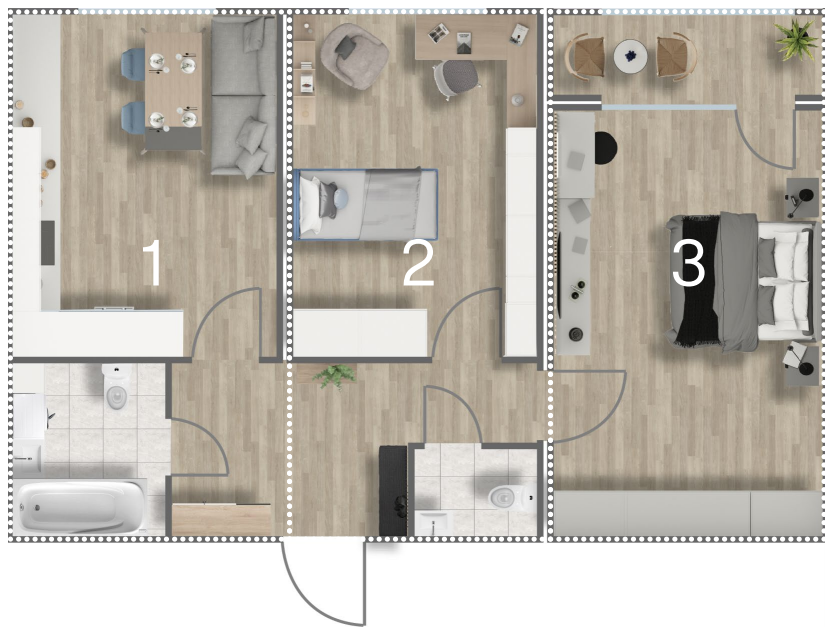
**FACADE
WORKS**

4 WEEKS

MODULAR BUILDINGS LAYOUTS

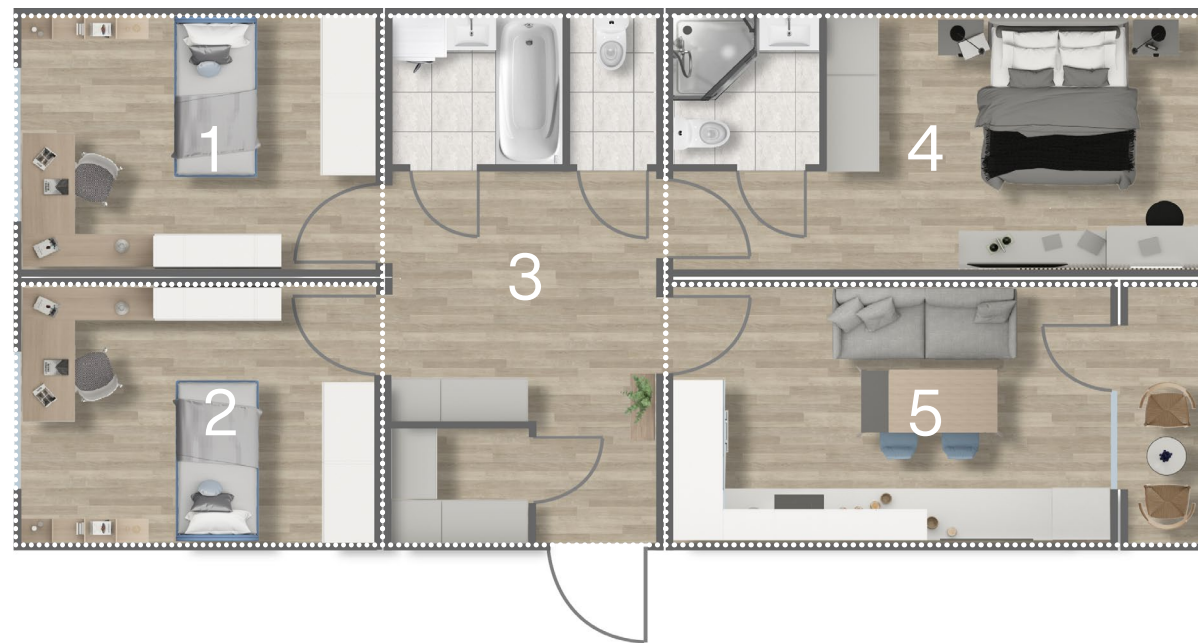
ETALON.
PARTNERSHIP

QB.technology



2-BEDROOM
LAYOUT

54 sqm



3-BEDROOM
LAYOUT

78 sqm

CLT BUILDING CONSTRUCTION

ETALON.
PARTNERSHIP



TECHNOLOGY OVERVIEW

Construction of multi-storey buildings using pre-fabricated cross-laminated timber (CLT) panels. Depending on the type of building, construction of both hybrid buildings (combining a poured concrete core covered by CLT columns) and buildings constructed entirely of CLT with a poured-concrete core is possible.

EXPECTED IMPACT

25%
SHORTER
CONSTRUCTION
CYCLE

SAME COSTS
AS CAST-ON-SITE

SAME STRENGTH
AS MONOLITH
TECHNOLOGY

CLIMATE POSITIVE

ACOUSTIC ADVANTAGE

NO CAPEX

PARTNERSHIP HIGHLIGHTS

- Close cooperation with Segezha Group to develop CLT panels that meet Etalon Group product standards
- Etalon in cooperation with Segezha Group to certify the technology in Russia for residential building construction

FOCUS AREA

- Short-term**
 - Facades for residential buildings
 - Hybrid CLT apartments (as developer)
 - Office buildings (as general contractor)
- Mid-term**
 - Etalon.Plus residential buildings for the high-end segment



PILOT CLT PROJECT OVERVIEW

ETALON.
PARTNERSHIP



PROPERTY CLASS

APARTMENT

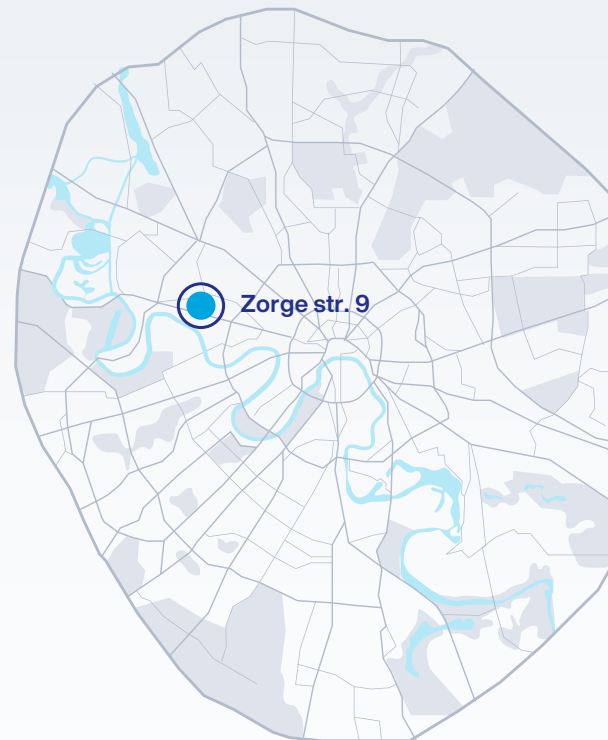
DUE TO TECHNOLOGY
AND LAND PLOT
LIMITATIONS

SELLABLE AREA

15 thsd
sq m

INCLUDING COMMERCIAL
AREA FOR SPA AND
FITNESS CENTRE

LOCATION



CONCEPT



EXPECTED LAUNCH

4Q 2021

EXPECTED COMPLETION

2Q 2023

TECHNOLOGY

HYBRID CLT

With cast-on-site core
and floor structure and
CLT columns and facade
panels

HEIGHT

**40 METRES
10 FLOORS**

Maximum height for CLT
buildings under new
regulations

NEXT STEPS

1

LAUNCH FIRST STAGE OF ZIL-YUG TO TEST NEW TECHNOLOGY DESIGN AND LAYOUTS (1Q 2021)

2

FULL TRANSITION TO NEW STANDARDIZED PRODUCT BY 2022

3

OPEN PRODUCTION PLANT FOR MODULAR CONSTRUCTION ON ZIL-YUG SITE IN 2021

4

LAUNCH PILOT CLT PROJECT IN MOSCOW (CONSTRUCTION START IN 4Q 2021)

5

ESTABLISH PARTNERSHIP TO PRODUCE PRECAST BUILDING ELEMENTS IN 2021

6

START CONSTRUCTION OF THE FIRST MODULAR BUILDING IN 2022

7

RECEIVE NEW TECHNOLOGY CERTIFICATION FOR RESIDENTIAL CONSTRUCTION IN 2021-2022

8

WIDE TRANSITION TO NEW HOMEBUILDING TECHNOLOGIES FROM 2022 ONWARDS

ZIL-YUG DEVELOPMENT STRATEGY

43

**MAXIM
BERLOVICH**

Head of Moscow Operations



ZIL-YUG ACQUISITION TERMS

1.2^{mn}
sq m

OF NSA GRANTED UNDER
NEW AGREEMENT, EXCLUDING
SOCIAL INFRASTRUCTURE

100%

SHARE IN THE PROJECT
TO BE TRANSFERRED TO
ETALON IN ADVANCE

MASTER
PLAN
RECEIVED

GRANTING ABILITY TO
LAUNCH PROJECT IN
1Q 2021

36^{bn}
RUB

TO BE PAID IN INSTALLMENTS
BY 2024 (INCLUDING RUB 4 BN
ALREADY PAID)

0
RUB

TO BE PAID IN 2020 UNDER NEW
TERMS, WITH REMAINING PART
WELL-BALANCED WITH RELEASE OF
FUNDS IN ESCROW ACCOUNTS

ADDITIONAL
INFRASTRUCTURE

IS ALREADY IN THE MOSCOW CITY
HALL BUDGET FOR THE FIRST STAGE
OF THE PROJECT (AN EMBANKMENT
AND A BRIDGE TO BE BUILT BY 2023)

BUILDING A NEW CENTRE FOR MOSCOW

WHY ZIL WILL BECOME A NEW CENTRE FOR MOSCOW:



Biggest redevelopment project in Europe (544 ha, 40% of the Danilovskiy district)



New business district on ZIL-Vostok plot with more than 500 thsd sq m of office space by 2028 (on par in size with Moscow City)



Transport accessibility (6km from the Kremlin, access to Moscow Central Circle and metro)



6km long landscaped park-embankment (on par with length of Gorky Park embankment)

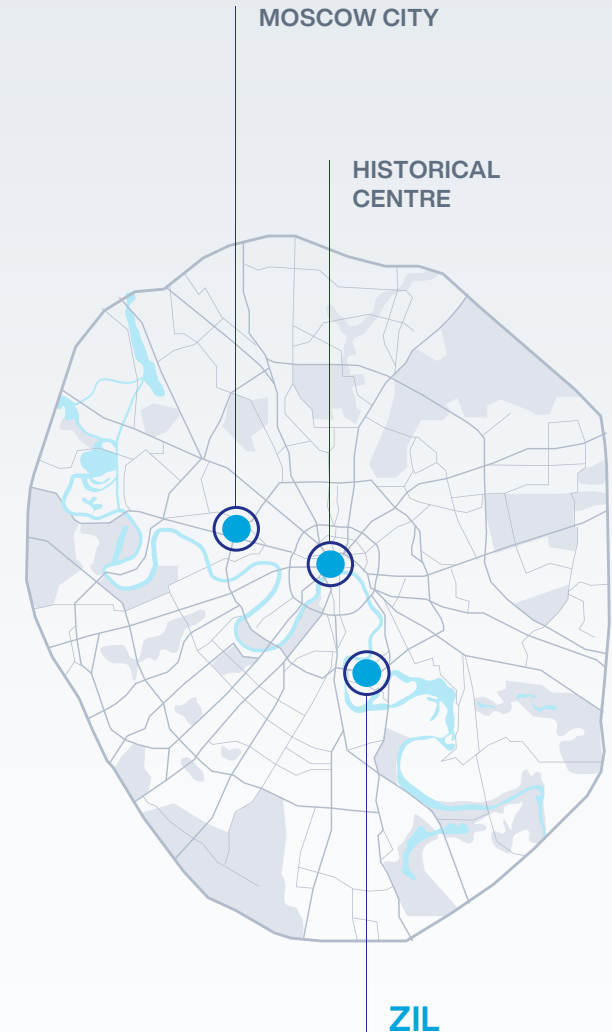


Residential area near water built to the highest standards for urban environment and quality of life is rarely found in any city



“In 15 years Moscow will have three centres: a historical centre within the Garden Ring, ‘Moscow City’ and the ZIL Southern port district.”

SERGEY KUZNETSOV
Chief City Architect
since 2012



THE FIRST 15-MINUTE CITY CONCEPT IN RUSSIA

HOW ARE WE DEVELOPING THE PROJECT?

CONTEXT

The first 15-minute city project in both Moscow and Russia

HIGHEST INDUSTRY STANDARDS

Applying principles like “my street”, urban environment, “master plan for happiness”

LEADING URBAN EXPERTISE

Inputs from urbanists, urban planners, technologists, sociologists

KEY PRINCIPLES:

ENVIRONMENT BEFORE CONSTRUCTION

- Mixed-use strategy
- Pedestrian routes
- Public spaces
- Vehicle traffic
- Safety

COMMUNITY AND SOCIAL INCLUSIVENESS DEVELOPMENT

- Diversity
- Density distribution
- Human scale design code
- Daily user routes design
- Separating main roads and pedestrian paths
- Many different routes
- Great variety of housing types



ZIL-YUG—BRINGING TOGETHER COMPETENCIES

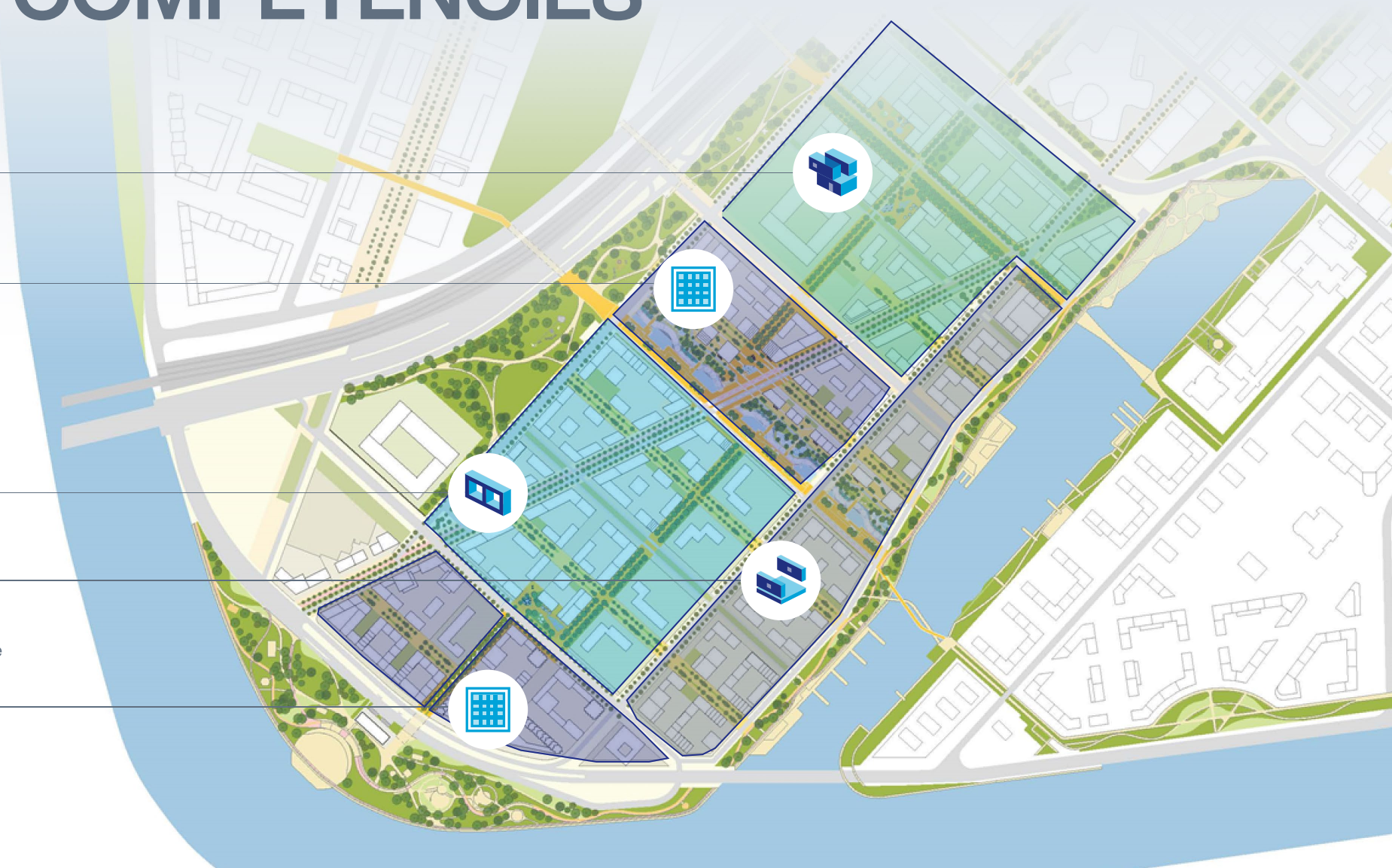
Modular buildings that can be quickly assembled and offer rental apartments next to ZIL-Vostok business district

Hybrid buildings will be erected around the central passage and square near the centre of activity for the project

Standardised offerings in pre-fabricated buildings

Buildings in backwater eco-zone will use CLT construction technique

First stage and second stage in cast-on-site to test demand for new layouts Etalon 2.0 product



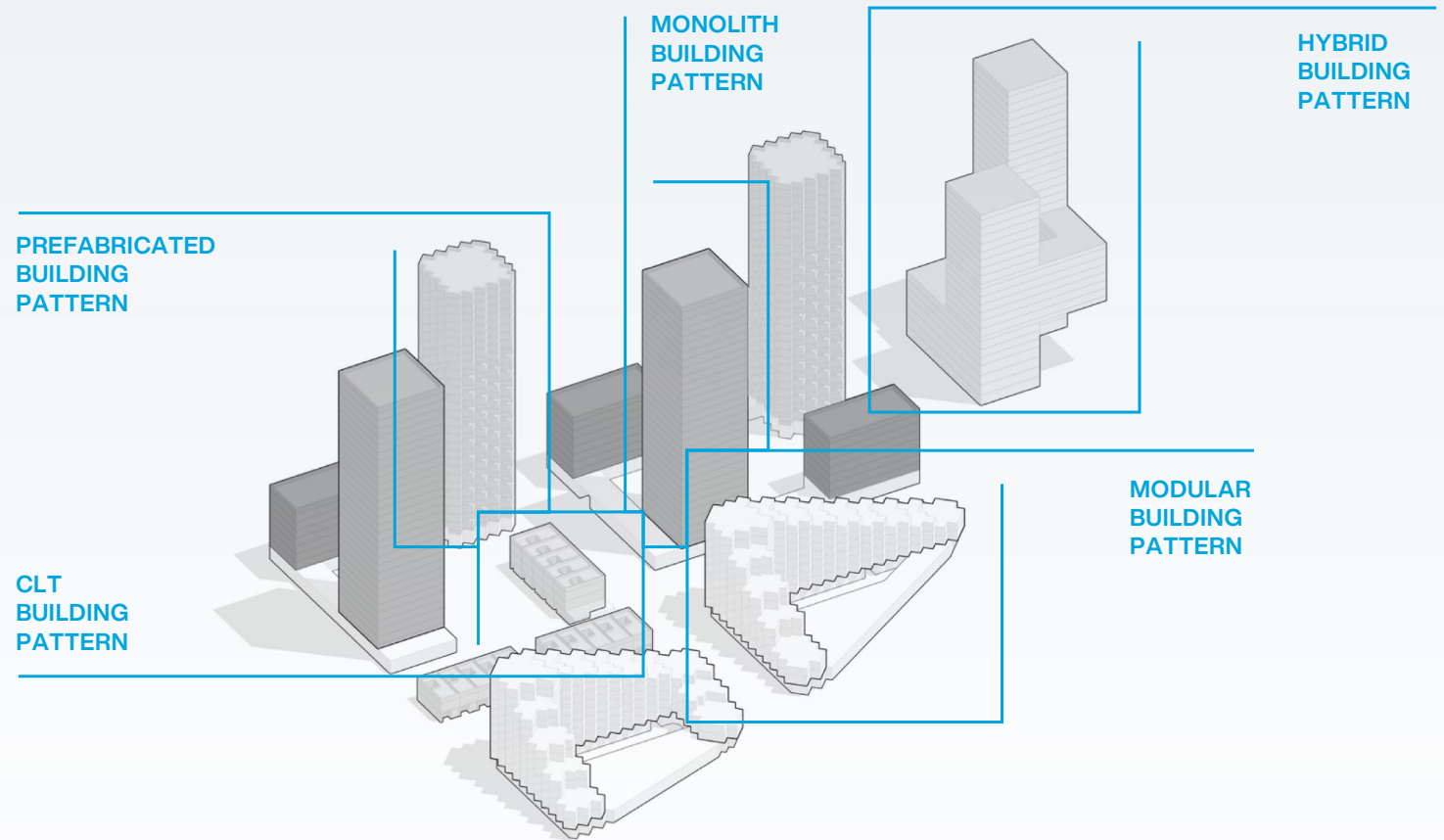
FIRST STAGE

KEY PROJECT DEVELOPMENT PRINCIPLES

Unlimited variability of finished product with full standardisation of technical solutions



Reduction and simplification of operations at the construction site



NEW CONSTRUCTION TECHNOLOGY

MODULAR BUILDING PATTERN

Modular architecture
Testing of potential floorplans
and module combinations



NEW CONSTRUCTION TECHNOLOGY



PREFABRICATED BUILDING PATTERN

- Standardised utilities platform
- Off-the-shelf floorplans (small, medium and large)
- Unified column spacing and room depth

NEW CONSTRUCTION TECHNOLOGY

CLT BUILDING PATTERN

Panels for townhouses are
made from CLT produced
by Segezha



NEW CONSTRUCTION TECHNOLOGY

APARTMENTS

PUBLIC GREEN SPACES

COMMERCIAL PREMISES

COMMUNITY SQUARE



HYBRID BUILDING PATTERN

PRIVATE OPEN SPACES FOR RESIDENTS

TWO-LEVEL APARTMENTS AND OFFICE STUDIOS

NAGATINO I-LAND FIRST STAGE CASE STUDY

ZIL-YUG

1.2 mn
sq m

NAGATINO I-LAND

0.5 mn
sq m

NAGANINO I-LAND
PRELIMINARY RESULTS

FIRST STAGE NSA

42.4 thsd
sq m

SEGMENT

MID-MARKET
(BUSINESS)

SALES START

NOVEMBER
2019

PRE-SALE PERIOD

9 months

APARTMENTS PRICE⁽¹⁾

>216 thsd RUB
per sq m

PRE-SALE RATIO

50%



⁽¹⁾ Apartment price in 3Q 2020

ZIL-YUG

UNIQUE ARCHITECTURE

FIRST 15-MINUTE CONCEPT
PROJECTS IN RUSSIA DEVELOPED
BY THE NETHERLANDS
ARCHITECTURE FIRM KCAP

MOST TECHNOLOGICALLY ADVANCED

RESIDENTIAL DEVELOPMENT
PROJECT IN RUSSIA, USING
EVERY MODERN HOUSING
CONSTRUCTION METHOD

12

 years

UNTIL PROJECT IS FULLY
COMPLETED

>80

 thsd
sq m

MINIMUM ANNUAL SALES
TARGET IN THE MIDDLE OF THE
CONSTRUCTION CYCLE

230+

 thsd RUB
per sq m

PRICE PER SQ M FOR
APARTMENTS AT THE START

35%+

GROSS PROFIT
MARGIN

SUPPORTED BY BOTH PRICE
AND CONSTRUCTION COST

SALES AND MARKETING

**VASILIIY
FETISOV**

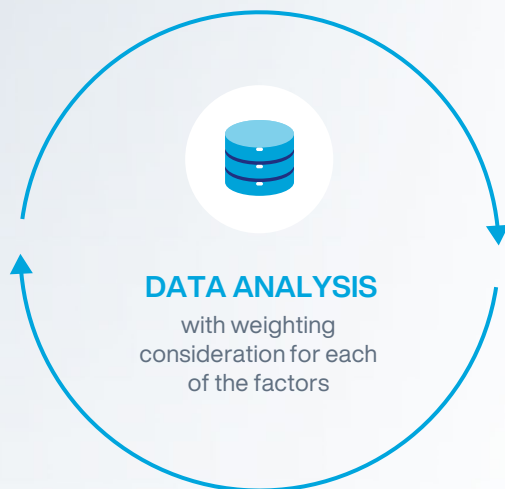
Head of Sales,
Moscow Operations



UNIQUE AI-DRIVEN DYNAMIC PRICING SYSTEM

DATA

24/7 ONLINE
DATA ON PRICE
FACTORS



Up to 5%

Increase in the sales price for each project



LEARNING DECISION ALGORITHM

based on the following factors:

INTERNAL

- Assortment balance and structure
- Actual sales plan
- Construction stage
- Funding requirement (escrow accounts)
- Client activity (visits, requests, site traffic)

EXTERNAL

- Competitor sales rates
- Competitor selling prices
- Competitor promotions and discounts
- Stage of construction
- Competitor assortment

**BEST
DAILY PRICE
RECOMMENDATION**

PROFITABILITY UPSIDE

10 bn
RUB

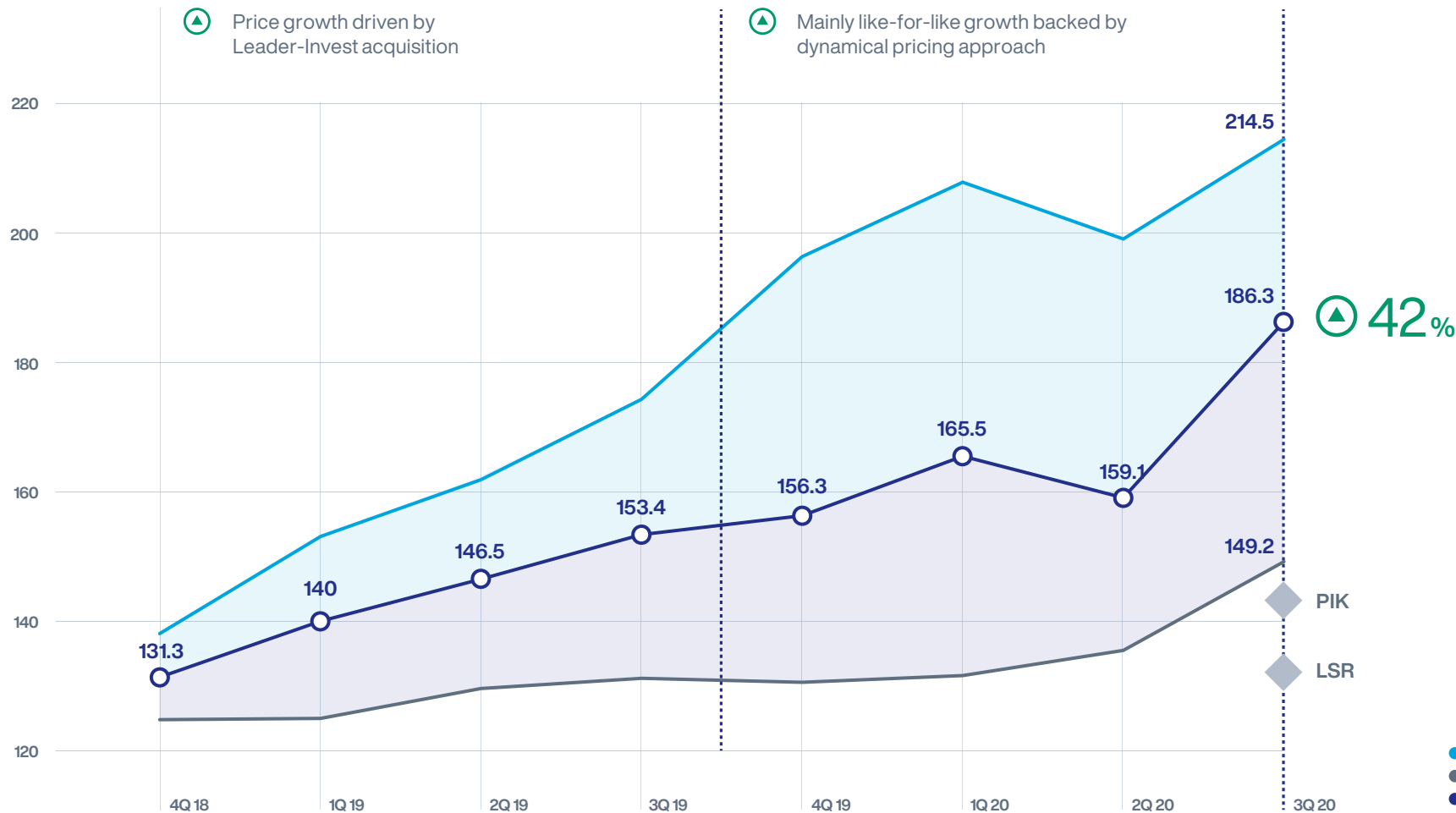
MONTHLY SALES TARGET

60 thsd sq m at 170 thsd RUB per sq m

vs

70 thsd sq m at 145 thsd RUB per sq m

INDUSTRY-LEADING PRICE PERFORMANCE



- Use of dynamic pricing system combined with improved product offering resulted in **industry leading average apartment price dynamic since the beginning of 2019**
- Strong pricing dynamics support continued growth in new contact sales in monetary terms, while **preserving the most liquid part of landbank**
- **Price over volumes strategy will support recovery in profitability** until new standardised offering is fully implemented in Etalon Group's portfolio
- Etalon Group only increased price based on a market-driven approach, without intention to overheat the market

PIK
LSR

MORE DEMANDING YOUNGER CONSUMERS ARE DRIVING CHANGE

“BUSINESS-TO-COMMUNITIES” FOCUS

CONSCIENTIOUS CONSUMER

- Demand for sustainability and reduced carbon footprint
- Growing value of safety
- Urban and household health

PANDEMIC FOOTPRINT

- Increased demand for properties: home as a space for living and working
- 15-minute city services

CHANGE IN CONSUMER PROFILE

- Active consumption by millennials
- Generation Z entering the market

×10

INCREASE IN POTENTIAL CUSTOMERS

From people sharing positive buying experience

84%

of consumers

Believe online reviews or recommendations by friends

4–8%

FASTER ANNUAL REVENUE GROWTH

For companies with best customer experience

10–20%

REVENUE INCREASE

15–25%

COST REDUCTION

Potential results from customer journey programmes

CUSTOMER EXPERIENCE

CONSUMERS BECOME SELECTIVE

- Nudging is replacing traditional advertising

WORKING WITH THE CLIENT EXPERIENCE

- Other than production costs, new products are quickly copied by competitors

“ONLINE” ALONE DOES NOT CREATE VALUE

- New digital services are not in demand if they are not based on behaviour



BIG DATA-DRIVEN ANALYSIS OF TARGET AUDIENCES WILL IMPROVE INTERACTIONS

HIGHER NPS AND NEW SALES

BACKED BY PERSONALISED ADVERTISING AND PROMOTIONS

LOWER MARKETING EXPENCES

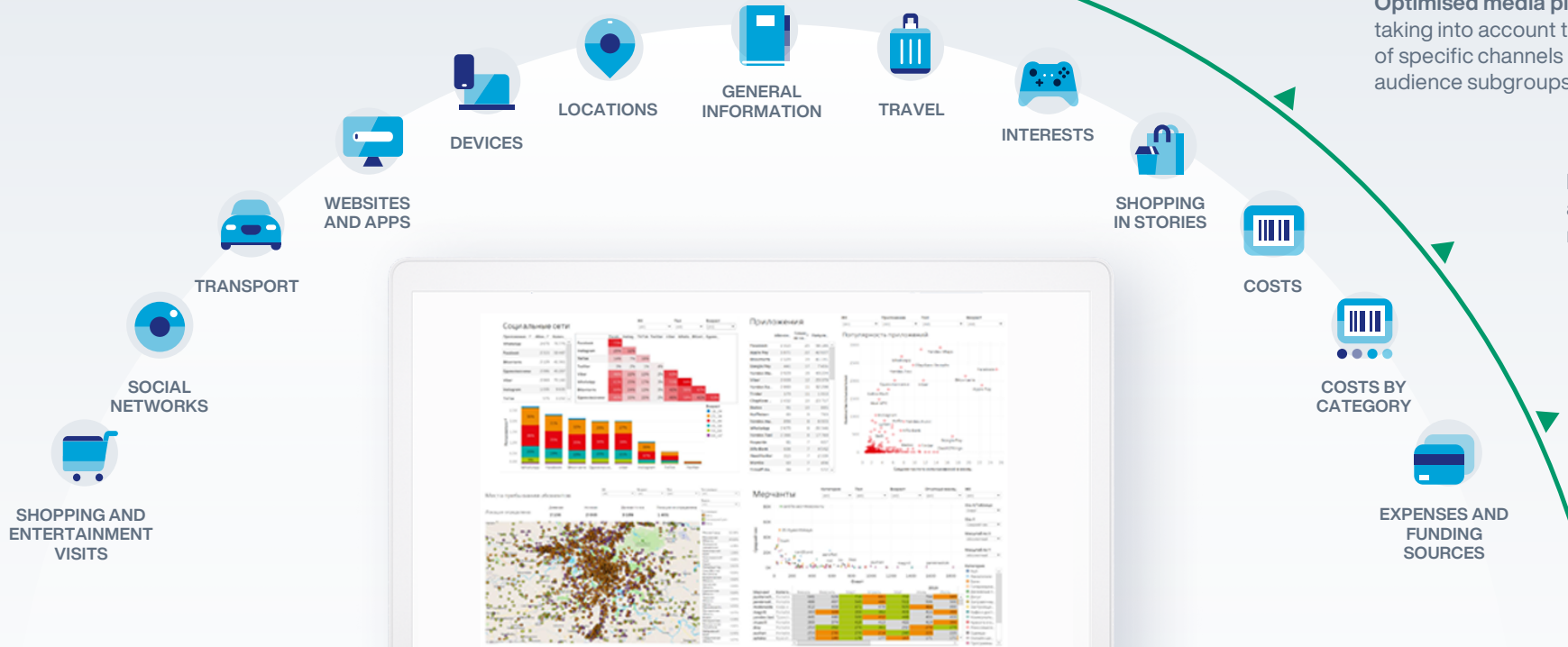
DUE TO INCREASE IN EFFECTIVENESS OF ADVERTISING

Placement of outdoor and indoor advertising in places visited by the target audience

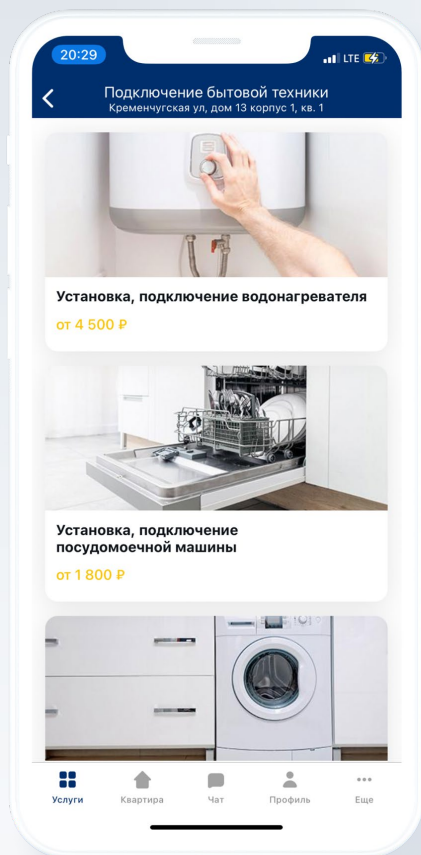
Optimised media planning taking into account the productivity of specific channels for target audience subgroups

Individual advertising, promotions and loyalty programmes for specific residential complexes

Clearer messaging, the right influencers, media plan optimisation based on "interest/message"



DEVELOPING B2C SERVICES TO IMPROVE CUSTOMER LOYALTY



IMPROVED TRADITIONAL OFFERING

PLUS NEW SERVICES



COMMUNAL SERVICES PAYMENTS



HOUSEHOLD SERVICES



CHAT WITH SERVICE COMPANY



SMART HOME SYSTEM



FOOD AND ONLINE SHOPS



SURVEYS (CUSTOMER JOURNEY DATA)

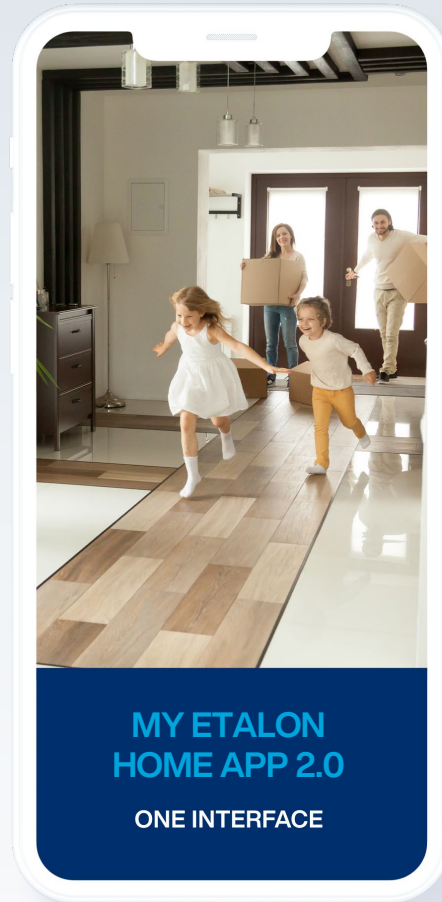
- The large base of potential users residing in buildings constructed by Etalon Group gives access to 350 thousand residents
- Annual subscriber base growth is 10–15 thousand people after the delivery of a project
- Etalon Group seeks to convert the majority of residents into app users by expanding the range of additional services, as well as by providing high-quality feedback to residents' requests
- Development of additional services in cooperation with reliable partners will be handled by the Etalon. Partnership programme
- Promotions and cash back for additional services provided to Etalon product buyers
- Ensuring growth in service quality, increasing the level of customer loyalty and feedback

MY HOME ETALON APP

INTERACTIONS WITH CLIENTS AT EVERY STAGE OF THE CLIENT JOURNEY

FOR BUYERS

- Option to choose
- Option to schedule site visit
- Option to buy online
- Bonus programme for real estate purchase



- Personalised customer communication
- Increase customer conversion for Etalon's main product (residential property)
- Net promoter score and customer lifetime value growth
- Developing communities as a new customer unit

FOR RESIDENTS

- More services
- Bonus programme for real estate purchase and service
- Use of bonuses to pay for additional services

PREDICTIVE ANALYTICS HELP IMPROVE PRODUCT PRIOR TO LAND ACQUISITION

DATA

- Competitors' proposals
- Competitors' sales
- Share of unsold apartments
- Portfolio of competitors' projects
- Active promotions and news
- Apartments already sold
- Current average price
- Land plots for sale
- Construction permits issued

BIG DATA SYSTEM

REAL-TIME AND FORECASTED DATA ANALYSIS



OUTPUTS

SUPPORT FOR NEW PRODUCT LAUNCH

- Starting price and sales rate
- Pricing model based on wide range of apartment characteristics
- Sales plan taking into account seasonality, construction stage, apartment design and other apartment characteristics
- Dropout rate model by apartment types (predictive)

INPUTS FOR DECISION-MAKING ABOUT NEW PROJECT ACQUISITION

- Current and potential selling price for the new project
- Competition density in a particular location at project's start date—sales pace forecast
- Targeting product segment and apartment mix
- Inputs for fair land price calculation (NPV, IRR) based on system's outputs



IDENTIFICATION
OF FACTORS AND
DATA COLLECTION



MODEL
CALCULATION

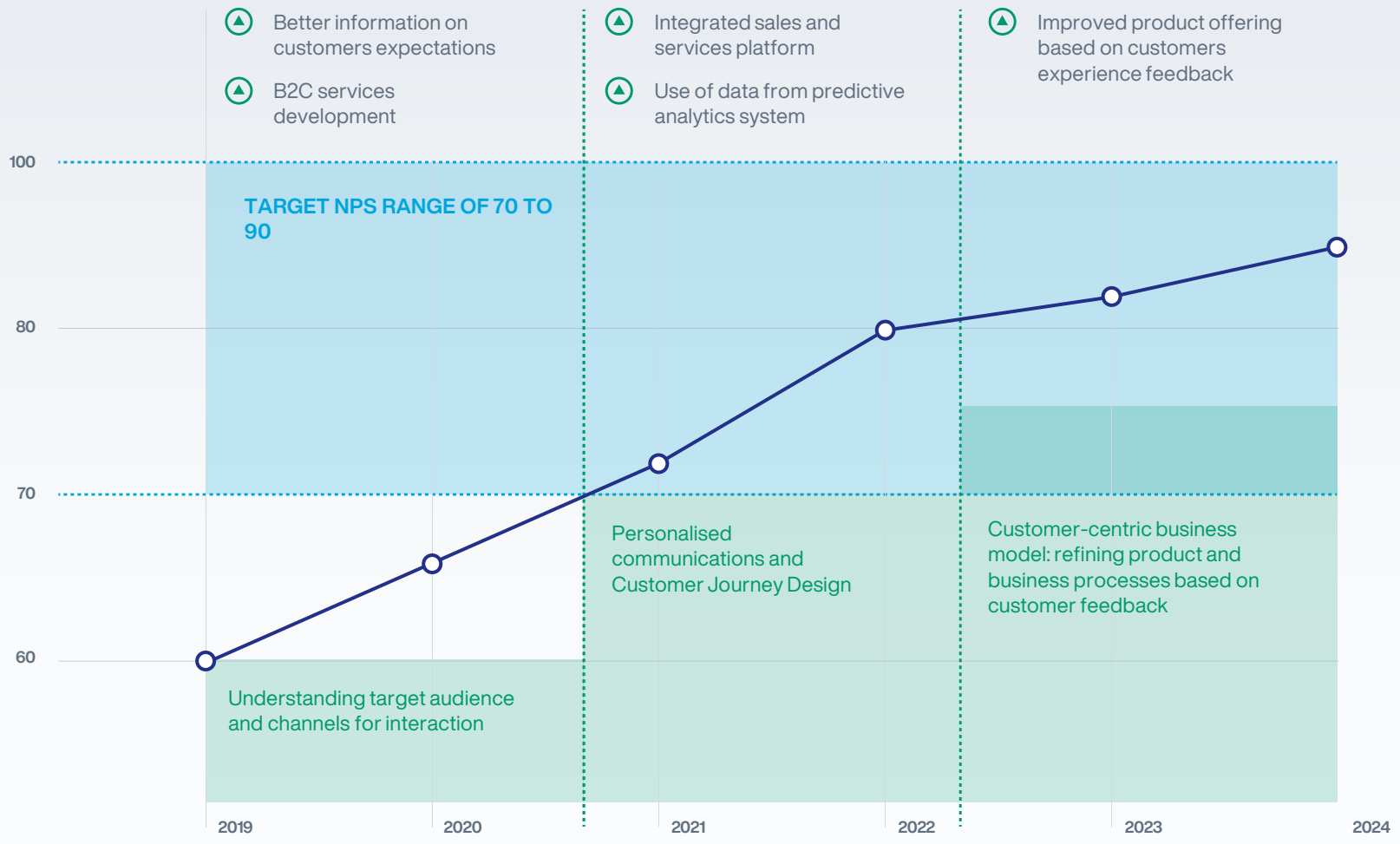


DATA PREPARATION
AND ANALYSIS



DATA
VISUALISATION
(DASHBOARD)

NET PROMOTER SCORE DEVELOPMENT



- NPS assessed at all stages of the Customer Journey (online platforms, calls, visits, transactions, living in fit-out apartments) and targeting higher satisfaction levels for each stage between now and 2024
- Customers Journey Design—transformation of business processes based on analysis of customer issues, smart tools that enhance **decision making**
- Progressive growth in satisfaction driven by deep understanding of the customer experience and creating value for customers
- Increasing the life cycle of interaction with a client as a tool for increasing revenue (**full understanding of the client's expectations from the moment the Etalon Group acquires a new project to purchase, residence and use of services**)

● Net promoter score index development (range—100 to 100)

IMPLEMENTATION RESULTS

+5%

FURTHER INCREASE IN SALES PRICE

at each project powered by AI-driven dynamic pricing system and the best product range

DEMAND SUPPORTED BY MORE ATTRACTIVE PRODUCT

due to better understanding of competitive environment together with integration of additional partner services to a digital platform

70–90

NPS TARGET LEVEL

backed by deep understanding of customer experience and value created for customers. Business processes to be transformed based on analysis of customer feedback

c. 40%

RATE OF RETURN CUSTOMERS (REPEAT PURCHASE)

driven by implementation of online sales office and conversion of the majority of residents into app users. Each satisfied client may bring 2–3 new customers

15%  20%

OPTIMISATION OF MARKETING COSTS

optimisation of end-to-end analytics that make it possible to understand product promotion channels from the first click to the purchase

>10%

REDUCTION IN ADVERTISING BUDGET

while maintaining sales levels and adopting digital solutions to optimise operations

FINANCIALS

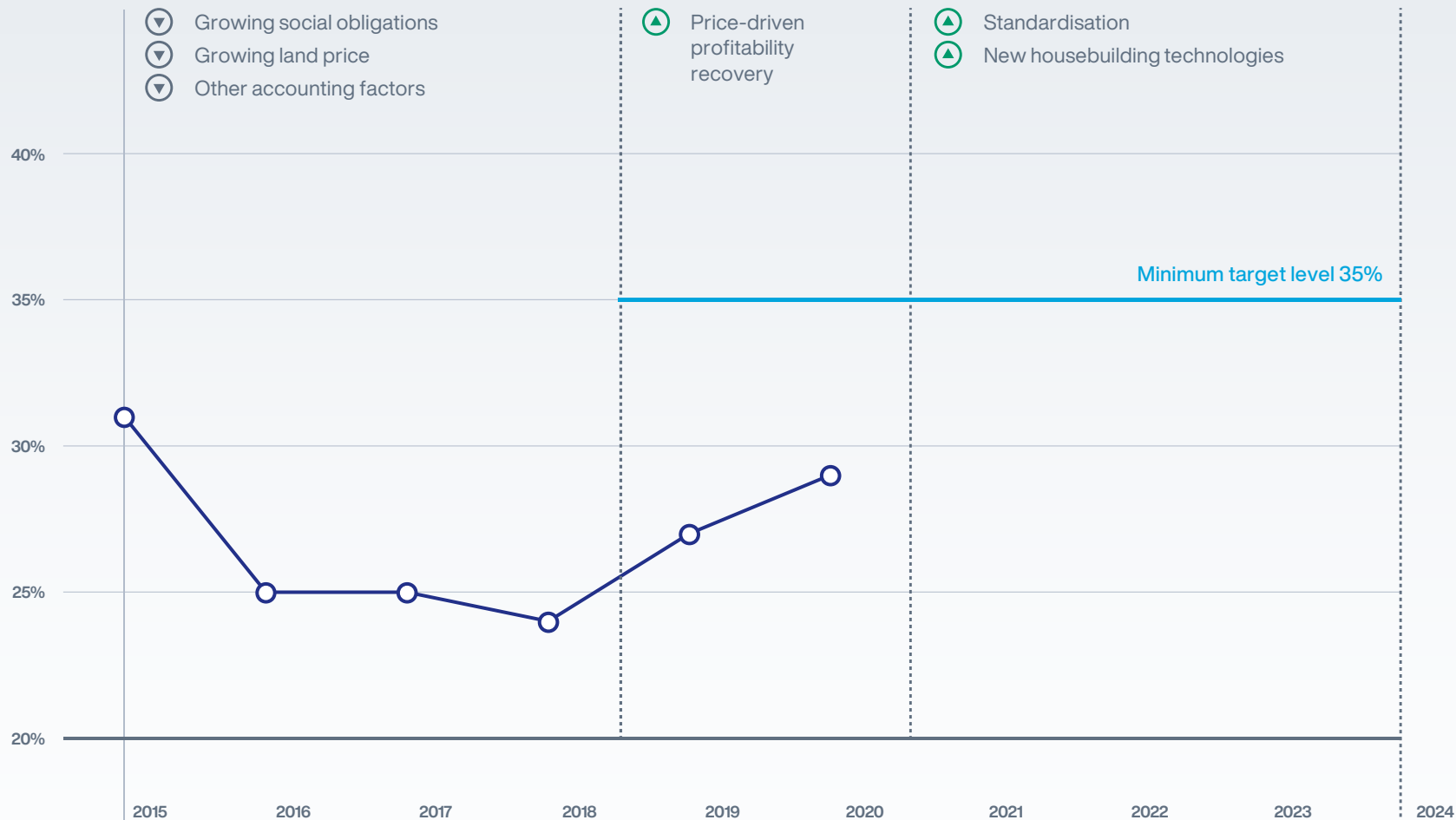
65

**ILYA
KOSOLAPOV**

Chief Financial Officer



IMPROVING BUSINESS PROFITABILITY



- Recovery in profitability of projects currently under construction driven by **positive property price dynamics**, due to strong demand supported by the subsidised mortgage programme
- Reaching target profitability level of 35% on the strategic horizon as a result of **standardisation and the use of new construction technologies**, even with restrained price growth just a few p.p. above inflation
- Acquisition of non-zoned land** plots and launch of sales within 24-36 months will provide additional support to stabilise profitability

○ pre-PPA consolidated gross margin

SHIFTING TO THE ESCROW MODEL

c. 30%

VIA ESCROW

50–60%

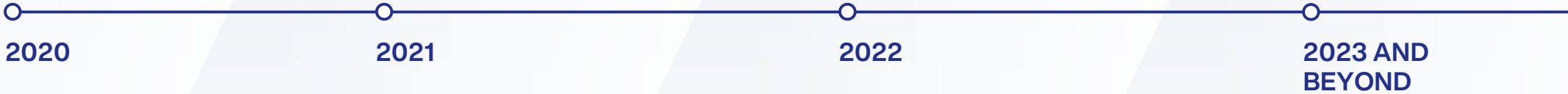
VIA ESCROW

70–80%

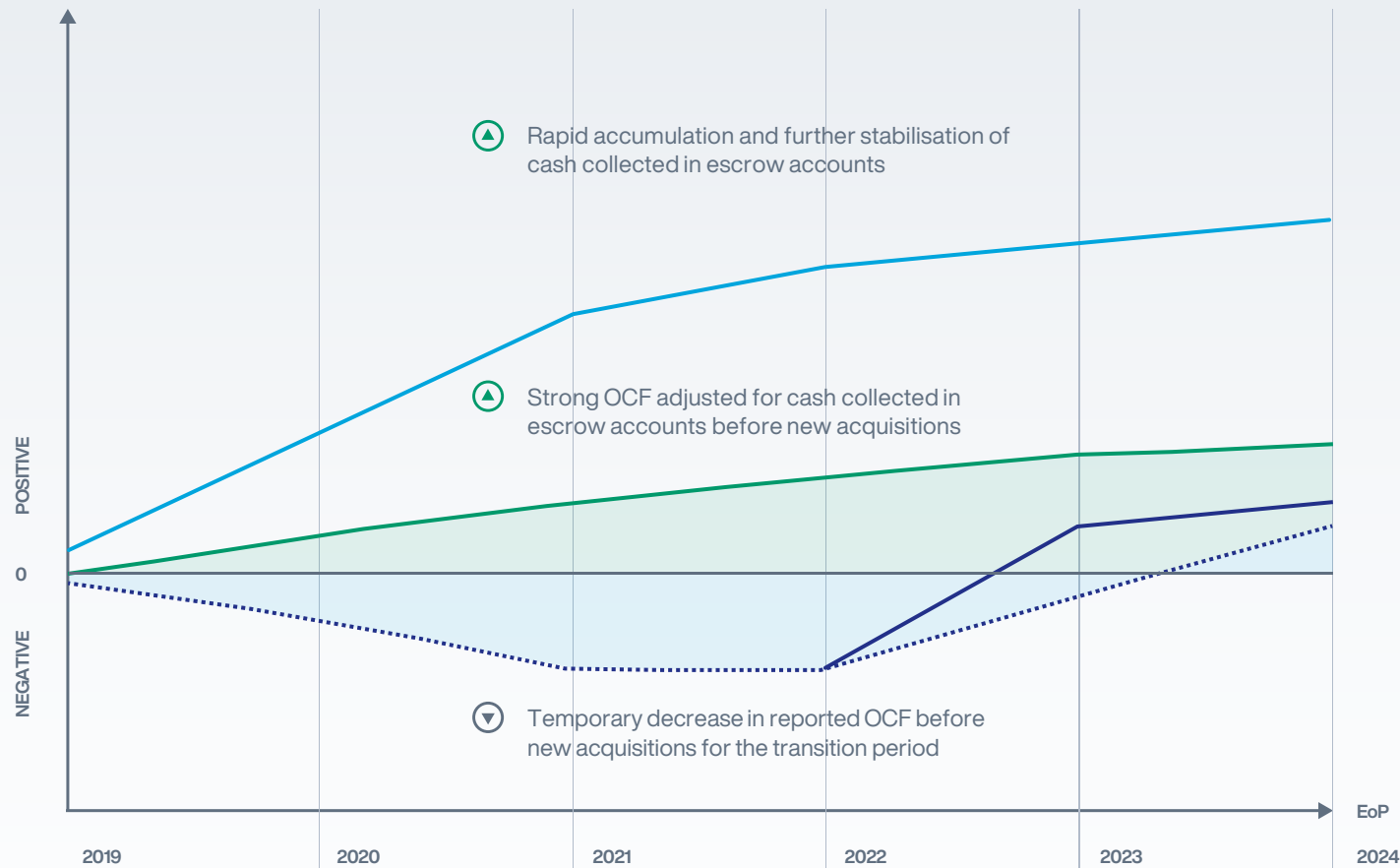
VIA ESCROW

80% of total

VIA ESCROW, INCL.: ALL IN PROJECT UNDER CONSTRUCTION.
SALES IN POST-COMPLETION PERIOD WITHOUT ESCROW.



CASH FLOW GENERATION UNDER NEW RULES

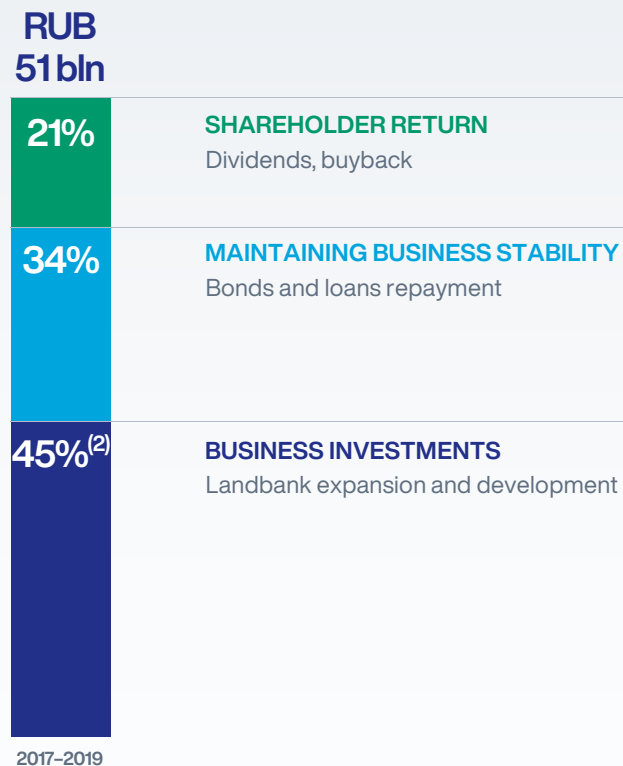


- The switch to settlement using **escrow** accounts on the strategic horizon **will affect as-reported operating cash flow**
- **Positive cash flow generation adjusted for funds held in escrow accounts enables decision-making about capital allocation** taking into account the guaranteed release of escrow funds following the delivery of residential projects built under new regulation
- Switching to **new types of residential construction will enable faster release of escrow funds** and facilitate the stabilisation of as-reported operating cash flow earlier on a shorter time horizon

- OCF as reported
- OCF with new housebuilding technologies
- OCF adjusted
- Money on escrow accounts

CASH RETURNS AND CAPITAL ALLOCATION

2017 TO 2019 CUMMULATIVE OPERATING CASH FLOW BEFORE NEW ACQUISITIONS⁽¹⁾ DISTRIBUTION



⁽¹⁾Including interests received on deposits
⁽²⁾Based on management accounts data

CAPITAL ALLOCATION PRIORITIES THROUGH 2024

ALLOCATION BASE:

- 2020-2024 operating cash flow adjusted for cash collected in escrow accounts before land acquisitions

SHAREHOLDER RETURN IN FORM OF DIVIDENDS:

- Minimum dividend payment of at least RUB 12 per GDR
- Dividend expansion upside to 40-70% of net profit, once reported net profit returns to sufficient levels

SUSTAINABLE BUSINESS INVESTMENTS:

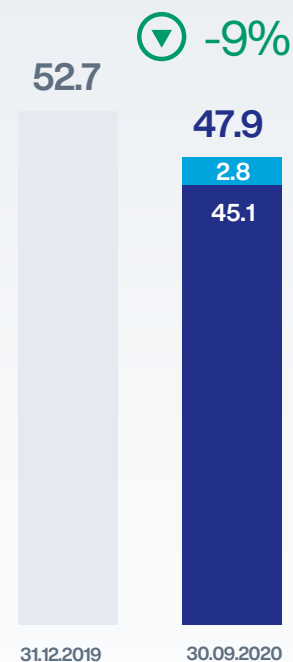
- Acquisition of new land to stabilise project portfolio in St Petersburg
- Land bank annual replenishment by at least amount sold during the period
- Value-creating expansion to new regions/segments and non-organic growth opportunities
- Fund R&D and digital transformation investments with attractive returns

MAINTAINING BUSINESS STABILITY:

- Debt repayment to maintain strong financial position with net corporate debt to pre-PPA EBITDA between 2.0x to 3.0x

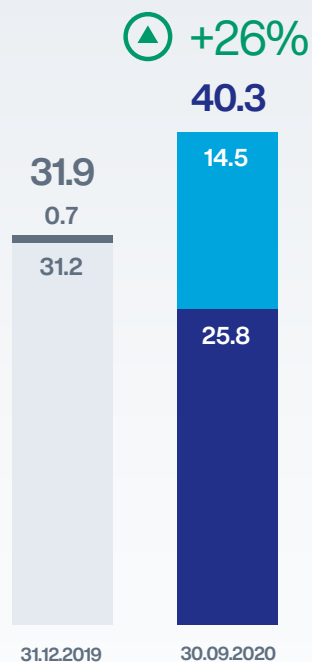
ROBUST FINANCIAL POSITION AFTER 9M 2020

TOTAL DEBT
bn RUB



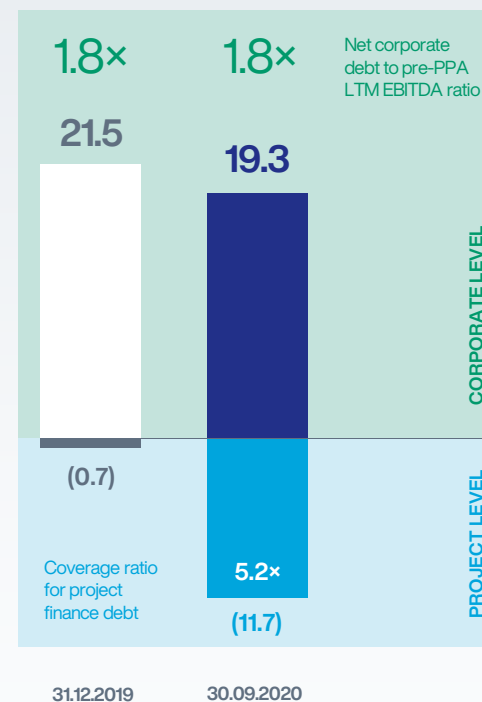
● Project debt, bn RUB
● Corporate debt, bn RUB

CASH AND CASH EQUIVALENTS
bn RUB



● Cash in escrow accounts, bn RUB
● Cash & cash equiv.⁽¹⁾, bn RUB

NET DEBT (CASH)
bn RUB



● Net project debt (cash)⁽³⁾, bn RUB
● Net corporate debt⁽²⁾, bn RUB
● Net corporate debt to pre-PPA LTM EBITDA
● X.Xx Coverage ratio for project finance debt

- Continuously decreasing corporate gross debt level even after RUB 30 bn M&A in 2019 supported by strong cash flow generation from projects realised under previous rules and instalments received for previously sold property
- Net corporate debt to pre-PPA LTM EBITDA stood at a comfortable level of 1.8x
- Net debt, adjusted for net project finance cash, under previous rules would amount to just RUB 7.6 bn
- All project finance obligations are well covered to get reduced interest rate from 0% to 3.5%

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

STRATEGY 2024

FINANCIAL TARGETS

		NOW ⁽¹⁾	2024
1	NEW CONTRACT SALES GROWTH	Flattish y-o-y	Strong double digit
2	PRE-PPA GROSS MARGIN	29%	>35%
3	SG&A TO REVENUE	14.1%	10%
4	PRE-PPA EPS GROWTH	< Revenue growth	> Revenue growth
5	NET CORPORATE DEBT TO PRE-PPA EBITDA	1.8x	2x-3x
6	REPORTED OCF	Negative	Positive
7	DIVIDENDS	RUB 12 per GDR	min. RUB 12 per GDR + net profit growth upside

⁽¹⁾Based on financial results as of 30.06.2020 (Financial position on 30.09.2020) and operating results for 9 months 2020

ETALON GROUP AS AN INVESTMENT

WHAT WE AIM TO ACHIEVE

RESULT IN

1

Attractive growth profile supported by higher loyalty to Etalon product, as well as wider product offering in core regions and Russia-wide

**SALES AND REVENUES
STRONG DOUBLE-DIGIT
GROWTH**

2

Industry-leading profitability backed by standardisation of offering and use of new construction technologies

**GROSS PROFIT
MARGIN ABOVE 35%**

3

Operational excellence supported by end-to-end value chain digitalisation

**INDUSTRY-LEADING EBITDA
MARGIN SUPPORTED BY
SG&A COSTS C. 10% OF
REVENUE**

4

Return to positive cash flow generation after full escrow implementation, supported by shorter-cycle industrial home building technologies

**POSITIVE OPERATING
AND FREE CASH FLOW
GENERATION**

5

Generous dividend distribution supported by optimised capital allocation and highly transparent declared dividend policy

**GUARANTEED DIVIDEND
OF RUB 12 PER GDR,
PLUS UPSIDE**

CORPORATE GOVERNANCE AND MOTIVATION

SERGEY EGOROV

Chairman of the Board

DENNIS VINOKOUROV

Independent Non-Executive Director



BOARD COMPOSITION AND OWNERSHIP

BOARD OF DIRECTORS COMPOSITION

 <p>SERGEY EGOROV</p> <p>(C) (R)</p>	 <p>OLEG MUBARAKSHIN</p> <p>(R)</p>	 <p>MAXIM BERLOVICH</p> <p>(E)</p>
 <p>DENNIS VINOKOUROV</p> <p>(I)</p>	 <p>MARTIN COCKER</p> <p>(I)</p>	 <p>BORIS SVETLICHNY</p> <p>(I)</p>
 <p>MARINA OGLOBLINA</p> <p>(I)</p>	 <p>GANNA KHOMENKO</p> <p>(I)</p>	 <p>CHARALAMPOS AVGOUSTI</p> <p>(I)</p>

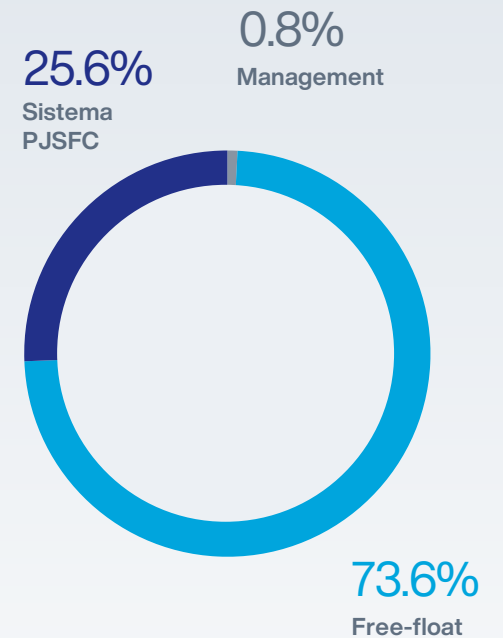
9 BOARD OF DIRECTORS MEMBERS

- (C) Chairman
- (R) 2 Representatives of Sistema PJSFC
- (E) 1 Executive Director
- (I) 6 Independent Directors

4 BOARD COMMITTEES

1. Strategy Committee
2. Remuneration & Nomination Committee
3. Audit Committee
4. IR and Information Disclosure Committee

SHAREHOLDER STRUCTURE⁽¹⁾



GENERAL CORPORATE GOVERNANCE PRINCIPLES

STEP 1:

ALIGNMENT OF INTERESTS

- Relationship agreement signed between Etalon Group and Sistema PJSFC

Key principles:

- The Company will be managed in accordance with the principles of good governance
- Only arm's length basis transactions
- Sistema's representatives on the Company's Board of Directors will not vote on any transaction or arrangement between Sistema and Etalon Group

STEP 2:

FEEDBACK AND INTERACTION

- IR and Information Disclosure committee established to improve interaction between BoD and minority shareholders
- Perception study carried out by IHS Markit to understand key areas for improvement
- Results of IHS Markit survey will be used to improve Corporate Governance at Etalon Group

STEP 3:

TRANSFORMATION

- Final transition from family governance model to institutional corporation
- Reforming corporate governance

Key principles:

- Proper distribution of authority between Russian and Cypriot Board levels
- All related party transactions are considered at Cypriot Board level (and Sistema Directors do not vote)
- Thresholds for large transactions are brought up to date and are consistent with the company size and best practices

MANAGEMENT INCENTIVE SYSTEM BUILT TO ALIGN INTEREST OF MANAGEMENT AND SHAREHOLDERS

	KPI	INCENTIVE AMOUNT	EMPLOYEES IN PROGRAMME	PAYMENT
SHORT-TERM INCENTIVE (STI)	<ul style="list-style-type: none"> New contract sales Gross margin EBITDA Dividends Net debt 	20% to 100% depending on grade	All senior and middle management	Once a year after publication of full year financial statements
LONG-TERM INCENTIVE (LTI)	<ul style="list-style-type: none"> Market capitalisation growth only 	5% of increase in market capitalisation if capitalisation increases by more than 20%	CEO and CEO-1 level only	Instalments over 3 years if the capitalisation remains above required level. If market capitalisation decreases below the KPI threshold in a given period, the rest of the incentive shall not be paid

ESG

PETR KRYUCHKOV

Head of Corporate
Investments and Strategy



SDGs CHOSEN BY ETALON GROUP

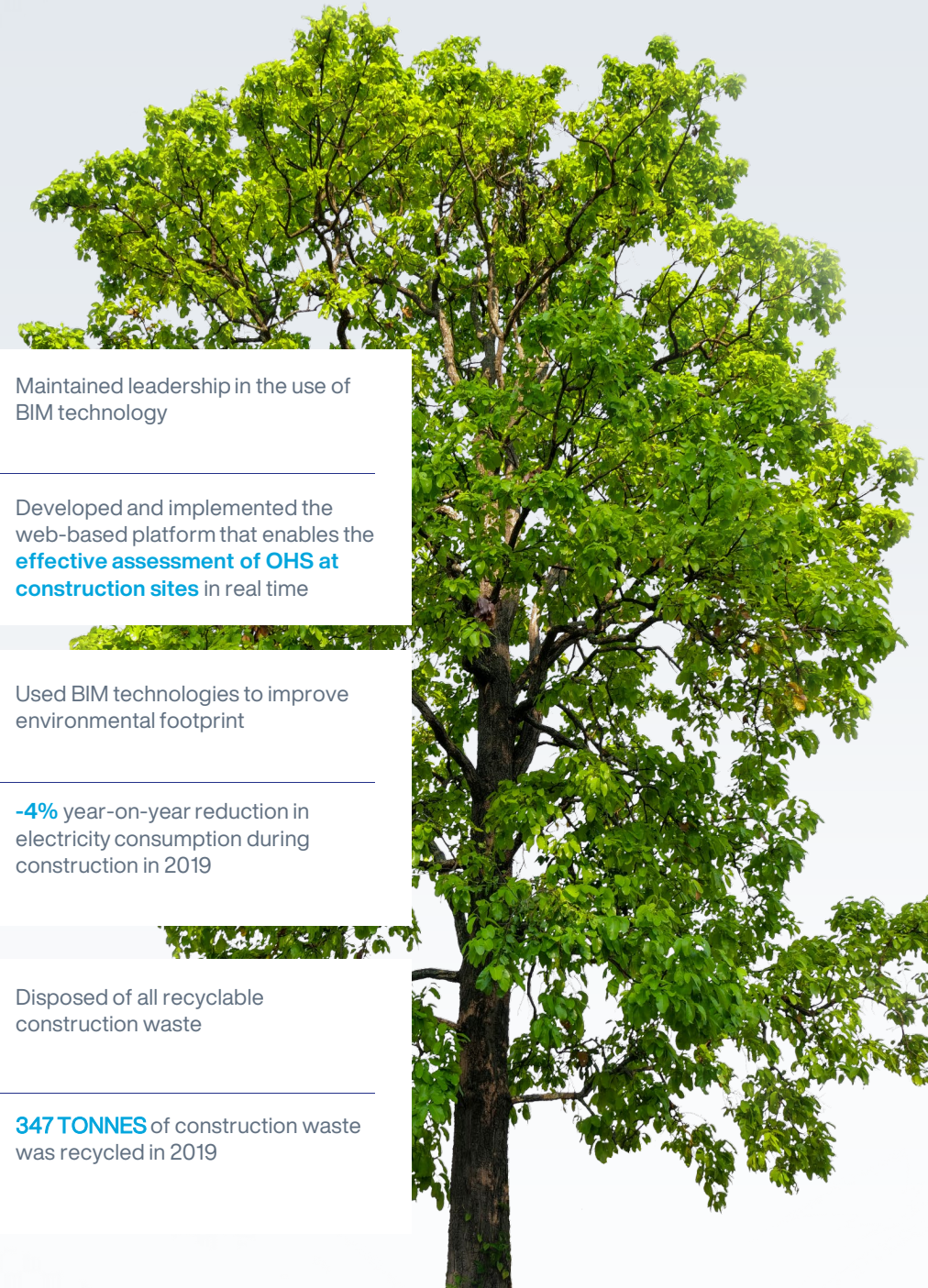
UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

- We identified 8 SDGs⁽¹⁾ that are aligned with our business activities and to which we can make a meaningful contribution
- As we refine our sustainability strategy and define specific, measurable goals, the list of SDGs may be modified and narrowed down in order to focus on the ones where we can have the most impact



⁽¹⁾ Etalon Group has not yet joined the principles of the UN Global Compact, but already supports its activities

2019: ACTIONS AND RESULTS



ACTIONS 673 employees completed training in operational health and safety

RESULTS **ZERO FATALITIES** or accidents leading to disabilities



ACTIONS Maintained leadership in the use of BIM technology

RESULTS Developed and implemented the web-based platform that enables the **effective assessment of OHS at construction sites** in real time



ACTIONS Opened four preschools, an early-stage primary school, a secondary school and a choreography school

RESULTS **2,150 STUDENTS** capacity of the opened educational facilities



ACTIONS Used BIM technologies to improve environmental footprint

RESULTS **-4%** year-on-year reduction in electricity consumption during construction in 2019



ACTIONS Optimised logistics routes at construction sites

RESULTS **-12%** year-on-year reduction in fuel consumption during construction in 2019



ACTIONS Disposed of all recyclable construction waste

RESULTS **347 TONNES** of construction waste was recycled in 2019

NEW STRATEGIC INITIATIVES AND ESG GOALS

CLT BUILDING CONSTRUCTION

LIMITED NOISE for people living in CLT buildings due to the material's natural sound insulation

NEUTRAL CARBON FOOTPRINT over the lifetime of a CLT building⁽¹⁾

BEST ECO INDEX 3 for solid timber construction material (influence on the environment)⁽²⁾



LANDBANK STRUCTURE

CREATING OF EDUCATIONAL AND SOCIAL INFRASTRUCTURE

Due to the presence of one big anchor and several medium-sized integrated development projects in each core city, we will create education and social infrastructure for new residents



MODULAR BUILDING CONSTRUCTION

-50% IN SITE CO2 EMISSIONS for a modular building comparing to a standard building⁽³⁾

-30% SITE WATER CONSUMPTION

ZERO WASTE GENERATED ON SITE



B2B SERVICES, PARTNERSHIP FOR BUILDING ALLIANCES

By creating different partnership alliances and offering other companies access to our technologies via B2B services, we will expand our know-how to other companies,

PROMOTING SUSTAINABLE INDUSTRIALISATION AND FOSTERING INNOVATION



⁽¹⁾ Source: Royal Institution of Chartered Surveyors

⁽²⁾ Source: Okoindex3

⁽³⁾ Source: Royal Institution of Chartered Surveyors, estimated data for modular building created under Design for Manufacture and Assembly method (DfMA)

FUTURE ESG DEVELOPMENT

1

DEVELOP ESG STRATEGY AND UNIFIED ESG POLICY WITH AIM TO INTEGRATE STRATEGICALLY SIGNIFICANT ESG ISSUES INTO THE BUSINESS STRATEGY

2

CONSIDER SUSTAINABLE DEVELOPMENT AT EVERY STEP OF PROJECT IMPLEMENTATION

3

INCREASE THE LIST OF TRACKED AND REPORTED QUANTITATIVE INDICATORS AND SET EXPLICIT GOALS

4

CONTINUOUSLY IMPROVE CORPORATE GOVERNANCE STANDARDS AND PRACTICES BY MEANS OF FEEDBACK FROM INSTITUTIONAL INVESTORS

5

EXTERNALLY ASSURE FUTURE ESG REPORTING

6

INCLUSION IN ESG INDICES

THANK YOU!

